

**SHENZHEN PROPERTIES & RESOURCES
DEVELOPMENT (GROUP) LTD.**

ANNUAL REPORT 2005

Mar. 11, 2006

Important Notes: Board of Directors, Supervisory Committee, directors, supervisors and senior executives 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 Mr. Jiang Changlong and independent director Kong Yuquan were absent from the Board meeting due to business trip, but they examined the relevant information before the meeting, and they entrusted Independent Director Zhang Jianjun to vote on his behalf respectively with the aye on all proposals involved. Director Mr. Guo Yuanxian was absent from the Board meeting due to some reason and did not entrust other director to vote.

Wuhan Zhonghuan CPAs Ltd. issued a Auditors' Report with pinpoint events for the Company; and the Board of Directors and the Supervisory Committee of the Company made the corresponding explanations in details for the relevant matters, the investors are suggested to notice the content.

Chairman of the Board of the Company Mr. Tian Chenggang, Person in Charge of Accounting Work Mr. Zha Shengming and Manager of Financial Department Ms. Zhang Wei hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese version shall prevail.

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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
Abbr. in Chinese: 物业集团
In English: ShenZhen Properties & Resources Development (Group) Ltd. (PRD)
2. Legal Representative: Tian Chenggang
3. Secretary of the Board: Guo Yumei
Securities Affairs Representative: Dong Wei
Tel: (86) 755-8221 1020
Fax: (86) 755-8221 0610, 8221 2043
Contact Address: 42nd Floor, International Trade Center, Renmin South Road, Shenzhen
E-mail: 0011@szwuye.com.cn
4. Registered Address and Office Address: 39th and 42nd Floor, International Trade Center, Renmin South Road, Shenzhen
Post Code: 518014
Internet Web Site of the Company: www.szwuye.com.cn
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, on 42nd Floor, International Trade Center, Renmin South Road, Shenzhen
6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of Stock and Stock Code: Shen Wuye A (000011)
Shen Wuye B (200011)
7. Registration data: Jan. 17, 1983
Address: Shenzhen Municipal Administration Bureau for Industrial and Commerce
Registration number of enterprise legal person's business license: 4403011027229
Registered number of taxation: 440301192174135
Name and address of Certified Public Accountants engaged by the Company:
Domestic: Wuhan Zhonghuan Certified Public Accountants Ltd.
Address: 16th - 18th Floor, Tower B, Wuhan International Mansion
International: BDO International Wuhan Zhonghuan Certified Public Accountants
Address: 16th - 18th Floor, Tower B, Wuhan International Mansion

II. SUMMARY OF FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

(I) Accounting data as of the year 2005 (Unit: RMB)

Total profit	98,970,133.62
Net profit	82,902,699.63
Net profit after deducting non-recurring gains and losses	56,104,024.05
Profit from main operations	288,641,976.60

Other operating profit	1,491,126.92
Operating profit	96,352,744.44
Investment income	13,543,300.76
Subsidy income	0.00
Net non-operating incomes/expenses	-10,925,911.58
Net cash flow arising from operating activities	220,842,222.05
Net increase in cash and cash equivalents	-1,212,742.82

Items of non-recurring gains and losses deducted and the relevant amount:

Unit: RMB

Items of non-recurring gains and losses	Amount
1. Gains/losses from disposal of long-term equity investment, fixed assets, project in construction, intangible assets and other long-term assets	7,569,770.61
2. Gains/losses from short-term investment	-8,989,470.13
3. Various non-operating income after deducting daily reserve for impairment of assets in line with the regulations of Accounting System for Business Enterprise	1,653,326.05
4. Various non-operating expenses after deducting daily reserve for impairment of assets in line with the regulations of Accounting System for Business Enterprise	-3,402,213.70
5. Switching back various reserve for devaluation allotted over the previous years	28,788,501.24
Impact on income tax	1,178,761.51
Total	26,798,675.58

Adjustment statement on differences of financial statement

Unit: RMB'000

Items	Net profit as of year 2005	Net assets as at Dec. 31, 2005
As calculated in accordance with CAS	82, 903	650, 258
Switching back into fixed assets from amortization amount		-6, 368
Adjustment of expenses amortization	-1, 165	-1, 316
Other	-2, 207	-14, 578
As calculated in accordance with IAS	79, 531	627, 996

(II) Major accounting date and financial indexes over the past three years ended the report period

Unit: RMB

Items	2005	2004	2003
Income from main operations	963,481,024.09	1,326,289,977.75	1,079,474,318.91
Net profit	82,902,699.63	90,449,977.35	77,001,831.44
Total assets	1,792,535,811.46	2,302,935,990.54	2,437,227,899.69
Shareholders' equity (excluding	650,258,392.78	567,128,809.36	474,222,712.97

minority interests)			
Earnings per share	0.153	0.167	0.142
Earnings per share after deducting the non-recurring gains and losses	0.104	0.160	0.229
Net assets per share	1.200	1.047	0.875
Net assets per share after adjustment	0.965	0.789	0.513
Net cash flow per share arising from operating activities	0.408	0.483	0.346
Return on equity	12.75%	15.95%	16.24%
Weighted average return on equity after deducting the non-recurring gains and losses	9.22%	16.72%	32.95%

Return on equity and earnings per share calculated based on Regulations on the Information Disclosure of Companies Publicly Issuing Shares (No. 9) published by CSRC

Year 2005

Unit: RMB

Profit in the report period	Return on equity		Earning per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main operations	44.39%	47.43%	0.5327	0.5327
Operating profit	14.82%	15.83%	0.1778	0.1778
Net profit	12.75%	13.62%	0.1530	0.1530
Net profit after deducting non-recurring gains and losses	8.63%	9.22%	0.1036	0.1036

(III) Particulars about change in shareholders' equity in the report period

Unit: RMB

Items	Amount at the period-begin	Increase in this period	Decrease in this period	Amount at the period-end	Reason for change
Share capital	541,799,175.00			541,799,175.00	
Capital reserve	399,320,441.91	226,883.79	374,278,076.18	25,269,249.52	Note 1
Surplus reserve	62,919,127.11	3,040,626.18		65,959,753.29	Withdrawing from net profit
Including: Statutory welfare public funds	62,919,127.11	1,013,542.06		63,932,669.17	Withdrawing from net profit
Retained profit	-436,909,934.66	457,180,775.81	3,040,626.18	17,230,214.97	Note 2
Total shareholders' equity	567,128,809.36	460,448,285.78	377,318,702.36	650,258,392.78	-----

Note 1: Reason for change of capital reserve: In this report period, increase of capital reserve was because the Company transferred account receivables of RMB 226,883.79 into capital reserve, which is unable to pay; decrease of capital reserve

was because the Company offset losses over the past years with capital reserve of RMB 374,278,076.18.

