

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

2001 ANNUAL REPORT

April 27, 2002

Important: Board of Directors of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

Independent director Li Fenglan was unable to assume the liabilities due to health problem and applied resignation to the Company, so Ms. Li was absent from the recent Board meeting.

Shenzhen Peng Cheng Certified Public Accountants issued an Auditors' Report with explanatory notes to which the Board of Directors and the Supervisory Committee made remarks in details. Investors are reminded to notice the part.

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 report shall prevail.

Contents

. Company Profile-----	
. Financial Highlight and Business Highlight-----	
. Particulars about the Changes in Capital Shares and Shareholders-----	
. Particulars about Director, Supervisor, Senior Executive and staff -----	
. Administrative Structure-----	
. Brief Introduction to the Shareholders' General Meeting -----	
. Report of the Board of Directors -----	
. Report of the Supervisory Committee-----	
. Important Events-----	
. Financial Report-----	
. Documents for Reference-----	

I. COMPANY PROFILE

1. Name of the Company
In Chinese: 深圳市物业（发展）集团股份有限公司
Abbreviation in Chinese: 物业集团
In English: Shenzhen Properties & Resources Development (Group) Ltd. (PRD)
2. Legal Representative: Tian Chenggang
3. Secretary of Board of Directors: Guo Yumei
Authorized Representative in Charge of Securities Affairs: Dong Wei
Tel: (86) 755-2211020
Fax: (86) 755- 2212043, 2212997
Liaison address:
42/F and 39/F, International Trade Center, Renmin Rd. S., Shenzhen, PRC
E-mail: szwygf@public.szptt.net.cn
4. Registered Address and Office Address of the Company:
39/F and 42/F, International Trade Center, Renmin Rd. S., Shenzhen, PRC
Post Code: 518014
5. Media Designated for Disclosing Information of the Company:
A-Share: Securities Times
B-Share: Ta Kung Pao
Internet Web Site Designated by CSRC for Publishing the Annual Report:
<http://www.cninfo.com.cn>
Place Where the Annual Report is Prepared and Placed:
Office of Board of Directors, 42/F, International Trade Center, Renmin Rd. S., Shenzhen, PRC
6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of Stock and Stock Code: Shen Wuye A (0011), Shen Wuye B (2011)
7. Registration Number for business license of Enterprise juristic person: 19217413-5
Registration Number for Taxation: 440301192174135
Domestic Certified Public Accountants:
Shenzhen Pengcheng Certified Public Accounts
Office Address: 7/F, Block A, Zhongshen Garden, Caitian Rd., Shenzhen
Overseas Certified Public Accountants: 12/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong

II. SUMMARY OF FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

(I) Accounting Data as of the Report Year (Unit: In RMB)

	<u>Total profit</u>	
Net profit	105,768,566.85	
Net profit after deducting non-recurring gains and losses	86,385,900.61	
Profit from main business lines	82,601,869.77	
Profit from other business lines	287,957,154.56	
Operating profit	3,831,514.14	
Investment income	113,026,105.17	
Subsidy income	-11,041,569.1	
	0	

<u>Net incomes/expenditures from non-operation</u>	3,784,030.84
Net cash flows arising from operating activities	133,563,365.47
Net increase in cash and cash equivalents	6,744,712.31

Note: items included in the non-recurring gains and losses and the amounts

Income from non-operation	7,965,102.13
Expenditure of non-operation	4,181,071.29
Total	3,784,030.84

Differences in net profit prepared under PRC GAAP and IAS:

	Profit after tax as of 2001 RMB'000	Net assets as at Dec. 31, 2001 RMB'000
As reported under PRC GAAP	86,386	309,442
Adjustments to confirm with IAS:	118	118
Unrealized profit from short-term investment		(4,000)
Adjustment on amount at year-begin	(263)	(4,493)
Adjustment on rent, cost and amortization of cost	4,142	(1,375)
Fixed assets	646	-
Prior year's adjustment on accounting for B share	6,227	626
Adjustment on accounting for A share as at the year-begin	(19,145)	—
Others	88	(7,520)
As reported under International Accounting Standards	78,199	292,798

(II) Major Accounting Date and Financial Indexes over the Past Three Years ended the Report Year (Unit: RMB)

Items	2001	2000		1999	
		After adjustments	Before adjustments	After adjustments	Before adjustments
<u>Income from main business lines</u>	1,021,639,372.64	526,791,452.85	658,120,332.85	542,238,262.97	549,238,262.97
Net profit	86,385,900.61	5,392,916.15	53,712,789.16	41,798,372.29	42,954,267.75
Total assets	2,448,633,703.29	2,719,831,834.77	2,667,288,668.25	2,387,206,412.98	2,397,362,024.53
Shareholders' equity (excluding minority shareholders' equity)	285,880,553.67	198,144,112.71	264,249,800.28	171,484,721.45	189,270,536.01
Earnings per share (fully diluted)	0.159	0.010	0.100	0.077	0.079
Earnings per share (weighted average)	0.159	0.010	0.100	0.077	0.079
Net assets per share	0.528	0.366	0.488	0.317	0.349
Net assets per share after adjustment*	0.129	-0.077	0.040	0.021	0.074
Net cash flows per share arising from operating activities	0.247	0.591	0.591	0.080	0.080
Weighted average return on equity	35.79%	3.10%	24.10%	25.46%	26.07%
Fully diluted return on equity	30.22%	2.72%	20.33%	24.37%	22.69%
Return on equity after deducting non-recurring gains and losses	28.89%	1.64%	19.48%	24.33%	22.61%

In accordant with Regulations on the Information Disclosure of Companies Publicly Issuing Shares (No. 9) released by China Securities Regulatory Commission, in the year 2001, the Company's return on net assets and earnings per share as calculated based on calculating method of fully diluted and weighted average:

Supplementary statement of profit statement for the year ended 2001

Items	Return on equity	Earnings per share
-------	------------------	--------------------

	Fully diluted (%)	Weighted average (%)	Fully diluted (RMB)	Weighted average (RMB)
Profit from main business lines	100.73	119.32	0.5315	0.5315
Operating profit	39.54	46.83	0.2086	0.2086
Net profit	30.22	35.79	0.1594	0.1594
Net profit deducting the non-recurring gains and losses	28.89	34.23	0.1525	0.1525

Notes:

*During the year, provisions have been made for part of receivable accounts, which have been overdue for more than three years and the net assets, have been reduced accordingly. On this basis, receivables overdue for more than three years, which have been provided for, are not deducted in calculating the adjusted net assets per share for the year.

(III) Particulars about Change in shareholders' equity

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory welfare public funds	Retained profit	Unit: In RMB	
						Exchange translation reserve	Total
At the beginning of the year	541,799,175.00	306,007,801.60	62,919,127.11	62,919,127.11	-716,640,606.73	4,058,615.73	198,144,112.71
Increased during the year					86,385,900.61	1,350,540.35	97,736,440.96
Decreased during the year							
At the end of the year	541,799,175.00	306,007,801.60	62,919,127.11	62,919,127.11	-630,254,706.12	5,409,156.08	285,880,553.67
Reason of change					Net profit as of the year	Difference in exchange translation	

III. PARTICULARS ABOUT CHANGES IN SHARE CAPITAL AND ABOUT THE SHAREHOLDERS

(I) Changes in Share Capital

1. Particulars about changes in shares as of the year 2001 (Unit: Share)

	Before the change	Increase/decrease of this period (+, -)					After the change
		Share Allotment	Bonus shares	Capitalization of public reserve	Others	Subtotal	
I. Unlisted shares		Nil	Nil	Nil	Nil	Nil	
1. Promoters' shares							
(State-owned shares)	323,747,713						323,747,713
2. Domestic juristic person's shares	65,200,850						65,200,850
Overseas juristic person's share							
Others							
3. Raised juristic person's shares							
4. Employees' shares							
5. Preference shares or others							
Total unlisted shares	388,948,563						388,948,563
II. Listed Shares		Nil	Nil	Nil	Nil	Nil	
1. Domestically listed RMB ordinary shares	91,355,000						91,355,000

2. Domestically listed foreign investment shares	61,456,312						61,456,312
3. Overseas listed foreign investment shares							
4. Frozen senior executives shares	36,300						36,300
Total of listed shares	152,850,612						152,850,612
III. Total of shares	541,799,175	Nil	Nil	Nil	Nil	Nil	541,799,175

2. Issuance and listing of shares

Over the previous three years at the end of the report year, the Company issued neither new shares nor derived securities; and there were changes in neither total number nor the structure of the shares due to bonus shares and shares allotment. The existent employee's shares of the Company are subscribed by senior executives when the Company initially issued the shares; the issuance date is Oct. 31, 1991; the issuance price is RMB 3.6 per share; the issuance quantity is 6.5 million shares.

(II) About shareholders

1. Ended Dec. 31, 2001, the Company had totally 47000 shareholders, including 38252 shareholders of A-share, 8748 shareholders of B-share.
2. About the top ten shareholders are as follows:

Name of shareholders	Holding shares (share)	Percentage of the total shares (%)
<u>Shenzhen Construction Investment Holdings</u>	323,747,713	59.75
China Ping An Insurance Company	56,628,000	10.45
Tongqian Securities Investment Fund	3,146,610	0.58
Shenzhen Guoli Industrial Company	2,516,800	0.46
Duty-free Company	1,573,000	0.29
XU QIAN	1,100,000	0.20
Shanghai Zhaoda Investment Consultation Co., Ltd.	1,010,000	0.19
LIM PENG BOON	1,000,000	0.18
China Shenzhen International Co-operation Shares Co., Ltd.	887,172	0.16
Renjun Development Co., Ltd.	801,580	0.15

- ① Among the top ten shareholders as listed above, Shenzhen Construction Investment Holdings is the shareholder of state-owned shares; Xu Qian, LIN PENG BOON and Renjun Development Co., Ltd. are the foreign shareholders.
- ② The top two shareholders hold the state-owned juristic person's shares, and shares held by them was neither pledging or freezing in the report year.
- ③ There exists no association relationship among the top ten shareholders.