Note 2: Reason for change of retained profit: In the report period, increase of retained profit was because the Company realized net profit of RMB 82,902,699.63 and offset losses of RMB 374,278,076.18 in the previous years with capital reserve; decrease of retained profit was because the Company withdrew surplus reserve and welfare public funds amounting to RMB 3,040,626.18.

III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Particulars about changes in share capital as of the year 2005

1. Statement of change in shares

Year 2005

Unit: Share

	Before the change (number and proportion)	Increase/decrease in this time (+, -)					After the change (number and proportion)
		Issuance of new shares	Bonus shares	Capitalization of public reserve	Others	Subtotal	
I. Unlisted shares							
1. Sponsors' shares							
Including:							
Shares held by the State	323,747,713 (59.75%)						323,747,713 (59.75%)
Shares held by domestic legal person	65,200,850 (12.03%)						65,200,850 (12.03%)
Shares held by foreign legal person							
2. Raised corporate shares							
3. Inner employees' shares							
4. Preference shares or others							
Total unlisted shares	388,948,563 (71.78%)						388,948,563 (71.78%)
II. Listed shares							
1. RMB ordinary shares	91,355,000 (16.86%)						91,355,000 (16.86%)
2. Domestically listed foreign shares	61,459,312 (11.34%)						61,459,312 (11.34%)
3. Overseas listed foreign shares							
4. Frozen shares held by senior executives	36,300 (0.0067%)						36,300 (0.0067%)
Total listed shares	152,850,612 (28.21%)						152,850,612 (28.21%)
III. Total shares	541,799,175						541,799,175

2. Issuance and listing of shares

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

3. In the report period, the Company started a work on equity division reform in Dec. 2005. Ended the disclosure date of this report, the Plan on Equity Division Reform examined and approved by the relevant shareholders' general meeting did not be implemented, thus, the Company's share capital remained unchanged.

(II) About shareholders

1. Particulars about numbers of shareholders and shares held by shareholders

Unit: share

Total number of shareholders		By the end of the report period, the Company has 38,805 shareholders in total, including 30,834 ones of A-share, 7,971 ones of B-share.			
Particulars about shares held by the top ten shareholders					
Full name of Shareholder	Type of shareholders	Proportion (%)	Total number of shares held	Number of non-circulation shares held	Share pledged or frozen
SHENZHEN CONSTRUCTION INVESTMENT HOLDINGS	State-owned share	59.75	323747713	323747713	0
SHENZHEN INVESTMENT HOLDING CORPORATION	Directional corporate shares	10.45	56628000	56628000	0
LABOR UNION OF SHENZHEN INTERNATIONAL TRADE PROPERTY MANAGERMENT COMPANY	Directional corporate shares	0.46	2516800	2516800	0
SHENZHEN SPECIAL ZONE DUTY-FREE COMMODITY CO.	Directional corporate shares	0.29	1573000	1573000	0
SHANGHAI ZHAODA INVESTMENT CONSULTANT CO., LTD.	Directional corporate shares	0.19	1010000	1010000	0
YOU XIAN HUI	Circulation A-share	0.17	930000	0	Unknown
DU NIAN	Circulation A-share	0.15	802663	0	Unknown

CHINA EAGLE SECURITIES CO., LTD.	Directional corporate shares	0.15	786500	786500	786500 shares were frozen judicially
SHANGHAI KUNLING INDUSTRY & TRADE CO., LTD.	Directional corporate shares	0.12	629200	629200	0
GUOTAIJUNAN SECURIES HONGKONG LIMITED	B-share	0.10	539803	0	Unknown
Explanation on associated relationship among the above shareholders or consistent action	There exists no associated relationship or consistent action among the top three shareholders. For other shareholders, the Company was unknown whether there exists associated relationship or consistent action.				
Particulars about shares held by the top ten shareholders of circulation share					
Name of shareholders	Numbers of circulation share held		Type of share		
YOU XIAN HUI	930000		A-share		
DU NIAN	802663		A-share		
GUOTAIJUNAN SECURIES HONGKONG LIMITED	539803		B-share		
ZENG YING	536900		B-share		
CHENG BIN	536000		A-share		
SHAO XIANG WEN	534380		A-share		
WAN TAO	531700		A-share		
CHEN WEN JIAN	506899		A-share		
ZHENG GUI LIANG	497200		A-share		
CHEN SHEN YING	486201		A-share		
Explanation on associated relationship among the above shareholders of circulation share or consistent action	The Company did not know whether there exists associated relationship among the top ten shareholders of circulating share and the top ten shareholders or not.				

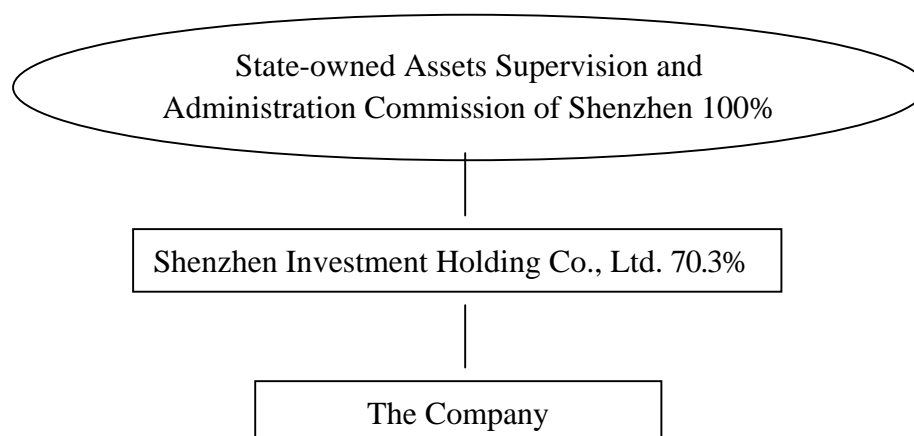
Note:

- ① Shenzhen Construction Investment Holdings still holds 485,899 corporate shares of the company.
- ② Shares held by Shenzhen Construction Investment Holdings was neither pledging or freezing in the report period.

2. About the controlling shareholder of the Company

At the end of report period, the controlling shareholder of the Company is still Shenzhen Construction Investment Holdings (“the holding company”) in register book. In 2004, Shenzhen Municipal Government incorporated Shenzhen Construction Investment Holdings with the other two municipal companies, namely Shenzhen Investment Holding Corporation and Shenzhen Trade and Business Corporation, and

established Shenzhen Investment Holding Co., Ltd.. Thus, the Company's actual controlling shareholder is Shenzhen Investment Holding Co., Ltd., a sole state-funded limited company, who was established in Oct. 13, 2004; its legal representative is Mr. Chen Hongbo and the registered capital is RMB 4 billion. Main business scope: providing guarantee to municipal state-owned enterprises, management of state-owned equity, assets reorganization of enterprises, reformation and assets operation, and equity investment and etc.. As a government department, State-owned Assets Supervision and Administration Commission of Shenzhen implemented management for Shenzhen Investment Holding Co., Ltd. on behalf of Shenzhen municipal government. Thus, the final controller of the Company is State-owned Assets Supervision and Administration Commission of Shenzhen with locating at Investment Bldg., Shen Nan Av., Futian District, Shenzhen and postcode of "518026". The controlling relationship between the Company and the actual controller is as follows:



3. The second largest shareholder of the Company is Shenzhen Investment Holding Corporation (holding 10.45% equity of the Company), who was established in Feb. 1988, and its legal representative is Mr. Li Heihu, as well as registered capital of RMB 2 billion. It is an assets management company owned by the whole people. In accordance with the document of SGZW [2004] No. 223 "Decision on establishing Shenzhen Investment Holding Co., Ltd.", in 2004, Shenzhen Investment Holding Corporation incorporated with Shenzhen Construction Investment Holdings and Shenzhen Trade and Business Corporation. The corporate shares of the Company held by Shenzhen Investment Holding Corporation were held by new company after incorporation — Shenzhen Investment Holdings Co., Ltd..

4. In the report period, the first and second largest shareholders, namely Shenzhen Construction Investment Holdings and Shenzhen Investment Holding Corporation signed an Agreement on Shares Transfer of ShenZhen Properties & Resources Development (Group) Ltd. with Brilliant Idea Investment Limited in Shenzhen, which transferred all equity of the Company held by them to Brilliant Idea Investment

Limited (Brilliant Idea Investment Limited is a controlling subsidiary of Kowloon Development Company Limited listed with Hong Kong Stock Exchange). After finishing equity transfer procedure, Brilliant Idea Investment Limited will hold 70.3% equity of the Company and become the absolute controlling shareholder of the Company, thus, the Company will be controlled by a Hong Kong company from the State-owned shareholding. The Company has published the relevant matters on the said purchase in the appointed mediums on Apr. 5, 2005. At present, the relevant equity transfer procedure is transacting. The Company will disclose continuously on the progress of purchase according to the relevant regulations.

IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

(I) About director, supervisor and senior executives

1. Basis information

Name	Title	Sex	Age	Office term	Holding shares at the year-begin	Holding shares at the year-end
Tian Chenggang	Chairman of the Board	Male	52	Jun. 2004-Jun. 2007	0	0
Guo Yuanxian	Director	Male	52	Jun. 2004-Jun. 2007	0	0
Zha Shengming	Director, Deputy General Manager	Male	58	Jun. 2004-Jun. 2007	18150	18150
Yang Shuncheng	Director, Deputy General Manager	Male	58	Jun. 2004-Jun. 2007	0	0
Li Zhen	Director	Male	43	Jun. 2004-Jun. 2007	0	0
Wang Huimin	Director	Female	39	Jun. 2004-Jun. 2007	0	0
Zhang Jianjun	Independent Director	Male	42	Jun. 2004-Jun. 2007	0	0
Jiang Changlong	Independent Director	Male	41	Jun. 2004-Jun. 2007	0	0
Kong Yuquan	Independent Director	Male	41	Jun. 2004-Jun. 2007	0	0
Cao Ziyang	Chairman of the Supervisory Committee	Male	55	Jun. 2004-Jun. 2007	0	0
Tong Qinghuo	Supervisor, Manager of Human Resource	Male	43	Jun. 2004-Jun. 2007	0	0
Liu Jiake	Supervisor, Deputy Director of the Discipline Inspection Office	Male	57	Jun. 2004-Jun. 2007	0	0

Jin Chenggui	Supervisor, Deputy Manager of Auditing Department	Male	58	Jun. 2004-Jun. 2007	0	0
Ma Deqin	Supervisor, Leader of Labor Union	Female	52	Jun. 2004-Jun. 2007	0	0
Luo Rurong	General Manager	Male	49	Apr. 2005-	0	0
Wei Yuxin	Chief Financial Officer	Female	46	Apr. 2005-	0	0
Luo Junde	Deputy General Manager	Male	56	Jan. 2003-Jun. 2004	0	0
Liu Yinhua	Chief Engineer	Male	46	Mar. 2003-Jun. 2004	0	0
Guo Yemei	Secretary of the Board, Director of the Board of Directors Office	Female	46	Jun. 2004-Jun. 2007	0	0

2. Working experience of Directors, Supervisors and Senior Executives

Members of the Board of Directors

Mr. Tian Chenggang, was born in Dec. 1953, Master degree, Senior Manager and Senior Political Worker. He has experience in administration and enterprise management in the State Organs over 30 years; he's experienced in serving in the army; he successively took the post of Deputy Director of General Office of Sichuan Import & Export Commodity Inspection Bureau, Division Chief of Qualification Censorship Division of State Ministry of Personnel, member of Zhuhai Municipal Committee, Director of Foreign Economic & Trade Commission and Secretary of the Party Leadership Group, President of Council for the Promotion of Zhuhai Trade and Chamber of Zhuhai Commerce; he took Chairman of the Board, Secretary of Party Committee of the Company and NPC Deputy of Shenzhen from July 1996 to now.

Mr. Guo Yuanxian, was born in Dec. 1954, Master degree, Senior Economist. He's experienced in serving in the army over 20 years. He ever took the post of Division Chief of Ground Army Division of Military Education Office of Air Force Headquarters; after he was transferred to civilian work, he worked in China Southern Securities Co., Ltd. and ever took the posts of Assistant President, Vice-president, Director & General Manager and Deputy Secretary of Party Committee; he took the post of Vice-president of Shenzhen Construction Investment Holdings since June 2002. From Sep. 2004 to now, he held the posts of Secretary of Party Committee, Chairman of the Board of Shenzhen Shahe Industrial (Group) Co., Ltd.. Now he acts as Director of the Company.

Ms. Wang Huimin, was born in Oct. 1967, Master degree, Economist. She has experience in enterprise management over 10 years. She took the post of Manager of Human Resource Dept. of Shenzhen Construction Investment Holdings (the controlling shareholder of the Company) from 2002 to 2004. She took the posts of Manager of Department of Personnel of Shenzhen Investment Holding Co., Ltd. (the

actual controller of the Company) from Oct. 2004 to now. Now, she acts as Director of the Company.

Mr. Li Zhen, was born in Apr. 1963, Senior Engineer, double bachelor degrees. He has experience in enterprise management and administration over 20 years. He worked in Shenzhen Investment Holdings Corporation from 1997 to 2004 and ever took the posts of Deputy Director of Secretariat of the Board of Directors, Manager of General Office, Manager of the 1st Dept. of Industry, Assistant President and Director of Office. He took the posts of Chairman of the Board of Shenzhen Tongchan Industrial Co., Ltd. from Oct. 2004 to now. Now he acts as Director of the Company.