3. The holding shareholder of the Company is Shenzhen Construction Investment Holdings ("the Holdings"), who was established in July 1986, registered capital is RMB 1.5 billion.; legal representative: Mr. Zhang Bao. The Holdings is an assets management company owned by the whole people, and involve in industry, general undertaking of construction material for civil use, development of real estate and property management, etc.

As one of three largest state assets management companies, Shenzhen Construction Investment Holdings Company conducted the investors' rights for state assets of the Company within the limits authorized by the municipal government and was entrusted by Shenzhen municipal government. The permanent organization of Shenzhen Municipality State Assets Management Committee is Shenzhen Municipality State Assets

Management Office (“Municipality State Assets Office”), who implemented management for three largest state assets management companies of Shenzhen on behalf of Shenzhen municipal government. Thus, the actual controller of Shenzhen Construction Investment Holdings Company is Municipality State Assets Office, whose office address is Investment Bldg., Shennan Av., Futian District, Shenzhen; post code: 518026.

4. The second shareholder of the Company is China Ping An Insurance Company, who was established in March 1988; legal representative: Mr. Ma Mingzhe; business scope: insurance; registration capital: RMB 15 billion.

IV. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR EXECUTIVES AND STAFF

(I) About director, supervisor and senior executives

1. Basis condition

Title	Name	Gender	Age	Number of holding shares (share)		Office term
Director:						
	Tian Chenggang	Male	48	0	0	June 2001 to June 2004
	Wu Gongcheng	Male	47	0	0	Ditto
	Shao Xianghua	Male	52	0	0	Ditto
	Zha Shengming	Male	53	18150	18150	Ditto
	Zhao Ning	Male	48	0	0	Ditto
	He Wenhua	Male	57	18150	18150	Ditto
	Li Zhen	Male	38	0	0	Ditto
	Zhang Tianliang	Male	38	0	0	Ditto
	Li Fenglan (independent director)	Female	62	0	0	Ditto
Supervisor:						
	Cao Zeyang	Male	51	0	0	Ditto
	Tong Qinghuo	Male	38	0	0	Ditto
	Liu Jiak	Male	52	0	0	Ditto
	Jin Chenggui	Male	54	0	0	Ditto
	Ma Deqin	Female	48	0	0	Ditto
Deputy General Manager	Yang Shuncheng	Male	53	0	0	Ditto
Deputy General Manager	Fang Yibing	Male	40	0	0	Ditto
Secretary of the Discipline Committee	Xiu Xuguang	Male	46	0	0	Ditto
Secretary of the Board	Guo Yumei	Female	42	0	0	Ditto

Dir. Mr. Shao Xianghua took the position of the deputy general manager of Shenzhen Construction Investment Holdings (the holding shareholders of the Company); Dir. Mr. Zhang Tianliang took the position of the director of the Office of the Holdings; Dir. Mr. Li Zhen took the position of the manager of Comprehensive Dept. of the Holdings.

2. Particulars about the annual salary

In the report year, the annual salary and welfare of management personnel are determined based on Provisional Measure on Annual Salary of Management Personnel of Shenzhen Properties & Resources Development (Group) Ltd.; and the annual salary received by director and supervisor are determined based on their actual administrative and management titles in the Company. The total amount of the annual salary (including welfare and subsidy) received by directors, supervisors and senior executives from the Company is RMB 2,864,500. Among them, the total amount of the annual salary of the top three directors is RMB 772, 100; the total amount of the annual salary of the top three senior executives is RMB 627,000. There are 14 persons (including directors, supervisors

and senior executives) draw their annual salary from the Company. Of them, 3 persons enjoy their salary over RMB 250,000 per year respectively; 6 persons enjoy their salary over RMB 200,000 per year respectively; 3 persons enjoy their salary over RMB 170,000 per year respectively; 2 persons enjoy their salary over RMB 140,000 per year respectively. Director Shao Xianghua, Li Zhen and Zhang Tianliang draw their salary from their own companies. In the report year, the independent directors draw no pay from the Company.

3. In the report year, the Company reengaged the Board of Director and the Supervisory Committee, and new Board of Director and Supervisory Committee were elected in Annual Shareholders' General Meeting.

4. The new Board of Directors of the Company held the 1st meeting, Tian Chenggang was elected as Chairman of the Board; Wu Gongcheng was engaged as General Manager; Zha Mingsheng, Zhao Ning, Yang Shuncheng and Fang Yibing were engaged as Deputy General Manager; Guo Yumei was engaged as Secretary of the Board.

(II) About employee

The Company has totally 2757 employees in office at present, including production personnel: 1747 persons; salesperson: 163 persons; technician: 626 persons; financial personnel: 83 persons; administrative personnel: 139 persons. 1323 persons graduated from 3-year regular collage or technical secondary school. Presently, the Company need to bear the cost of 82 retirees.

1. V. ADMINISTRATIVE STRUCTURE

The Company keeps on establishing and improving various internal management system, and has established a series of internal control and management systems including Rules of Procedures of the Shareholders' General Meeting, Rules of Procedures of the Board of Directors, Rules of Procedures of the Supervisory Committee, Detailed Implementation Rules of Information Disclosure as well as internal auditing and financial management etc. The systems are on the whole in line with requirements of Administration Rules for Listed Company.

In the report, according to requirements of Suggestion of Supervision and Management for Establishing Independent Directors, the Company revised the Article of Association and added relevant contents regarding independent directors. After official releasing of Administration Rules for Listed Company, the Company made serious and careful improvement on the above administration systems against corresponding concrete requirements, and established Temporary Work Measures for Independent Directors. The Company keeps on raising standardized operating level through improving its legal person administrative structure in the following terms:

1. Shareholders and the Shareholders' General Meeting

The Company's current management systems ensured shareholders could fully implement their rights. The Company strictly implements its obligation of information disclosure towards significant management decision-making, and ensures all shareholders enjoy right of knowing facts and right of participation. Relying on economic web page, telephone and fax, the Company communicates with shareholders smoothly and efficiently. The Company has standardized the holding and voting procedures of the Shareholders' General Meeting through Rules of Procedures of the Shareholders' General Meeting, and safeguarded the legal rights and interests of all shareholders.

2. Controlling Shareholder and the Company

The Company's controlling shareholder Shenzhen State Assets Management Company made supervision and management on state property right, and didn't directly interfere in the Company's daily production and management work. The Company has established decision-making and management system taking the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee, and management as the core, and safeguarded orderly operation of production and management.

In the report year, the Company's wholly owned subsidiary Shenzhen Huang Cheng Real Estate Development Co., Ltd. developed No.12~15 Building in B Quarter of Huang Cheng Yuan with total construction area of 94652 M². According to the regulation of No.89 document released by State Ministry of Construction on Management Measures for Construction Bidding of Housing Construction and Municipal Infrastructure Engineering, the bidding was carried out by the Construction and Engineering Trading Center of Shenzhen Construction Bureau, and finally Shenzhen Jian Ye Construction and Engineering Company won the bidding at the price of RMB 193,980,000 and signed contract. The Company's controlling shareholder Shenzhen Construction and Investment Holding Company's subsidiary Shenzhen Zheng Ye Holding held 61.02% of shares in Shenzhen Jian Ye Construction and Engineering Company, and the Company thus had correlative transaction with the controlling shareholder because of Shenzhen Jian Ye Construction and Engineering Company's winning the bidding. The bidding was fully in line with regulation of State Construction Ministry, presided and approved by the special institution of Shenzhen Construction Bureau and didn't damaged the interests of medium and small shareholders.

The Company had independent and complete business and self-management capabilities, and is absolutely separated from its controlling shareholder Shenzhen Construction and Investment Holding in respect of business, assets, finance, personnel and organization.

The Company hadn't provided any guarantee to shareholder in the report year.

3. Directors and the Board of Directors

In the report year, the Company reelected the Board of Directors, and let shareholders have an understanding of candidates of directors by disclosing detailed information about them before holding the Shareholders' General Meeting. The Company held Board meetings strictly according to Rules of Procedures of the Board of Directors. Directors worked diligently and conscientiously, attended Board meeting with a serious attitude, and expressed explicit opinions on each discussion topic. According to regulation of CSRC, the Company selected Ms. Li Fenglan to be independent director in the Shareholders' General Meeting in June of 2001. Director Li Fenglan expressed independent opinions according to requirements of Shenzhen Securities Administration Office. The Company will augment independent directors in the 2003 Annual Shareholders' General Meeting so that independent directors will make up one third of total directors.

Pursuant to the concrete requirements of Administration Rules for Listed Companies, the Company will establish four special committees of the Board of Directors one by one when conditions are ripe.

4. Supervisors and the Supervisory Committee

The major duty of the Supervisory Committee is to carry out superintendence on the Company's finance, production and management as well as performance of directors, general manager and other senior executives in terms of compliance with laws and legislations, constantly have an understanding and grip on the Company's management status and express independent opinions of superintendence.