Mr. Zha Shengming, was born in Feb. 1948, three years college, Economist. He has experience in enterprise administration, personnel management and enterprise economic management over 20 years. He's experienced in serving in the army. He was transferred to the Company in Aug. 1988 and ever took the post of Division Chief of Personnel Division, Director of Office of the Board. He now acts as Director and Deputy General Manager of the Company.

Mr. Yang Shuncheng, was born in Sep. 1948, three years college. He has management experience in construction enterprise and real estate development enterprise. From 1997 to 1998, he took the post of Manager of Real Estate Development Dept. in Shenzhen Construction Investment Holdings; from 1999 to now, he took the posts of Deputy General Manager and Director of the Company.

Independent Director:

Mr. Zhang Jianjun, was born in 1964, Doctor degree. He gains experience in teaching, scientific research and administration in university over 10 years. He took the post of standing vice-president in Shenzhen Sino-hawk Credit Rating Co., Ltd., Deputy Director of Shenzhen Enterprise Credit Ratings Committee and Subeditor in journal of Credit Ratings from 1999 to 2001; he took the posts of Dean and Professor in Economy College of Shenzhen University from 2001 to now. Now he acts as Independent Director of the Company.

Mr. Jiang Changlong, was born in 1965, Master-degree of economics in Beijing University. He gains experience in state organs and finance & securities management of enterprise over 10 years. He was engaged in business work in the fields of finance and securities in the State Development Planning Commission RRC and the Securities Commission of the State Council and ever took the post of Deputy Division Chief of the Securities Commission of the State Council; he took the posts of Assistant President of Shenzhen Guosen Securities Co., Ltd., General Manager of Investment Bank Dept of Guosen Securities and Vice-president of Guosen Securities from 1996 to 2002; he held the posts of Director and Deputy General Manager of Shenzhen International Trust & Investment Co., Ltd. from 2002 to 2003; he occupied the post of President of Datong Securities Co., Ltd. from 2003 to 2004; he took the posts of

Vice-president of West China Securities Co., Ltd. from May 2004 to now. Now he acts as Independent Director of the Company.

Mr. Kong Yuquan, was born in 1965, Master-degree of law in Renmin University of China and Master-degree of law in the University of Warwick. He gains management experience in the local securities regulatory organ over 10 years. He took the post of Deputy Director Clerk of Securities Regulatory Division of the People's Bank of China, Shenzhen Branch; he worked in Shenzhen Securities Regulatory Office from 1993 to 2002 and successively took the posts of Director Clerk, Deputy Division Chief of General Office and Deputy Division Chief of Regulatory Division of Listed Companies; from Apr. 2003 to now, he took the posts of Chief Economist and Chief Lawyer of Zhongshan Securities Co., Ltd.. Now he acts as Independent Director of the Company.

Supervisor:

Mr. Cao Ziyang, was born in Mar. 1951, Senior Political Worker. He has experience in political work, human resource and economic management in enterprises over 30 years. He's experienced in serving in the army. He took the post of Director of Party Committee Office of Shenzhen Construction Investment Holdings since Feb. 1997; he was transferred to the Company in Apr. 1998 and ever took the posts of Director and Deputy General Manager of the Company. He now acts as Deputy Secretary of Party Committee and Chairman of the Supervisory Committee of the Company.

Mr. Tong Qinghuo, was born in Dec. 1963, Political Worker, Master-degree. He has experience in political work and human resource in enterprises over 10 years. He was transferred to the Company in Sep. 1996 and ever took the post of Deputy Manager of Personnel Dept., and now took the posts of Assistant General Manager, Manager of Personnel Dept. and Supervisor of the Company.

Mr. Liu Jiake, was born in June 1949, three years college, Senior Political Worker. He has experience in management of political work in enterprises over 30 years. He was transferred to the Company in Nov. 1994 and took the posts of Director of General Office of Shanghai Branch and Section Chief of Organization Dept. of Party Committee Office early and late. He now acts as Deputy Director of the Office for Discipline Inspection Office and Supervisor of the Company.

Mr. Jin Chenggui, was born in July 1948, Accountant. He has experience in financial management of enterprise over 30 years. He was transferred to the Company in May 1990 and took the posts of Financial Manager of Foods Branch and Shanghai Branch early and late; he now acts as Deputy Manager of Auditing Dept. and Supervisor of the Company.

Ms. Ma Deqin, was born in Sep. 1954, Political Worker. She has experience in enterprise's political work and labor union over 20 years. She was transferred to the

Company in Sep. 1988 and took the posts of Carder and Director of Labor Union-Workwoman Committee early and late. She now acts as Chairman of Labor Union and Supervisor of the Company.

Senior Executives:

Mr. Luo Rurong, was born in Oct. 1956, MBA. Mr. Luo has management experience in real estate industry for many years, has solid qualified experience in enterprise operation and financial management, and is familiar with the development and operation of land project in Hong Kong and Chinese Mainland. Mr. Luo ever took the post in HongKong Land for nearly twenty years. Now he serves in HongKong Kowloon Development Company Limited and acts as of Market and Sale General Manager. In Apr. 2005, he took the post of General Manager of the Company in a period of transition according to the relevant regulations of the Agreement on Shares Transfer of ShenZhen Properties & Resources Development (Group) Ltd. and its attachment signed.

Ms. Wei Yuxin, 46 years of age, holds bachelor degree of business awarded by Australian Melbourne Monash University. She is Associate Member of Hong Kong Institute of Certified Public Accountants, Fellow Member of the Association of Chartered Certified Accountants and Associated Member of Australian Society of Certified Practising Accountants. Ms. Wei has rich experience in financial management and company management for many years, and ever took the post in Association of International Accountants for eight years; during eight years, Ms. Wei provided the professional service for many Multi National Corporations and companies listed in Hong Kong. Now, Ms. Wei served in Hong Kong Kowloon Development Company Limited and took the posts of Assistant General Manager, Company Secretary, which is in charge of daily financial management work.

Mr. Luo Junde, was born in Mar. 1950, three years college, Senior Economics. He has administration experience in industry, construction and real estate development. He took the posts of Deputy Manager and Manager of Overseas Dept. of Shenzhen Construction Investment Holdings early and late from 1997 to 2003. He took the post of Deputy General Manager of the Company from Jan. 2003 to now.

Mr. Liu Yinhua, was born in May 1960, Doctor Degree of Tongji University, Senior Engineer. He has experience in technology and administration in the field of construction. He was transferred to the Company in Sep. 1996 and took the posts of Deputy Head of Engineering Dept., General Manager of Property Management Company and Vice-Chief Engineer of the Company early and late. He now acts as Chief Engineer of the Company.

Ms. Guo Yumei, was born in Oct. 1959, Bachelor degree, and held the title of interpretation. She gains experience in enterprise management over 20 years. She ever worked in Shannxi Management Bureau of CAAC; she worked in the Company since

1985 and took the posts of Secretary of Office, Translator, Section Chief and Deputy Manager of Capital Dept. early and late. She now acts as Secretary of the Board and Director of Office of the Board in the Company.

3. Particulars about the annual remuneration of the Company's directors, supervisors and senior executives

Order	Name	Annual remuneration (RMB)
1	Tian Chenggang	626,000
2	Guo Yuanxian	Drawing remuneration from Shahe Group Co.
3	Wang Huimin	Drawing remuneration from Investment Holding Co., Ltd.
4	Li Zhen	Drawing remuneration from Tongchan Industrial Co., Ltd.
5	Zha Shengming	490,700
6	Yang Shuncheng	489,500
7	Jiang Changlong	Allowance of independent director of RMB30,000
8	Zhang Jianjun	Allowance of independent director of RMB30,000
9	Kong Yuquan	Allowance of independent director of RMB30,000
10	Cao Ziyang	638,400
11	Tong Qinghuo	372,200
12	Ma Deqin	374,500
13	Liu Jiake	331,700
14	Jin Chenggui	277,700
15	Luo Rurong	Drawing remuneration from Kowloon Development Company Limited
16	Wei Yuxin	Drawing remuneration from Kowloon Development Company Limited
17	Luo Junde	488,900
18	Liu Yinhua	494,900
19	Guo Yumei	373,700
Total		4,958,200

In 2005, the remuneration standard of enterprise's operator was determined in accordance with the Implementation Method on Annual Remuneration for Operators of Shenzhen Municipal State-owned Enterprises. The remuneration standard of other directors, supervisors and senior executives taking position were determined in accordance with the Trial Method on Wage Reformation of PRD examined and passed by the Shareholders' General Meeting of the Company, which was examined and approved in the 1st meeting of the Board of Directors for 2006.

4. Personnel change

① In the report period, the Board of Directors engaged Mr. Luo Rurong and Ms. Wei Yuxin as General Manager and Chief Financial Officer of the Company respectively

in a period of transition in line with an Agreement on Shares Transfer of ShenZhen Properties & Resources Development (Group) Ltd. signed in Shenzhen on Apr. 1, 2005;

② In the report period, Mr. Fang Yibing resigned from the posts of Director and General Manager of the Company due to work adjustment;

③ In the report period, Mr. He Wenhua resigned from the post of Director of the Company due to retirement.

(II) About employees

The Company has totally 1918 employees in office at present, including 1099 production personnel, 164 salespersons, 589 technicians, 79 financial personnel and 138 administrative personnel. 1172 persons graduated from 3-year regular collage or above. Presently, the Company needs to bear the expenses of 111 retirees.

V. ADMINISTRATIVE STRUCTURE

(I) Administration of the Company

In recent years, the Company has been established a set of more perfect and clear legal person's administrative system in accordance with the requirements of standardized documents promulgated by Securities Supervision Institution, and caused various businesses activities to put up with autonomic and standardized course.

On Apr. 1, 2005, the first and second largest shareholders, namely Shenzhen Construction Investment Holdings and Shenzhen Investment Holding Corporation signed an Agreement on Shares Transfer of ShenZhen Properties & Resources Development (Group) Ltd. with Brilliant Idea Investment Limited, the various examining and approving procedure of equity transfer and the final transfer procedure need the longer time, the various noncommittal factors that may exist might affect the Company's normal production and operation in the period of transition; in order to safeguard benefits of the whole shareholders of the Company and ensure the Company's operating activities to develop normally in the period of transition, the Board of the Company formed the Resolution of the Board of Directors on Protecting Interests of Transferor, Transferee and the Whole Medium and Small Shareholders, and adopted the corresponding measures, and further strengthened the standardized administration and intensified the legal management functions of the Board; the significant events were discussed and decided by the Board of Directors; all significant operating activities were conducted in line with Company Law, the Articles of Association of the Company and all Management Regulations of the Company, and performed the relevant contents of the Agreement on Equity Transfer and its attachment in the round; and enhanced information disclosure and ensured the right to know of the vast investors; publicized new Company Law, Securities Law widely within the scope of the Company, strengthened and advanced the handling capability of the Company's each levels according to the laws.

In comparison with standardized documents, the Company will explore in establishment of the effective encouragement and bidding mechanism in future, and

further enhance work efficiency and operating benefits, reinforce the competition and safeguard the investment right of the whole shareholders.

(II) Performance of Independent Directors:

In the report period, three independent directors of the Company were Jiang Changlong, Zhang Jianjun and Kong Yuquan, who are professional in the local securities, law and financing academe. The holding qualification of independent directors accorded with the relevant regulations of CSRC.

Particulars about implementing independent directors' responsibility in the report period:

Name of independent directors	Times that should be attend the Board meeting	Times of personal presence	Times of commission presence	Times of absence	Remark
Jiang Changlong	5	4	1	0	Entrusting Kong Yuquan to vote
Zhang Jianjun	5	5	0	0	--
Kong Yuquan	5	5	0	0	--
Particulars about the objection proposed by independent directors on the relevant events					
Name	Event that independent directors proposed objection	Contents of objection			Remark
Jiang Changlong	Engaging GM and CFO in the period of transition	He hope that the Company defined the transition regulations and rules for the functions and powers of GM and CFO in the period of transition, so as to control the risk of listed companies during the period of purchase, protect the interests of medium and small investors and safeguard the standardized operation of the Company.			He held the reserve opinion on the said proposals in the Board meeting on Apr. 19, 2005 and voted abstention vote.
Zhang Jianjun	Ditto	Ditto			Ditto
Kong Yuquan	Ditto	Ditto			Ditto
Particulars about independent opinion					
1. Three independent directors issued the independent opinion on engaging GM and CFO in the period of transition.					
2. Three independent directors issued the independent opinion on the plan of equity division reform.					

(III) Particulars about the Company's "Five Separations" from the Controlling Shareholder

The Company has integrated business, keeps independence in operating management,

and made “Five Separations” from the controlling shareholder:

1. The Company was independent in management, and possessed independent production, supply and distribution system;
2. The Company independently engaged employees, and possessed absolutely independent management of labor, personnel and salaries;
3. The Property of the Company is transparent, and the Company possessed independent assets ownership;
4. The Company owned independent office site and organization;
5. The Company has independent financial auditing system.

VI. BRIEFINGS ON THE SHAREHOLDERS’ GENERAL MEETING

In the report period, the Company’s Board of Directors sent out the notice on holding the Shareholders’ General Meeting 2004 on May 28, 2005, and the said Meeting was held on 35/F of Shenzhen International Trade Center Building at 9:30 am of June 28, 2005 on schedule. The following procedure such as notification, convening and holding of the Meeting were in line with the relevant regulations of Company Law and the Articles of Association of the Company. There were 5 shareholders and shareholders’ proxies attended the meeting representing 383,479,633 shares, taking 70.78% of total shares of the Company; including 1 shareholder of foreign share, representing 83,071 shares, taking 0.14% of total shares with voting right of foreign shareholders. The partial directors, supervisors and senior executives of the Company attended this meeting as non-voting delegates. Mr. Zheng Weihe, the professional lawyer of Shu Jin Law Firm, witnesses the said Shareholders’ General Meeting and issued Legal Opinion. Mr. Tian Chenggang, Chairman of the Board, presided over the Meeting.