5. Performance Evaluation, Encourage and Binding Mechanism

In order to establish an encourage and binding mechanism that are suited to rights, liabilities and interests, to efficiently mobilize enthusiasm and creativity of management staffs and to promote increase of production and operating benefits, the Company has established Temporary Measures of Annual Salary. Annual salary is linked up with the Company's large-scale and long-term benefits, which is aimed to avoid short-term behaviors of management staffs and promote long-term and stable development. Detailed measures is: the Company, at the beginning of the year, makes overall assessment on accomplishment of last year's management plan, and according to profit realized and overall factor of scores as well as the principle of Temporary Measures of Annual Salary, the Board of Director decides on the annual salary of management staff and the rewarding or punishment mode.

In view of requirements of Administrative Rules for Listed Companies, the Temporary Measures of Annual Salary in effect are only for overall performance evaluation and assessment towards management staffs, and there are no performance evaluation and assessment measures for individuals, especially for individuals of directors and supervisors. The Company is setting about establishment of new Detailed Work Rules for General Manager and relevant work systems, and standardizing and binding work of management staffs. When conditions are ripe, the Company will establish performance evaluation and assessment system for individuals of directors, supervisors and senior executives in succession and will improve the current performance evaluation, encouragement and binding mechanism.

2. VI. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING

The notification on holding Annual Shareholders' General Meeting was published in the designated intermediaries, Securities Times and Hong Kong Ta Kung Pao, dated May 29, 2001, and the notification on revising part of proposals was released on June 13, 2001. The Annual Shareholders' General Meeting was held on the 35/F of Shenzhen International Trade Commercial Building on schedule dated June 29, 2001. There were six shareholders and shareholders' proxies attending the meeting who represented 383,558,013 shares, taking 70.79% of total shares. Directors, supervisors and senior executives attended the meeting, and the professional lawyer Han Xiaojing from Beijing Tong Shang Lawyers' Firm witnessed the meeting and issued legal position paper. In the meeting, the participators listened to 2001 Report of Management Plan, and the meeting unanimously approved, with 383,558,013 shares of affirmative votes that took 100% of shares with voting rights, 2000 Work Report of the Board of Directors, 2000 Work Report of the Supervisory Committee, 2000 Profit Distribution Plan, Proposal on Revising Articles of Association, and Proposal on Authorizing the Board of Directors to Engage Financial Auditors for 2001; Elected members of the 4th Board of Directors and the Supervisory Committee; Authorized the Board of Directors to handle investment projects and assets disposal with the limit of RMB 200,000,000 (including RMB 200,000,000).

3. VII. REPORT OF THE BOARD OF DIRECTORS

(I) Business Highlights

1. As one of the listed companies engaging in professional property development with longest history and largest operation scale in Shenzhen, the Company boasts the systematic and professional ability undertaking development of real estates, construction supervision marketing and management of property.

The Company realized revenue and profit of respectively RMB 1021 million and RMB 288 million from its main business lines, breakdown as follows:

(1) Classified according to product and industry:

Real estate development: RMB787 million revenue and RMB 101 million profit;

Property management and letting: RMB 98 million revenue and RMB 28 million profit.

(2) Classified according to district:

Shenzhen: RMB 965 million revenue and RMB 281million profit;

Huadong: RMB 18 million, revenue and RMB 0.53 million profit;

Hainan: RMB 44,259,600 revenue and RMB 328,300 profit.

2. Particulars about main product generating over 10% of the total revenue or profit from main business lines

Item	Industry	Sales revenue	Sales cost	Gross profit rate
Real estate development	Real estate industry	727,359,455.97	491, 728, 824	32.30%
Property management	Real estate industry	52,502,944.93	39,705,217.69	24.4%
Retail	Commercial industry	98,777,923.69	62,738,409.26	36.5%
Automobile transportation	Transportation industry	47,834,742.48	26,063,017.06	45.5%

Note: Both the main business lines and the structure remained unchanged in the report period over the previous year.

3. Operation and Achievement of main Wholly Owned and Holding Subsidiaries of the Company

4.	Name of the Company	Registered capital	Principal activities	Percent of shares in hold	Assets	Net profit
1.	Shenzhen Huangcheng Real Estate Company Limited ("Huangcheng Co.")	25,000,000	Development, construction, operation and management of commercial supporting facilities of Huangang Port	697,410,000	90,650,000	697,410,000
2.	Shenzhen ITC Vehicles Services Company	29,850,000	Transportation and vehicles rental service	163,860,000	34,510,000	163,860,000
3.	Shenzhen International Trade Plaza	12,830,000	Retailing of general merchandise	38,150,000	35,20,000	38,150,000
4.	Shenzhen ITC Estate Management Company	20,000,000	Property letting and development	1228380,000	2,100,000	1,228,380,000

Note: Income from the investment in Hungcheng Company accounted for over 10% of the profit of the Company as of 2001. Huangcheng Company was mainly engaged in the development and sales of Huang Yu Yuan A zone in the year 2001 and realized a net profit of RMB 90, 647, 776.83, sales revenue from property of RMB 277, 714, 111.47, sales cost of RMB 136, 948, 687.55, and gross profit rate of 50.7%.

(III) Major suppliers and clients

Engaged in the real estate development, the Company generally contracts its property project as a whole to certain construction company winning in the bid. Such construction company is responsible for all the architecture materials.

Most clients of the Company are individual, and the Company normally had no client purchasing batches of houses. Accumulated sales amounts to the top five clients accounts for 2.5% of the Company's total sales revenue.

(IV) Problems Occurred in the Operation and the countermeasures

After years of internal restructure, the Company made great breakthrough in terms of striping bad assets and optimizing industrial structure, which supported its future development. However, the Company still has difficulties in following aspects: operation fund was in serious shortage and the historical problems still imposed heaven burden on the

Company; cost management and control systems were not fully implemented; the organization structure and staff need to be simplified and the staff lacked the crisis consciousness.

To solve these problems, the Board of Directors adopted solutions as stated in Operation Plan and Main Operation Measures for 2002

(V) Investment

1. The Company neither raised proceeds nor used the previously raised proceeds in the report year.
2. Particulars about investment projects funded with non-raised proceeds

Unit: RMB'000

No	Name	Investment	Progress	Sales	Profit before tax
1	Fu Min Building	107,070	Completed	150,000	24,000
2	Fenghe Rili Garden	131,710	Zone C completed	158,610	31,000
3	Huang Yu Yuan	199,840	Zone A completed, underneath construction for Zone B completed	277,720	122,410
4	Pastoral City	5,930	4 Phase started	18,510	530
5	Hainan Xin Da Building	62,850	Completed	44,260	330
	Total	507,400		649,100	178,270

(VI) Analysis on Financial Status of the Board of Directors

Changes on major financial indexes

Unit: RMB

Item	2001	2000	Changes	Changes rate	Main cause
Total assets	2,448,630,000	2,719,830,000	-271,200,000	-9.97%	Recognition of payment of properties developed in the year
Inventory	1,339,640,000	1,539,290,000	-199,650,000	-12.97%	Sales of developed products
Long-term investment	149,990,000	171,550,000	-21,560,000	-12.57%	Cancellation of provision for impairment losses of long-term investment
Accounts received in advance	335,390,000	562,290,000	-226,900,000	-40.35%	Recognition of payment of properties collected in advance
Long-term liabilities	109,610,000	99,530,000	10,080,000	10.13%	Refer to note (20, 21)
Shareholders' equity	285,880,000	198,140,000	87,740,000	44.28%	Increase in profit as of the report period
Profit from main business lines	287,960,000	127,870,000	160,090,000	125.20%	Increase in real estate business
Net profit	86,390,000	5,390,000	81,000,000	15.03%	Increase in real estate business

(VII) Impact from Changes of Macro Environment, Policy and

Pursuant to relevant regulations in CK [2000] No. 25 Document, Circular on Printing and Distributing Enterprise Accounting Standards ("EAS"), [2001] No. 17 Document, Circular on Policy Cohesion in Implementing EAS issued by the Ministry of Finance and Reply to Questions concerning EAS and relevant regulations released on July 7, 2001, the Company started to implement the EAS from Jan. 1, 2001, according to which the Company withdrew provisions for devaluation of fixed assets, intangible assets, construction-in-progress (including construction materials) and entrusted loan; conducted the liabilities reorganization and non-monetary trade; made retroactive adjustment on accounting. Since no such provisions need to be withdrawn for the Company, the above changes in accounting policy imposed no impact on the Company's profit, profit distribution or retained profit as at the beginning of the prior years.

(VIII) Shenzhen Peng Cheng Certified Public Accountants issued an Auditors' Report with explanatory notes. The Company considers that:

1. The Company's revenue from the sales of real estate was recognized upon the settlement bill reception and consent of the buyer in the previous years in accordance with Accounting Regulations for Joint Stock Limited Company while it is recognized upon the completion and the transfer of the property to the buyer, upon the settlement bill reception and consent of the buyer, the full payment (for installation purchase, upon the first installation and the advance from the bank) and qualification for the property certificate in the report year in accordance with Enterprise Accounting Standard – Income and Enterprise Accounting Regulation. In the opinion of the Certified Public Accountants, the reorganization of income in the report period is in compliance with Enterprise Accounting Regulation and the accounting principal of prudence, but is in contradiction with the accounting principal of cohesion. In the opinion of the Company's Board and management group, such reorganization is not only in compliance with Enterprise Accounting Regulation and the accounting principal of prudence, but also in line with the Company's actual situation. Though such change reduced the Company's profit as of 2000 by RMB 48,319,873.01, it increases the Company's anti-risk ability and is helpful for the Company's consistent and healthy development.
2. The "Haiyi" case has been disclosed in 2000 Annual Report and 2001 Interim report. The company considered the former trial failed to identify the fact and adopted the wrong law, so applied to Guangdong Provincial Superior People's Court for further trial, which was accepted by the Court. Now, the case is still under ruling.
3. The Company owned short-term loans totaling RMB 464 million by the end of Dec. 31, 2001. The Board and the management group of the Company took active countermeasures to solve this problem and planned to take effective ways in order to solve the problems step by step. At present, the company has come to an intention with the creditors as to actively find out ways to reached a solution. The said overdue loan will not affect the normal operation of the Company.

(IX) 2002 Management Plan and Main Measures

Based on the analysis towards macro-economic situation, the Company, in order to further expedite its enterprise reform and development pace, decided that 2002 was its "Reforming Year". Focusing on the two major lines, namely production management and capital operation, and undertaking the three tasks of standardization of management, organization of personnel reform and construction of spiritual civilization, the Company grasped opportunities, expedited development, set the general work target of establishing a new type of enterprise that could deal with internationalized competition. The target of operating income for 2002 is RMB 600,000,000, and total investment arranged for 2002 is RMB 420,000,000. The Company shall practically carry out the following work:

1. With real estate development as the leading business, the Company will strengthen its main business lines, cultivate the enterprise's core competitiveness, and enhance its production and management benefits by a wide range.
 - (1) To seriously carry out new and renewed real estate projects in 2002, namely, 2nd phase of Huang Yu Yuan, Group D of Fenghe Rili, Dushi Jinbao, 2nd phase of Fuchang Building and 4th phase of Shanghai Tianyuan Dushi, which have started with total area of 500,000 M².
 - (2) To reinforce sales and leasing work of current real estate. For those projects that have

already been completed, such as the 1st phase of Huang Yu Yuan, Group C of Fenghe Rili, as well as projects in Dalian, Hainan, Shenzhen and Huizhou, the Company shall strive to sell all of them in the year through diversified means. For those inventory projects, such as International Trade Commercial Building, 2nd Phase of International Trade Plaza, Huang Cheng Plaza, and Fu Min Building's skirt buildings etc., the Company shall strive to make a breakthrough by means of promotion, exchange of assets, offset of debts with assets, sales reward etc. to either lease or sell the estates.

(3) To set about planning work for increasing land reserve.

(4) To further raise estate management level.

2. To reinforce dynamics in relaxing secondary enterprises, and build the Company into an enterprise with good assets structure.

(1) To continually reinforce dynamics in relaxing secondary enterprises.

(2) To keep on clear off historical problems, center on resolving the seven problems left over, and shall on the whole finish clearing up these problems in the year.

3. To center on cost management, and keep on doing a strict and good job of various fundamental management.

(1) In respect of cost management, implement strict target control for all income and expenditure, establish standard system, and split out each expense and expenditure.

(2) In respect of capital management, do a good job of additional loans, withdrawal of funds, inspection of application of funds, and dunning debts etc.

4. Based on reforming of personnel systems, optimize organizational structure, and build an able and efficient enterprise.

(X) Daily Work of the Board of Directors

1. Meetings of the Board of Directors held in the report year:

Date of meeting	Main contents
March 23, 2001	Reviewed 2000 annual report and summary, financial report, and profit distribution plan
May 22, 2001	Reviewed the proposals of annual Shareholders' General Meeting
June 11, 2001	Studied candidates of members of the 4 th Board of Directors
June 29, 2001	Held the 1 st Meeting of the 4 th Board of Directors, elected Board chairman, general manager, vice general manager, and Board secretary
August 9, 2001	Reviewed 2001 interim report, financial report, and profit distribution plan

2. Implementation of resolutions of the Shareholders' General Meeting: Authorized by the Shareholders' General Meeting, the Board of Directors had elected domestic and overseas Certified Public Accountants.

3. According to the resolution of the Shareholders' General Meeting, RMB 53,710,000 of profit in 2001 had been used for making up losses of previous years.

4. As discussed and decided in the Board meeting, the Company shall neither distribute profit of 2001 nor transfer capital public reserve into share capital. The profit earnings will continually be used for making up losses of previous years. This proposal is subject to discussion in the annual Shareholders' General Meeting.

5. VIII. REPORT OF THE SUPERVISORY COMMITTEE

The Company elected the next Supervisory Committee on June 29, 2001. The Shareholders' General Meeting passed the members of the 4th Supervisory Committee, and the 1st Meeting of the Supervisory Committee was held on the same day, in which Cao Ziyang was elected to be chairman of the Supervisory Committee. Among the other four supervisors, one was replaced for he was to retire, and other three supervisors were all

members of last Supervisory Committee. The Company held altogether six meetings of the Supervisory Committee in 2001: The 8th Meeting of the 3rd Supervisory Committee was held on March 20, 2001, which reviewed and passed 2000 Work Report of the Supervisory Committee, and arranged the work of 2001; The 9th Meeting of the 3rd Supervisory Committee was held on March 26, 2001, which reviewed and passed the annual report of 2000, summary and profit distribution plan; The 10th Meeting of the 3rd Supervisory Committee was held on June 8, 2001, which reviewed and passed the proposal on engaging independent directors in the Board of Directors, and the public notice was released in designated newspaper; The 1st Meeting of the 4th Supervisory Committee was held on June 29, 2001, which elected chairman of the new Supervisory Committee; The 2nd Meeting of the 4th Supervisory Committee was held on August 9, 2001, which reviewed and passed 2001 Interim Report and Summary, 2001 Interim Profit Distribution Plan, and the public notice on resolutions of the meeting were published in designated newspaper in time; The 3rd Meeting of the 4th Supervisory Committee was held on November 30, 2001, which reviewed and passed Rules of Procedures of the Supervisory Committee of Shenzhen Properties & Resources Development (Group) Ltd., and listened to the introduction of financial and capital status presented by the head of finance department. In the meeting, the Committee also took counsel on the dealings of significant funds, carried out discussion on how to implement obligations of the Supervisory Committee and how to reinforce functions of supervision, finalized concrete issues of year-end inspection and consultation. The members of the Supervisory Committee attended each Board meeting as non-voting delegates, in which the Supervisory Committee, according to the PRC Company Law, Administration Rules for Listed Company and the Articles of Association, implemented supervision on the operation of the Board of Directors and the management team in terms of compliance with law, reviewed relevant information of the Company's significant economic activities as well as the 2000 summary of auditing work of internal auditing institution and various auditors' report in the report year, and strictly implemented obligations of superintendence. The Supervisory Committee expressed independent opinions towards relevant issues in the following respects:

1. Operation according to law: The Board of Directors operates in accordance with the PRC Company Law, Articles of Association and relevant laws and legislations. The Company has established perfect internal control system in management of assets, production and operation, significant investment, human affairs, and finance etc. The Board of Directors and the management team could strictly comply with relevant national laws and legislations, and could implement resolutions of the Shareholders' General Meeting seriously. In 2001, the Company had done a good job of production and management, ensured healthy development of its whole economy through strategies of focusing on key projects, inviting internal bidding for small project, and transforming management mechanism. The Company not only solved the problem of how to continually raise economic benefits when there's shortage in funds, but also accumulated rather valuable experience for deepening of reform of management mechanism in the future and implementing long term and med-term development plans. In 2001, the Company realized RMB 86.39 million of net profit, and achieved the expected target. Through consulting documents of the Company's significant economic activities, the Supervisory Committee hadn't found directors and senior executives violating laws, legislations, Articles of Association and damaging the Company's interests.

2. Financial inspection: Through inspecting the Company's financial accounting documents and relevant rules and systems, the Supervisory Committee believed that the system of

financial work was sound and administration was improved, and the Company's profit accounting and allocation of provision for various assets devaluation were all in line with regulations of financial system of listed company and internal control system. As audited by the Certified Public Accountants, the Company's financial report truly, objectively and accurately reflected the financial status and business results.

3. The Company hadn't raised funds publicly in the report year.

4. The Supervisory Committee haven't found unreasonable transaction, inside trading, damaging of rights and interests of part of shareholders or runoff of the Company's assets.

5. The Company's wholly owned subsidiary Shenzhen Huang Cheng Real Estate Development Co., Ltd. developed No.12~15 Building in B Quarter of Huang Cheng Yuan with total construction area of 94652 M². According to the regulation of No.89 document released by State Ministry of Construction on Management Measures for Construction Bidding of Housing Construction and Municipal Infrastructure Engineering, the bidding was carried out by the Construction and Engineering Trading Center of Shenzhen Construction Bureau, and finally Shenzhen Jian Ye Construction and Engineering Company won the bidding at the price of RMB 193,980,000 and signed construction contract. The Company's controlling shareholder Shenzhen Construction and Investment Holding Company's subsidiary Shenzhen Zheng Ye Holding held 61.02% of shares in Shenzhen Jian Ye Construction and Engineering Company, and thus the Company had correlative transaction with the controlling shareholder because of Shenzhen Jian Ye Construction and Engineering Company's winning the bidding. The bidding was fully in line with regulation of State Construction Ministry, presided and approved by the special institution of Shenzhen Construction Bureau and didn't damaged the interests of medium and small shareholders.

6. The Company is separated from its controlling shareholder in respect of business, personnel, organization, finance and assets. The Company has independent and complete business and self-management capabilities.

7. The Supervisory Committee believed the remarks made by the Board concerning the Auditors' Report with explanatory notes issued by Shenzhen Peng Cheng Certified Public Accountants was genuine and in compliance with the actual situation of the Company.