This meeting unanimously passed the following proposals by means of local vote: Work Report 2004 of the Board of Directors; Work Report 2004 of the Supervisory Committee; Financial Settlement Report 2004; Annual Report 2004; Profit Distribution Plan 2004 and Proposal on Making up Losses; Proposal on Amending the Articles of the Association of the Company; Proposal on Engaging Certified Public Accountants for the Company in 2005.

The relevant Public Notice on Resolution of this Shareholders’ General Meeting was published on Securities Times and Ta Kung Pao and the designated Internet <http://www.cninfo.com.cn> on June 29, 2005.

VII. REPORT OF THE BOARD OF DIRECTORS

(I) Operating Review of the Company

1. The whole operating status

By the end of report period, the Company realized income from main operations amounting to RMB 963,481,024.09, down 27% compared with RMB 1,326,289,977.75 realized in the same period of the last year, which was due to the decrease of sale areas of real estate projects, so that sale income has decreased; the Company realized profit from main operations amounting to RMB 288,641,976.60, a decrease of 32% compared with RMB 423,765,125.70 realized in the same period of

the last year, which was because sale income of real estate projects reached the condition of settlement and transferred has decreased over the same period of last year; the Company realized net profit amounting to RMB 82,902,699.63, a drop of 8% compared with RMB 90,449,977.35 realized in the same period of the last year, which was due to decrease of operating profit.

In 2005, the real estate market in home appeared the quick development tendency continually, the Company grasped the opportunity in time, strengthened sales work of products, so as to obtain good outstanding sales achievement from all real estate projects and take back capital effectively. Of which, project of Junfeng Lishe was sold out at the end of 2005, and all funds from building sales has been entered in an account, which established the solid base for the Group realized the whole operation target in 2005 and alleviated the partial capital pressure. The actual sales rate of the project of “Huangyuyuan B” reached over 90% and the relevant funds were entered in an account timely, and the volume of other buildings was less. The prophase development work of the project of “land A and B of Huangyuyuan C” was making good progress; the project of “Fenghe Rili B” has started formally at the end of 2005.

In the report period, the State set up a series of macro-control measures on the real estate market. In the long run, these measures will be in favor of the stabilization and maintenance of market, and help the development of real estate industry in path of the health. Along with rapid urbanization process and economic development, the domestic real estate market will have a wide development space. As a listed company engaging in the real estate development as main operations for many years, the Company insisted on operating with honesty and standardization, held plenty of development experience and professional and bridle-wise management group, and took the certain influence force and reputation. The Company is also faced with new challenge along with the furious market competition, thus, the further expansion of enterprise’s comprehensive strength and the cultivation of enterprise’s development aftereffect are problems that the Company needs to solve urgently.

2. Particulars about operating of main operations of the Company

(1) Scope of main operations and its operating:

The Company is large-size real estate specialty company with the main operations of real estate development, property leasing and management and concurrently is engaged in the taxi passenger transport, commodity department store and hotel and food industry. The income from main operations of the whole year was RMB 963 million and total profit was RMB 98.97 million. The main breakdown was as follows:

① Classified according to industry:

Income from real estate development amounting to RMB 7.5 billion, profit from real estate development amounting to RMB 90 million;

Income from property management and lease amounting to RMB 136 million, profit from property management and lease amounting to RMB –1.56 million;

Income from taxi passenger transport amounting to RMB 37.52million, profit from taxi passenger transport amounting to RMB 8.91million;

Income from commercial operation amounting to RMB 27.37 million, profit from commercial operation amounting to RMB –1.14million;

Income from travel and food business amounting to RMB 13.67 million, profit from travel and food business amounting to RMB -1.53 million.

② Classified according to areas:

Shenzhen: Income amounting to RMB 929 million,

Profit from main operations amounting to RMB 104.5 million;

East China: Income amounting to RMB 24.045 million;

Profit from main operations amounting to RMB 2.966 million;

Hainan: Income amounting to RMB 10.649 million,

Profit from main operations: RMB -1.112 million.

(2) Analysis on main operations of the Company

① Sales income, sales cost and gross profit ratio of the main products taking over 10% of the income from main operations or profit from main operations:

Unit: RMB'000

Industries	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease of income from main operations compared with the previous year (%)	Increase/decrease of cost of main operations compared with the previous year (%)	Increase/decrease of gross profit ratio compared with the previous year (%)
Real estate development	751338	464730	38.15	-32.45	-29.33	-6.68
Property management and lease	136472	118219	13.37	-0.76	6.97	-31.89
Commercial retail	27378	26258	4.09	-20.17	-18.19	-36.19
Taxi passenger transport	37522	9690	74.18	11.99	7.77	1.38
Tourism and food	13674	6687	51.10	5.37	5.56	-0.16

Explanation on the increase of profitability capability of main operations in the report period compared with the previous year:

In 2005, the Company realized income from main operations amounting to RMB 963,481,024.09, a decrease of 27% over the same period of last year; realized profit from main operations amounting to RMB 288,641,976.60, a drop of 32% over the same period of last year; and realized net profit amounting to RMB 82,902,699.63, down 8% over the same period of last year, which was mainly because:

① The real estate projects reached the condition of settlement and completing has decreased, and resulted in decrease of income from main operations and profit from main operations;

② The proportion of income from main operations has decreased by a big margin, while the proportion of net profit has decreased a little correspondingly, which was mainly because that the payoff capability of the Company's investment and operating

business rose solidly, and investment income has increased by a big margin compared with the last year. In 2005, administrative expense has decreased compared with the last year.

(3) Major suppliers and customers

When the Company was engaged in the development business of real estate, the Company generally contracted the real estate projects developed to the contractor companies that gained the bidding by means of project bidding form and the contractor companies were responsible for providing the construction materials.

The sales objects of the commercial house of the Company were mainly individual customers and there was no batch customer generally. The amount of sales of the top five customers took 1% of the total sales amount of the Company.