IX. SIGNIFICANT EVENTS

(I) Significant lawsuits or arbitration

1. The "Haiyi Company" lawsuit as disclosed in 2000 annual report and 2001 interim report was still under ruling.

2. As for the "Jiyong Company" lawsuit as disclosed in 2000 annual report and 2001 interim report, Guangdong Provincial High People's Court ruled in Aug. 2001 that the Equity Assignment Contract signed between the Company and Jiyong Company was valid and Jiyong Company should settle the balance assignment payment amounting to RMB 140 million. Aug. 8, 2001, the Company published such ruling. Presently, the Company has applied to Guangdong Provincial High People's Court for force implementation.

Aug. 2001, Guangdong Provincial High People's Court ruled the Contract on Joint Construction of Jia Bin building to be valid and the Company owned no legal responsibility to 999 Zongli Industrial Company, who appealed again due to malcontent but was refused by Guangdong Provincial High People's Court according to the law in Jan. 2002.

3. Gintian Case: in 1996, the Company signed Mutual Guarantee Contract with Gintian Industry (Group) Co., Ltd. ("Gintian Co."). Oct. 30, 1998, the Company offered guarantee to Gintian Co. for the loan amounting to RMB 59 million borrowed from Changchun Branch, Communication Bank. Since Gintian Co. failed to repay the loan timely, Communication Bank brought litigation to Jilin

Provincial High People's Court against Gintian Co. and the Company demanding Gintian Co. to repay the principal and interest of the loan and the Company to undertake the joint repayment liabilities. Aug. 3, 2001, Jilin Provincial High People's Court ruled at the first trial that the Company was subject to the joint repayment liabilities. Feb. 2002, Supreme People's Court refused the second litigation brought by Gintian Co. and sustained the first trial ruling. During the inquisition period, the Company discovered certain assets of Gintian and provided it to the creditor, Changchun Branch of Communication Bank and Jilin Provincial High People's Court, who sealed the assets. Since the Company actively assisted the bank to realize its rights and the sealed assets was approved to be high quality, the bank reached agreement with the Company to prolong the implementation of the Company's joint repayment liabilities.

4. Aug. 201, the Company brought litigation to Shenzhen Municipal Medium People's Court against Shenzhen Luohu Hotel Co., Ltd. demanding the repayment of RMB 16.5 million and RMB 17 million according interest. Nov. 2001, the Court ruled in favor of the Company that the defendant should pay the Company RMB 16.5 million and the according interest.

5. June 2001, Hu Fuming brought litigation to Shenzhen Municipal Medium People's Court against the Company claiming that he once advanced payment of HKD 11.3 million and RMB 20,000 for Shenzhen International Trade Building Trading Service Company (formal subsidiary of the Company, renamed as Shenzhen International Trade Development Company) in 1987, so demanding the Company to pay RMB 32 million for the principal and interest of the said advanced payment. Dec. 2001, Shenzhen Municipal Medium People's Court ruled that the evidence provided by the plaintiff was not untenable and discontinued the case due to the bankruptcy of Shenzhen International Trade Development Company.

6. For the "Shenye Real Estate case" as disclosed in the 2001 Interim Report, by Hong Kong High Court arranged the court hearing on April 17, 2002. The case was undergoing the appeal procedure. The plaintiff has expressed its intend for imparlling to our party (Shenye Real Estate Company). So while the appeal procedure undergoing, the two parties will search for reconciliation.

(II) Nov. 21, 2000, the Company published Contract on Canceling Joint Development and Operation of Shenzhen Huang Gang Port Service Zone in the designated media. The Contract has not been approved by relevant authorities of Shenzhen Municipal Government till now.

(III) The Company had no significant related transaction in the report period except the Project of Construction Biding for B Zone of Hua Yu Yuan stated in V.2 in the report.

(IV) Significant Guarantee

1. The Company and its subsidiaries provided pledge guarantee to the purchaser of its commercial building. By the end of Dec. 31, 2001, RMB 713.58 million was involved in the unsettled pledged amount.

2. Guarantee provided to Gintian Company was stated in IX (I) 3 in the report.

(V) Neither the Company nor its shareholder holding over 5% of its shares made commitment in the report period.

(VI) Engagement of Certified Public Accountants

Approved in the provisional Board meeting, it was decided to engaged Shenzhen Peng Cheng Certified Public Accountants and GLASS RADCLIFFE CHAN Certified Public Accountants as domestic and overseas auditors for 2001 respectively, pending to the examination of the annual shareholders' general meeting.

	2000	2001	Note
Shenzhen Hua Peng Certified Public Accountants MORISON HENG Certified Public Accountants	RMB 350,000		The Company bears no travel expenses
Shenzhen Peng Cheng Certified Public Accountants GLASS RADCLIFFE CHAN Certified Public Accountants		RMB 400,000	The Company bears no travel expenses

(VII) Neither the Company, the Board nor its members was inspected, penalized, criticized or publicly censured by the securities regulatory authorities in the report period.

X. FINANCIAL REPORT (ATTACHMENT)

6. **XI. DOCUMENTS FOR REFERENCE**

1. Financial statements carried with signatures and sales of legal representative and chief accountant of the Company;
2. Original of Auditors' Report carried with sale of Certified Public Accountants as well as signatures and sales of certified public accountants.
3. Originals of all documents as disclosed in public on the newspapers as designated by China Securities Regulatory Commission as well as the original manuscripts of the public notices published in the report period.

**Board of Directors of
Shenzhen Properties & Resources Development (Group) Ltd.**

April 27, 2002

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

Audited Financial Statements
For the year ended December 31, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS OF
SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD
(Incorporated in the Peoples' Republic of China with limited liability)

We have audited the consolidated accounts on pages 3 to 24 of Shenzhen Properties Resources Development (Group) Ltd. (the "Company") and its subsidiaries (together with the Company referred to as the "Group") for the year ended December 31, 2001. These consolidated accounts are the responsibility of the Group's directors. Our responsibility is to express an opinion on these consolidated accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion as follows :

- (1) No provision has been made against the cost of investment of RMB14,947,000 and the receivable amount of RMB16,422,000 due from an associated company which is now in liquidation. We are unable to obtain sufficient information to determine with reasonable certainty about the recoverable amount of these balances.
- (2) No provision has been made against a receivable amount of RMB21,059,000 which has been aged for more than 9 years. In our opinion, the Group will not receive full payment and the amount should be fully provided.
- (3) A provision of RMB10,000,000 has been made against the capitalised cost of the leasehold land amounting to RMB48,510,000, held in Hong Kong, which has not yet been developed since the acquisition made in 1992. No revaluation has been made and we consider there is an impairment in value. We are unable to confirm that the provision for the impairment in value of Rmb10,000,000 is adequate.

Without qualifying our opinion on going concern basis, we draw attention to the disclosures made in the financial statements concerning the possible outcome of negotiations for continuing bank finance being made available in view of certain Group's expired bank loans. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain such funding.

AUDITORS' REPORT TO THE SHAREHOLDERS OF

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD (Continued)

(Incorporated in the Peoples' Republic of China with limited liability)

Subject to any adjustments that we might have found to be necessary had we been able to satisfy ourselves as to the matters referred to in the preceding paragraphs (1) and (3) above, and except for the absence of the provision referred to in the preceding paragraph (2), in our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Group as at December 31, 2001, and of the profit and its cash flows of the Group for the year then ended in accordance with International Accounting Standards as promulgated by the International Accounting Standards Committee.

GLASS RADCLIFFE CHAN

Certified Public Accountants

Hong Kong, 23 April 2002

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2001

		Restated	
	<u>Notes</u>	<u>2001</u> RMB'000	<u>2000</u> RMB'000
Turnover	5	1,015,727	548,278
Cost of sales		<u>(740,154)</u>	<u>(423,576)</u>
Gross profit		275,573	124,702
Other net (expenses)/revenue		(4,689)	5,295
Administrative expenses		(104,052)	(124,795)
Distribution costs		(12,770)	(3,092)
Waiver of bank loans		-	21,266
Gain from exchange of land		<u>-</u>	<u>73,341</u>
Profit from operations	7	154,062	96,717
Finance costs	8	(73,178)	(86,221)
Share of losses of associates		(11,452)	(5,156)
Income from investments	9	<u>27,503</u>	<u>33,403</u>
Profit before taxation		96,935	38,743
Taxation	10	<u>(17,371)</u>	<u>(8,533)</u>
Profit after taxation		79,564	30,210
Minority interests		<u>(1,365)</u>	<u>(744)</u>
Profit attributable to shareholders		<u><u>78,199</u></u>	<u><u>29,466</u></u>
Earnings per share			
Basic and diluted	11	<u>RMB0.14</u>	<u>RMB0.05</u>

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

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2001

	<u>Notes</u>	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
ASSETS			
Non-current assets			
Fixed assets	12	297,987	240,070
Intangible assets	13	65,194	44,747
Interests in associates	15	159,542	233,650
Long-term investments	16	<u>23,890</u>	<u>42,361</u>
		<u>546,613</u>	<u>560,828</u>
Current assets			
Inventories	17	1,303,201	1,286,989
Trade and other debtors		278,560	194,530
Trading securities	18	34,502	46,209
Cash and bank balances		<u>294,094</u>	<u>286,093</u>
		<u>1,910,357</u>	<u>1,813,821</u>
Current liabilities			
Trade and other creditors		1,145,982	1,156,277
Taxes payable		30,518	27,500
Dividends payable		29,454	29,454
Short-term loans	19	953,600	962,320
Current portion of long-term liabilities	20	<u>1,194</u>	<u>-</u>
		<u>2,160,748</u>	<u>2,175,551</u>
Net current liabilities		<u>(250,391)</u>	<u>(361,730)</u>
Total assets less current liabilities		<u>296,222</u>	<u>199,098</u>
Non-current liabilities			
Long-term loans	20	1,400	5,995
Other long-term payables		<u>2,024</u>	<u>1,836</u>
		<u>3,424</u>	<u>7,831</u>
		<u>292,798</u>	<u>191,267</u>
CAPITAL AND RESERVES			
Share capital	21	541,799	541,799
Reserves	22	<u>(271,918)</u>	<u>(351,467)</u>
		269,881	190,332
Minority interests		<u>22,917</u>	<u>935</u>
		<u>292,798</u>	<u>191,267</u>

Approved by the Board of Directors on

DIRECTOR

DIRECTOR

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Notes</u>	Restated <u>2001</u> RMB'000	<u>2000</u> RMB'000
Net cash inflow from operating activities	23	<u>18,004</u>	<u>370,388</u>
Investing activities			
Interest received		23,881	28,137
Dividends received		-	2,322
Proceeds on disposal of other investments		10,117	11,779
Decrease/(Increase) in trading securities		15,329	(21,636)
Proceeds on disposal of fixed assets		36,890	5,754
Purchases of fixed assets		(48,689)	(41,835)
Acquisition of intangible assets		(24,888)	-
Advances/(Repayment) to associates		<u>62,656</u>	<u>9,507-</u>
Net cash inflow/(outflow) from investing activities		<u>75,296</u>	<u>(5,972)</u>
Financing activities			
Interest paid on bank loans and other loans		(73,178)	(88,210)
New short-term bank loans raised	24	259,908	10,983
New long-term loans raised		-	3,243
New short-term loans raised	24	46,100	-
Repayments of short-term bank loans	24	(310,374)	(158,316)
Repayments of short-term loans		-	(247)
Repayments of long-term bank loans	24	<u>(7,755)</u>	<u>(1,613)</u>
Net cash used in financing activities		<u>(85,299)</u>	<u>(234,160)</u>
Increase in cash and cash equivalents		8,001	130,256
Decrease in bank balances pledged as securities to loans		1,200	589
Cash and cash equivalents at beginning of year		<u>273,793</u>	<u>142,948</u>
Cash and cash equivalents at end of year		<u>282,994</u>	<u>273,793</u>

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

CONSOLIDATED STATEMENTS OF RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2001

		Restated	
	<u>Notes</u>	<u>2001</u> RMB'000	<u>2000</u> RMB'000
Exchange differences arising on translation of subsidiary	22	1,350	762
Profit for the year	22	<u>78,199</u>	<u>29,466</u>
Total recognised gains		<u><u>79,549</u></u>	<u><u>30,228</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

7. CORPORATE INFORMATION

Shenzhen Properties Resources Development (Group) Ltd. (the “Company”) was incorporated as a joint stock company with limited liability in the People’s Republic of China pursuant to a reorganisation 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 and construction and property development consultancy.

8. GOING CONCERN

The directors have carefully considered the financial position of the Group in the light of accumulated losses of RMB622,874,000 (2000: RMB701,073,000) and net current liabilities of RMB250,391,000 (2000: RMB361,730,000) as shown on the balance sheet as at December 31 2001. The Group is currently in negotiation with its bankers to renew certain banking facilities. The absence of such confirmed facilities raised significant uncertainties that the Group will be able to continue as going concern. Provided that the negotiations can be successfully completed and after taking into account the cash inflow expected to be received from the sales of properties in coming year, the directors arrived at the opinion that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis, and no adjustments have been made which would result from a failure to obtain such funding.

9. BASIS OF PREPARATION

The financial statements of the Group companies have been prepared in accordance with International Accounting Standards (“IAS”) issued by the International Accounting Standard Committee. This basis of accounting differs from that used in the management accounts of the Group companies which were prepared in accordance with generally accepted accounting principles and relevant financial regulations in the PRC (“PRC GAAP”). Adjustments which might restate the results of operations and the net assets have been made in compliance with IAS but will not be recognised in the books of the companies within the Group.

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

10. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of consolidation

The group accounts comprise the accounts of the Company and all its subsidiaries made up to December 31, 2001. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operation results and net assets of subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The group accounts also include the Group's share of post acquisition profits less losses, and reserves, of its associated companies.

(b) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

(c) Interests in associates

An associate is an enterprise, not being a subsidiary or a joint venture, in which the Group has a long-term equity interest and is in a position to exercise significant influence in its management.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are initially reflected at cost and are subsequently adjusted for post-acquisition changes in the Group's share of the net assets of its associates, plus any goodwill not yet written off or amortised. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. Investment in associated companies are stated at cost less provision for permanent diminution in value and the results of the associated companies are accounted for by the Company on the basis of dividends received and receivable.

Where the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case those unrealised losses are not eliminated.

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

4. PRINCIPAL ACCOUNTING POLICIES – (continued)

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any provisions for impairment losses required to reflect recoverable amounts. Costs represent the purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Subsequent expenditure is capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognized as an expense in the period in which it is incurred.

Depreciation is provided to write off the cost of fixed assets less their estimated residual values over their anticipated useful lives, on the straight-line method. Estimated useful lives are summarized as follows: -

Land and buildings in the PRC	2% to 5%
Buildings outside the PRC	Term of lease or, if less, 20 years
Motor vehicles	20%
Fixtures and equipment	20%
Leasehold improvements	20%

When tangible fixed assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected remaining useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

(e) Intangible assets

Intangible assets represent the cost of acquisition of taxi licences and are stated at cost less amortisation and provision, if necessary, for any permanent diminution in value. Amortisation is provided to write off the cost of taxi licences over the license period granted by relevant authorities, which is 20 years.

(f) Investments in securities

(i) Long term investments

Long-term investments which are held for long term are stated at cost less provision for diminution in value other than temporary in nature.

(ii) Trading securities

Trading securities are carried at market value determined on an individual basis. Reductions to market value and reversals of such reductions are recognised in profit and loss account as they arise.

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

4. PRINCIPAL ACCOUNTING POLICIES – (continued)

(g) Properties held for/under development and completed properties held for sales

Properties held for/under development and completed properties held for sales are stated at cost less net realisable value. Cost includes land use rights, construction cost and development costs, and interest capitalised during the development period and other direct costs. Net realisable value is the estimated selling price less related expenses in the normal course of business.

(h) 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.

(i) Borrowing costs

Borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(j) 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. During the year, the recognition of properties sales revenue was changed and therefore, revenue and gross profit of RMB131,329,000 and RMB46,961,000 recognised in 2000 is now recognised during the year. This has been accounted for as a prior year adjustment. (see note 25).

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.

Dividend income from investments is recognised when the right to receive payment have been established.

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

4. PRINCIPAL ACCOUNTING POLICIES – (continued)

(k) Retirement benefit costs

The Group participates in retirement schemes operated by local authorities and the annual cost of providing retirement benefits is charged to the consolidated profit and loss account according to the contribution determined by the relevant schemes.

(l) Taxation

The charge for taxation is based on the result for the year as adjusted for items, which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing difference, computed using the liability method, is recognised in accounts to the extent in its probable a liabilities or an asset will crystallize in the foreseeable future.

(m) 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 the 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 profit and loss account.

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.

(n) Operating leasing

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

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

(o) 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 banks repayable within three months from the date of the advances

(p) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that an asset or liability is expected to be payable or receivable in the foreseeable future.

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

11. TURNOVER

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

	Restated <u>2001</u> RMB'000	<u>2000</u> RMB'000
Sale of properties	774,335	310,888
Sale of goods	94,979	-
Property management services	48,755	59,830
Taxi service	37,838	31,021
Property rental income	33,394	99,481
Hotel and restaurant operations	-	3,827
Others	<u>26,426</u>	<u>43,231</u>
Total revenue	<u><u>1,015,727</u></u>	<u><u>548,278</u></u>

12. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 service	- hotel and restaurant operation and provision of taxi services

All the Group's business are conducted in PRC.