3. In the report period, particulars about the change situation in the Company's assets composing compared with the same period of last year and main reasons for change:

(1) Change situation in assets structure compared with the same period of last year

Items	Dec. 31, 2005		Dec. 31, 2004		Increase/decrease of proportion in total assets
	Amount (RMB)	Proportion in total assets (%)	Amount (RMB)	Proportion in total assets (%)	
Accounts receivable	66,308,666.23	3.70	68,630,108.16	2.98	Down 0.72%
Inventories	962,316,422.67	53.68	1,381,621,649.40	59.99	Down 6.31%
Long-term equity investment	80,130,407.21	4.47	106,669,381.67	4.63	Down 0.16%
Fixed assets	247,663,192.00	13.82	277,902,032.49	12.07	Down 1.75%
Short-term loans	462,202,117.37	25.78	400,980,000.00	17.41	Up 8.37%
Long-term liabilities due within one year	0	0	159,000,000.00	6.90	Down 6.90%
Short-term loans	0	0	96,000,000.00	4.17	Down 4.17%
Total assets	1,792,535,811.46		2,302,935,990.54		

Note:

① Decrease of accounts receivable was mainly because that the Company drew back the partial accounts receivable in the report period;

② Decrease of inventories was mainly because that the sale cost of Junfeng Lishe Garden and Huangyuyuan Garden was carried forward in this year;

③ Decrease of long-term equity investment was mainly because that Shenzhen International Trade Plaza Properties Development Co., Ltd. (original subsidiary of the Company) was liquidated and finished in the report period and its corporate shares were withdrawn;

④ Decrease of fixed assets was mainly because that original value of fixed assets purchased was RMB 43,454,717.22, while the accumulated depreciation amount was

RMB 15,781,831.95.

Decrease of long-term liabilities due within one year was mainly because that the Company refunded the bank loans in the report period.

Increase of short-term loan was mainly due to increase of mortgage loan in the report period.

Decrease of long-term loan was mainly because that the Company refunded the long-term loans in the report period.

(2) In the report period, particulars about the change situation in the Company's operating expense, administrative expense, financial expense and income tax compared with the same period of last year and main reasons for change:

Items	Jan.-Dec. 2005 (RMB)	Jan.-Dec. 2004 (RMB)	Increase/decrease year-on-year (±%)
operating expense	35,081,654.43	33,219,285.82	5.61
administrative expense	125,880,463.14	218,387,710.98	-42.36
financial expense	32,818,241.51	40,482,936.20	-18.93
income tax	16,067,433.99	35,710,266.19	-55.01

Note:

- ① Increase of operating expense was mainly because that the expense of sales promotion has increased a little in the report period;
- ② Decrease of administrative expense was mainly because that the amount of provision withdrawn has decreased compared with the same period of last year;
- ③ Decrease of financial expense was mainly because that the Company refunded the bank loan in the report period;
- ④ Decrease of income tax was mainly because that the profit on sales from real estate has decreased in the report period.

3. Particulars about change in main items of cash flow compared with the same period of last year and reasons for change:

Items	2005 (RMB)	2004(RMB)	Increase/Decrease (%)
Cash flows arising from operating activities:			
Subtotal of cash inflows	885,223,708.03	1,246,717,898.85	-29.00
Subtotal of cash outflows	664,381,485.98	985,003,369.54	-32.55
Net cash flows arising from operating activities	220,842,222.05	261,714,529.31	-15.62
Cash flows arising from investing activities:			
Subtotal of cash inflows	25,006,316.34	18,111,331.26	38.07
Subtotal of cash outflows	19,760,765.12	10,921,711.69	80.93
Net cash flows arising from investing activities	5,245,551.22	7,189,619.57	-27.04

Cash flows arising from financing activities			
Subtotal of cash inflows	292,920,000.00	496,000,000.00	-40.94
Subtotal of cash outflows	519,283,073.43	796,293,873.06	-34.79
Net cash flows arising from financing activities	-226,363,073.43	-300,293,873.06	24.62

Note:

① Decrease of net cash flows arising from operating activities over the same period of last year was mainly because that the cash on sales from real estate received by the Company has decreased compared with the same period of last year;

② Decrease of net cash flows arising from investing activities over the same period of last year was mainly because that the cash paid due to update of taxi by International Trade Vehicle Industrial Co., Ltd. has increased compared with the same period of last year;

③ Increase of net cash flows arising from financing activities over the same period of last year was mainly because that the bank loan repaid by the Company and the interests of bank loan paid by the Company has decreased compared with the same period of last year.

In the report period, the cash flows arising from operating activities of the Company was RMB 220,842,222.05, and there existed the bigger difference with net profit as of report period amounting to RMB 82,902,699.63, the reason are:

① Amount of “Cash paid due to purchasing commodities and receiving labor service” in cash flow statement of the Company was the less than amount of “Cost of main operations” (after deducting labour cost) in income statement, the reason are due to the lower of withdrawal rate;

“Depreciation allotted” in income statement amounting to RMB 22.84 million did not pay on cash;

③ “Interests expense deducted” in income statement amounting to RMB 32.83 million was not belong to cash flows arising from operating activities;

④ The Company refunded the guarantee funds for Gintian amounting to RMB 33.68 million, which was reflected in income statement as of year 2004.

6. Operations and achievements of main holding companies and share-holding companies

Unit: RMB'000

Company name	Registered capital	Main businesses	Equity proportion	Assets amount	Net profit
Shenzhen Huangcheng Real Estate Co., Ltd	25000	Development, construction, operation, and management of supporting commercial service facilities at Huanggang Port	100 percent	793108	61829
Shenzhen Guomao Automobile Industry Company	29850	Automobile transportation of passengers, and lease of automobiles	100 percent	156338	5567
Shanghai Shenzhen Property Development	50000	Real estate development in Shanghai	100 percent	111588	2975

Co., Ltd					
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(II) Future development

1. Confronted with the increasingly fierce competition in the market, the Company had been contracting business during the past few years, and stuck to the operation strategy of two main lines with supporting businesses, i.e. the real estate development business and the business of leasing profit-making properties as the two main lines, and the businesses of property management, automobile transportation and restaurant service as supplementary businesses. In recent years, the Company had adopted a series of measures and made some breakthroughs in adjusting business strategy, getting rid of bad assets, improving industrial structure and solving problems left by history, etc. However, the Company is still faced with the predicament of operating capital shortage. 2005 was the Company's transition period with the system reform going on, and all the credit banks took an on-looking attitude and shrink their original loan amounts for the Company. Bank loans slumped to RMB 462 million from RMB 656 million, down by RMB 194. The credit loans were changed into mortgage loans, and the capital proportion obtained through mortgage loans also decreased compared with previous years. During the report year, there was not much floor space of buildings available for sale this year and the newly developed buildings still demanded for more capital injection. All these had led to the large financial gap, which in return seriously constricted the Company's land mass reserves and the development speed of new buildings. The Company would face greater pressure in capital demand in the year 2006.

2. In the report period, the Zhuojian Investment Co., Ltd purchased shares of Shen Wuye, and the share transfer had been approved by the State-Owned Assets Supervision and Administration Commission and the Ministry of Commerce. Other relevant procedures are under way.