Segment information about these businesses for the year ended December 31, 2001 is presented below:

	Sales of properties, management services and <u>rental income</u> RMB'000	<u>Trading</u> RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	<u>Eliminations</u> RMB'000	2001 <u>Consolidated</u> RMB'000
Revenue					
External sales	856,484	94,979	64,264	-	1,015,727
Inter-segment sales	<u>24,456</u>	<u>-</u>	<u>-</u>	<u>(24,456)</u>	<u>-</u>
Total revenue	<u><u>880,940</u></u>	<u><u>94,979</u></u>	<u><u>64,264</u></u>	<u><u>(24,456)</u></u>	<u><u>1,015,727</u></u>

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

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

	Sales of properties, management services and rental income	Trading	Taxi services, hotel and restaurant operations and others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RMB'000					
RESULTS					
Segment results	<u>225,119</u>	<u>32,089</u>	<u>18,365</u>	<u>-</u>	<u>275,573</u>
General administrative expenses and unallocated corporate expenses					<u>(121,511)</u>
Operating profit					154,062
Finance costs					(73,178)
Share of losses of associates					(11,452)
Income from investments					<u>27,503</u>
Profit before tax					96,935
Income taxes					<u>(17,371)</u>
Profit after tax					<u>79,564</u>
Minority interests					<u>(1,365)</u>
Net profit for the year					<u>78,199</u>

Segment information about these businesses for the year ended December 31, 2000 is presented below:

	Sales of properties management services and rental income	Trading	Taxi services, hotel and restaurant operations and others	Eliminations	Restated Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
External sales	470,199	-	78,079	-	548,278
Inter-segment sales	<u>5,176</u>	<u>-</u>	<u>727</u>	<u>(5,903)</u>	<u>-</u>
Total revenue	<u>475,375</u>	<u>-</u>	<u>78,806</u>	<u>(5,903)</u>	<u>548,278</u>

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

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

	Sales of properties management services and <u>rental income</u> RMB'000	Trading RMB'000	Taxi services, hotel and restaurant operations and others <u>Eliminations</u> RMB'000	Restated Consolidated RMB'000
RESULTS				
Segment results	<u>57,268</u>	<u>-</u>	<u>67,434</u>	<u>124,702</u>
General administrative expenses and unallocated corporate expenses				<u>(27,985)</u>
Operating profit				96,717
Finance costs				(86,221)
Share of profits of associates				(5,156)
Income from investments				<u>33,403</u>
Profit before tax				38,743
Income taxes				<u>(8,533)</u>
Profit after tax				<u>30,210</u>
Minority interests				<u>(744)</u>
Net profit for the year				<u>29,466</u>

13. **PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging:

	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
After charging:		
Bad debts	-	1,564
Depreciation of owned fixed assets (note 12)	39,352	23,181
Amortisation of intangible assets (note 13)	4,441	7,709
Net Provision for inventories	24,552	-
Net foreign exchange loss	107	-
Provision for doubtful debts	25,319	1,470
Staff costs - statutory pension	2,203	802
- other costs	27,828	43,761
Provision for diminution in value of investment	<u>9,704</u>	<u>-</u>
And after crediting:		
Interest income	23,881	28,137
Provision for inventories written back	-	9,462
Gain on disposal of fixed assets	<u>4,059</u>	<u>2,526</u>

14. **FINANCE COSTS**

Restated

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

	<u>2001</u> RMB'000	<u>2000</u> RMB'000
Interest expenses	75,685	92,415
<u>Less: Interest capitalised</u>	<u>(2,507)</u>	<u>(6,194)</u>
	<u>73,178</u>	<u>86,221</u>
15. INCOME FROM INVESTMENTS		
	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
Interest on bank deposits, government bonds and other loans	23,881	28,137
Dividends from equity investments	-	47
Provision for diminution in value of investments written back	-	6,306
Gain on dealing of listed investments	2,671	486
Provision for trading securities	-	(3,009)
Reversal of the provision for trading securities	<u>951</u>	<u>1,436</u>
	<u>27,503</u>	<u>33,403</u>
16. TAXATION		
	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
The charge comprises:		
Profits tax for the year:		
PRC profits tax	<u>17,371</u>	<u>8,533</u>
Taxation attributable to the Company and its subsidiaries	17,321	8,533
Share of taxation attributable to associates	<u>50</u>	<u>-</u>
	<u>17,371</u>	<u>8,533</u>
The Group provided for income tax on the estimated assessable profit for the year at a rate of 15% (2000:15%), the prevailing income tax for all PRC enterprise in Shenzhen. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiary operate.		
17. EARNINGS PER SHARE		

The calculation of earnings per share is based on the Group's profit attributable to shareholders of

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

RMB78,199,000 (2000: RMB29,466,000) and the 541,799,000 (2000: 541,799,000) shares in issue during the year.

18. FIXED ASSETS

	<u>Investment properties</u> RMB'000	<u>Leasehold land and buildings</u> RMB'000	<u>Leasehold improvements</u> RMB'000	<u>Motor vehicles</u> RMB'000	<u>Fixture and equipment</u> RMB'000	<u>Total</u> RMB'000
COST						
At January 1, 2001	13,184	218,934	20,200	68,379	53,210	373,907
Transferred from inventories	-	81,411	-	-	-	81,411
Additions	-	1,806	24,326	19,919	2,638	48,689
Disposals	-	(7,204)	(10,782)	(23,021)	(23,541)	(64,548)
Reclassification	(13,184)	13,184	-	-	-	-
At December 31, 2001	-	308,131	33,744	65,277	32,307	439,459
DEPRECIATION						
At January 1, 2001	-	65,329	2,710	36,476	29,322	133,837
Charge for the year	-	14,422	5,617	14,127	5,186	39,352
Eliminated on disposals	-	(1,255)	-	(12,397)	(18,065)	(31,717)
At December 31, 2001	-	78,496	8,327	38,206	16,443	141,472
NET BOOK VALUES						
At December 31, 2001	-	229,635	25,417	27,071	15,864	297,987
At December 31, 2000 (Restated)	13,184	153,605	17,490	31,903	23,888	240,070

As at December 31, 2001, land and buildings with net book values of RMB118,728,000 (2000: RMB119,107,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiary. (see note 26).

19. INTANGIBLE ASSETS

	<u>2001</u> RMB'000	<u>2000</u> RMB'000
Original cost	88,812	63,924
Accumulated amortisation	(23,618)	(19,177)
Net book value	65,194	44,747

As at December 31, 2001, taxi licences with a net book value of RMB31,680,000 (2000: RMB32,340,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiary. (see note 26).

20. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at December 31, 2001 are as follows:

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

<u>Names of subsidiary</u>	<u>Proportion of Ownership interest/ Proportion of Voting power held</u>		<u>Principal activities</u>	<u>Place of incorporation</u>
	<u>Direct</u>	<u>Indirect</u>		
	%	%		
Shenzhen ITC Vehicles Services Company	100		Transportation and vehicles rental service	The People's Republic of China
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 Estate Management Company	100		Property management	The People's Republic of China
Shenzhen International Trade Plaza	100		Retailing of general merchandise	The People's Republic of China
重慶深國貿物業管理有限公司		100	Property management	The People's Republic of China
深圳市國管機電有限公司		100	Property consultancy services	The People's Republic of China
深圳市天關物業機電服務公司		100	General trading	The People's Republic of China
上海深圳物業管理公司		100	Property management	The People's Republic of China
Nanjing International Tongren Development Ltd.		55	Property development	The People's Republic of China
Shenzhen Huangcheng Real Estate Company Limited	100		Property development, construction and management	The People's Republic of China
Shum Yip Properties Development Limited	100		Property development	Hong Kong
Shanghai Shenzhen Properties Development Company Limited	100		Property management and construction	The People's Republic of China
Nanjing Shenzhen Properties Development Company Limited	40	60	Property investment	The People's Republic of China
Zhanjiang Shenzhen Estate Development Company Limited	100		Property development and retailing of general merchandise	The People's Republic of China
深圳市物業工程建設監理公司	100		Property development consultancy services	The People's Republic of China
Shenzhen ITC Plaza & Development Company Limited	70		Property investment and development	The People's Republic of China

21. INTERESTS IN ASSOCIATES

<u>2001</u>	Restated <u>2000</u>
RMB'000	RMB'000

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

Cost of investment	326,790	326,790
Share of post-acquisition loss, net of dividends received	<u>(118,787)</u>	<u>(107,335)</u>
	208,003	219,455
Amounts due from associates	37,438	90,390
Provision for diminution in value	<u>(85,899)</u>	<u>(76,195)</u>
	<u>159,542</u>	<u>233,650</u>

During the year, the equity interest in a associate was increased from 50% to 70% and the result was consolidated into the Group's.

Details of the principal associates at December 31, 2001 are as follows:

<u>Name of associates</u>	Proportion of ownership interest/ Proportion of <u>Voting power held</u> Direct %	<u>Principal activities</u>	<u>Place of incorporation</u>
Shenzhen Luohu Hotel Company Limited	50	Hotel operation	The People's Republic of China
Shenzhen Carrier Service Company Limited	40	Air-conditioning	The People's Republic of China
ITC Tian An Company Limited	50	Property investment and development	The People's Republic of China
Shenzhen Lingnan Jifa Warehouse Company Limited	50	Warehousing	The People's Republic of China
Anhui Nan Peng Paper Manufacturing Company Limited	30	Manufacturing and sales of coated art paper	The People's Republic of China
Suzhou Fuda Property Development Company Limited	25	Property development	The People's Republic of China
Shenzhen Matform Ceramics Industry Company Limited	26	Ceramics craft	The People's Republic of China

22. LONG TERM INVESTMENTS

	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
Unlisted equity investments at cost	5,184	42,363
Provision for permanent diminution in value	<u>(5,070)</u>	<u>(23,778)</u>
	114	18,585
Unlisted legal person shares	<u>23,776</u>	<u>21,036</u>
	<u>23,890</u>	<u>42,361</u>

23. INVENTORIES

	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
--	------------------------	------------------------------------

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

Properties held for sale/under development	437,087	777,404
Completed properties held for sale	862,405	445,400
Other inventories	<u>3,709</u>	<u>64,185</u>
	<u>1,303,201</u>	<u>1,286,989</u>

Properties under development include a piece of land in Nanjing carried at RMB151,441,000 on which developments works terminated several years ago due to unfavorable market conditions. The directors will develop the land for property trading purposes when the property market improves in further coming year.

As at December 31, 2001, completed properties held for sale with a carrying value of RMB135,800,000 (2000: RMB76,900,000) have been pledged to the banks to secure general banking facilities for the subsidiaries. (see note 26)

24. TRADING SECURITIES

	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
Listed securities, at market value	34,498	36,209
Government bonds, at cost	<u>4</u>	<u>10,000</u>
	<u>34,502</u>	<u>46,209</u>

25. SHORT-TERM LOANS

	<u>2001</u> RMB' 000	Restated <u>2000</u> RMB'000
Mortgaged bank loans	418,000	502,329
Guaranteed bank loans	489,500	459,591
Other unsecured loans	<u>46,100</u>	<u>400</u>
	<u>953,600</u>	<u>962,320</u>

Mortgaged bank loans are secured by the Group's assets and bear interest at prevailing market rates ranging from 5% to 8% (2000 : 5% to 12%) per annum. Other unsecured loans carry interest at an annual fixed rate of approximately 7% (2000: 10%).

Mortgaged bank loans of RMB90,000,000 (2000: RMB77,342,000) and guaranteed bank loans of RMB353,800,000 (2000: RMB318,591,000) have been overdue. Management of the Company is in the process of negotiating with the banks to extend the repayment due date.

26. LONG-TERM LOANS

	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
--	------------------------	------------------------------------

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

Bank loans – secured		
Wholly repayable within five years	2,594	5,995
Not wholly repayable within five years	-	-
	<u>2,594</u>	<u>5,995</u>
<u>Less:</u> Amount due within one year shown under current liabilities	<u>1,194</u>	<u>-</u>
	<u><u>1,400</u></u>	<u><u>5,995</u></u>

Long-term bank loans are secured by the Group's assets and bearing interest at prevailing market rates ranging from 4% to 5% (2000 : 5% to 6%) per annum.

27. SHARE CAPITAL

	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
Registered, issued and fully paid:		
388,949,000 state shares and shares held by other promoters of RMB1 each	388,949	388,949
91,391,000 A share of RMB1 each	91,391	91,391
61,459,000 B share of RMB1 each	<u>61,459</u>	<u>61,459</u>
	<u><u>541,799</u></u>	<u><u>541,799</u></u>

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

28. RESERVES

	Statutory Capital reserve RMB'000	Public welfare fund RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at January 1, 2001	256,806	79,511	13,289	(654,112)	(304,506)
Prior year adjustments (note 26)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,961)</u>	<u>(46,961)</u>
As restated	256,806	79,511	13,289	(701,073)	(351,467)
Net profit for the year	-	-	-	78,199	78,199
Translation of financial statements of overseas subsidiary	<u>-</u>	<u>-</u>	<u>1,350</u>	<u>-</u>	<u>1,350</u>
Balance at December 31, 2001	<u><u>256,806</u></u>	<u><u>79,511</u></u>	<u><u>14,639</u></u>	<u><u>(622,874)</u></u>	<u><u>(271,918)</u></u>

Statutory reserve and statutory public welfare fund are maintained in accordance with the relevant laws and regulations in the PRC and form part of shareholders' equity.

29. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Restated
	<u>2000</u>
<u>2001</u>	RMB'000
RMB' 000	

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

Profit from ordinary activities before taxation	96,935	38,743
Adjustment for:		
Share of results of associates	11,452	5,156
Minority interest	20,617	-
Interest expense	75,685	86,221
Interest income	(23,881)	(28,137)
Bad or doubtful debts written back	(29,614)	(457)
Dividend income	-	(47)
Provision for doubtful debts	54,933	1,927
Bad debts	-	1,564
Provision for inventories	27,098	-
Provision for inventories written back	(2,546)	(9,462)
Provision for diminution in value of investments	9,704	-
Provision for diminution in value of investments written back	-	(6,306)
Provision on trading securities	-	3,009
Reversal of provision on trading securities written back	(951)	(1,436)
Depreciation of property, plant and equipment	39,352	23,181
Amortisation of intangible assets	4,441	7,709
Gain on disposal of fixed assets	(4,059)	(2,526)
Gain on dealing of listed investments	(2,671)	(486)
Operating cash flows before movements in working capital	276,495	118,653
Increase in inventories	(124,682)	(286,465)
(Increase)/Decrease in receivables	(109,349)	56,510
(Decrease)/Increase in payables	(10,107)	494,983
Cash generated by operations	32,357	383,681
Taxes paid	(14,353)	(12,722)
Exchange difference	-	(571)
Net cash inflow from operating activities	<u>18,004</u>	<u>370,388</u>

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Short-term <u>bank loans</u> RMB'000	Long-term <u>bank loans</u> RMB'000	Other short-term <u>loans</u> RMB'000	Minority <u>interests</u> RMB'000
--	---	--	---

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

Balance at January 1, 2001	962,320	5,995	-	935
Reclassified of short-term loans due within 2-5 years	(4,354)	4,354	-	-
New loans raised	259,908		46,100	-
Repayments of amounts borrowed	(310,374)	(7,755)	-	-
Share of profit by minority shareholders	-	-	-	1,366
Addition of subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,616</u>
Balance at December 31, 2001	<u>907,500</u>	<u>2,594</u>	<u>46,100</u>	<u>22,917</u>

31. PRIOR YEAR ADJUSTMENTS

RMB'000

Reversal of profit arising from the sales recognised in the previous year	46,961
---	--------

The adjustment relates to a change in accounting policy of properties sales recognition such that certain sales and the related cost had been recognised in the previous year. In order to be consistent with the presentation of the statutory financial statements which are prepared under PRC GAAP, the directors consider that it is appropriate to reflect such adjustments as a prior year adjustment to the equity of the Group as of January 1, 2000.

32. PLEDGE OF ASSETS

As at December 31, 2001, leasehold land and buildings with a net book value of RMB118,728,000 (2000: RMB119,107,000), completed properties held for sales of RMB135,800,000 (2000: RMB76,900,000) and certain taxi licences having a net book value of RMB31,680,000 (2000: RMB32,340,000) have been pledged to the banks for the general banking facilities granted to the Group.

33. CONTINGENT LIABILITIES

- (1) The Company provided guarantee to a third party for a bank loan of Rmb67,600,000. This party is unable to meet the repayment and the banks have taken legal action to receive certain assets of this party. The bank will take the shortfall from the Company when the legal action is completed.
- (2) A subsidiary provided secured guarantee to a third party for a bank loan of RMB2,500,000.
- (3) During the year, a subsidiary is requested by the liquidator to repay the investment principal and interest totaling to Rmb24,000,000 to a joint venture investor which is under liquidation. The Company is now negotiating with the liquidator to reassess the repayment amounts.

34. OPERATING LEASES

The Group leases out certain properties under non-cancellable operating leases. Rental income to be received as follows:

<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
------------------------	------------------------------------

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

Land and buildings

- expiring in the first year	3,060	-
- expiring in the second to fifth years inclusive	8,451	-
- expiring after the fifth year	<u>972</u>	<u>-</u>
	<u>12,483</u>	<u>-</u>

35. RELATED PARTY TRANSACTIONS

During the year, group companies entered into the following transactions with related parties who are not members of the Group:

	<u>Rental income</u>		<u>Amounts due to related parties</u>		<u>Amounts due from related parties</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Associates	<u>1,873</u>	<u>22</u>	<u>32,005</u>	<u>58,410</u>	<u>61,433</u>	<u>62,762</u>

The above transactions were carried out at terms agreed between the Group and the associates. The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

36. LEGAL LITIGATION

In 1999, an appeal was lodged by the Group with the Guangdong High Civil Court in relation with a claim by certain customers under certain contracts related to the sale of properties made by the Group to its customers. It was alleged that the Company had breached the contracts by not providing the title documents by the dates as specified in the contacts. The total amount under dispute is approximately HK\$79,000,000, representing compensation claimed by the customers. A court ruling is yet to be made on the case.

The directors, after consultation with the Group's legal advisers, are of the opinion that these claims were unfounded and are confident that the Group will not suffer any loss from these claims. Accordingly, no provision for loss has been made in the Company's financial statements.

31. IMPACT OF IAS ADJUSTMENTS ON PROFIT/LOSS

	<u>Profit for the year ended December 31,</u>	<u>Restated</u>
	<u>2001</u>	<u>2000</u>
	RMB'000	RMB'000
As reported in financial statements prepared in accordance with PRC GAAP	86,386	5,379

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

Adjustment to conform with IAS:		
Unrealised profit on trading securities	118	-
Understatement of rental income	2,973	-
Deferred expenses written off	(3,236)	-
Deferred tax written off	-	(4,120)
Difference in accounting for a subsidiary	-	31,018
Amortisation charges written back to fixed assets	10,467	463
Addition depreciation charges	(4,408)	-
Addition amortisation charges	(1,917)	(1,673)
Minority interest	646	-
Reverse of "B shares" last year adjustments	6,227	-
"A share" prior year adjustments	(19,145)	1,359
Others	88	(2,974)
	<u>78,199</u>	<u>29,466</u>

32. IAS IMPACT ON CONSOLIDATED NET ASSETS

	December 31	
	<u>Consolidated net assets</u>	
		Restated
	<u>2001</u>	<u>2000</u>
	RMB'000	RMB'000
As reported in financial statements prepared in accordance with PRC GAAP	309,442	233,847
Adjustment to conform with IAS:		
Unrealised profit on trading securities	118	-
Understatement of rental income	2,973	-
"B share" prior years adjustments	(4,000)	-
Deferred expenses written off	(3,236)	-
Deferred tax written off	-	(4,120)
Difference in accounting for a subsidiary	-	(13,512)
Amortisation charges written back to fixed assets	11,605	(2,827)
Addition depreciation charges	(4,408)	-
Addition amortisation charges	(8,572)	(1,673)
Unamortised expenses written off	(4,230)	-
Reverse of "B shares" last year adjustments	626	-
"A share" prior years adjustments	-	(15,623)
Others	(7,520)	(4,825)
	<u>292,798</u>	<u>191,267</u>