In the coming few years, the Company would still center on the development of real estates. Right now in the urban Shenzhen, the Company would highlight the construction and development of the projects of Huangyuyuan C, Huangyuyuan D, Fenghe Rili high-rise, and Fuchang 2nd Phase, etc. In 2006, the floor space under construction would total approximately 250,000 square meters. To ensure the construction of each project to go as planned, the Company intends to adopt the following measures:

- ① Guarantee the construction progress of the major real estate projects, tighten the management of project costs, ensure the profit increase of the main business of real estate development.
- ② Keep on doing well the sales of the remaining properties and spare no efforts to revitalize stock assets.
- ③ Continue to strengthen the business of leasing profit-making properties and maintain a steady growth.

Since projects such as Huangyuyuan C, Huangyuyuan D, Fenghe Rili high-rise, and Fuchang 2nd Phase, etc are still at the primary stage of construction, their capital demands are huge. Apart from the self-owned fund, about RMB 300 million needs to

be borrowed through financing from finance institution to meet the demands. The financing channels have been basically secured.

3. During the report period, the State put out lots of policies and regulations targeting at the real estate industry, which had led to even hotter competition among real estate enterprises, and the structure among the real estate enterprises would further differentiate. Projects developed by the Company in recent years had made great achievement in a prosperous real estate market, and the business profit had remained stable. However, the Company's sustainable operation in the future is greatly threatened by capital shortage, decreasing land reserves and the tight macro-policy.

(III) Investments in the report period

1. In the report period, the Company has not raised any proceeds, nor has there been any use of proceeds raised previously.

2. Explanation on the significant projects invested with non-raised proceeds, their progress and profit-making status

Unit: RMB'000

Project	Amount invested	Progress	Profit-making status	Rate of return
Fuchang 2 nd Phase	10000	Primary preparation	-	-
Fenghe Rili B	15500	Stake base about to complete	-	-
Land A, B of Huangyuyuan C	44380	Land A in basic construction stage, Land B in design and construction application stage	-	-
Total	69880	-	-	-

(IV) Explanation by the Board on the “qualified Auditors” Report with emphasized issues

Wuhan Zhonghuan Certified Public Accountants had furnished an unqualified Auditors' Report with emphasized issues. Explanation on the Auditors' Report furnished by Wuhan Zhonghuan Certified Public Accountants is as follows:

As stated in Note (IX), 1, (1) of the Accounting Statements, the appeal for second instance on the real estate sales contracts signed with the 8 property owners, including Haiyi (Shenzhen) Industrial Co., Ltd, etc, submitted by the Company to Guangdong Senior People's Court had been rejected in 2003. The 8 properties owners including Haiyi (Shenzhen) Industrial Co., Ltd have not applied to Guangdong Senior People's Court for compulsory execution after the appeal for second instance were rejected. The Company is handling the application for second instance to the Supreme Court right now. According to the assets book value, the loss estimated by the Company totaled RMB 41,772,906.07.

As stated in Note (IX), 1, (2) of the Accounting Statements, in July 2001, Guangdong Senior People's Court ruled that Shenzhen Jiyong Properties Development Company should pay the Company a transfer fund amounting to RMB 143,860,000. In November of the same year, the Company appealed to Guangdong Senior People's Court (hereinafter referred to as the Court) for compulsory execution, and the Court sealed up that company's housing properties of approximately 28,000 square meters. Since the Zhejiang Branch of the Industrial and Commercial Bank of China objected

the sealing of the properties, the Court finally ruled that the Company end the sealing about 10,000 square meters of Shenzhen Jiyong Properties Development Company's properties. The Company had filed objection to the Court. In September 2005, the Court sent Shenzhen State land and housing properties registration sections the rule on the end of the seal, and the seal of the above-mentioned properties about 10,000square meters formally ended.

As stated in Note (IX), 1, (3) of the Accounting Statements, (2002) YGFMYZZ No. 90 Judgment issued by the Court ruled that the Company refund the construction fund totaling RMB 10.8 million and relevant bank interests to the Shenzhen Business Office of Hubei Foreign Trade and Economic Cooperation Bureau. The Company did not agree with the judgment and filed an appeal to the Supreme Court for second instance. In August 2005, the Supreme Court ruled that the Court give the case second instance, and that the original judgment be suspended during the second instance. According to the (2002) YGFMYZZ No. 90 Judgment issued by the Court, the relevant loss estimated by the Company totaled RMB 9,655,160.25.

The Company has made reasonable estimation on the losses arising during the aforesaid cases, and the contents in the section would not influence the Auditors' opinions given by Wuhan Zhonghuan Certified Public Accountants.

(V) Routine work of the Board

1. Meetings held by the Board during the report period

Time	Main content
Feb. 28, 2005	On-spot meeting. Examined and approved the Annual Report 2004 and the Summary, Proposal on the Profit Distribution 2004 and Loss Making up, Proposal on Withdrawing Various Reserves 2004, Proposal on the Switching-back of Assets Depreciation Reserves 2004, Business Plan and Investment Plan 2005 and Proposal on the Obsolescence of Fixed Assets; Decided to apply for the end of "special treatment".
Apr. 19, 2005	On-spot meeting. Approved the proposal on the engagement of General Manager and Chief Financial Officer; examined and approved the 1 st Quarterly Report of the Company, Report to All Shareholders by the Board of Shenzhen Properties & Resources Development (Group) Ltd on the Purchase by Zhuojian Investment Co., Ltd.
May 26, 2005	Telecommunications meeting. Approved through telecommunications the Work Report of the Board 2004, Financial Settlement Report 2004, Proposal on Modifying the Articles of Associations of the Company, and the Proposal on the Engagement of Certified Public Accountants for the Year 2005; determined issues on the convening of the annual Shareholders' General Meeting.
Aug. 11, 2005	Telecommunications meeting. Approved through telecommunications the Semi-Annual Report 2005 and the Summary, proposal on the profit distribution of the upper half year and the proposal on the obsolescence of fixed assets.
Oct. 20, 2005	Telecommunications meeting. Approved through telecommunications the 3 rd Quarterly Report.

2. During the report period, resolutions of the Shareholders' General Meeting had been implemented. The Company had made up the losses occurred in previous years with the profit of 2004 amounting to RMB 90,449,977.35 and the capital reserve totaling RMB 374,278,076.18. After this making-up action, the Company still had an

accumulated loss of RMB 62,631,858.48 needed to be made good. Each proposal of the 2004 Shareholders' General Meeting had been effectively executed.

(VI) Profit distribution preplan 2005

The retained profit at the beginning of the year 2005 totaled RMB -436,909,934.66. Offset with the capital reserve of RMB 374,278,076.18 left over at the end of 2004 (approved by the 2004 Shareholders' General Meeting held on Jun. 28, 2005), the retained profit totaled RMB -62,631,858.48. As audited by Wuhan Zhonghuan Certified Public Accountants Ltd, the 2005 net profit of the Company amounted to RMB 82,902,699.63. According to Article 4 in the Share Transfer Agreement signed by Shenzhen Construction Investment Co., Ltd, Shenzhen Investment Management Company and Zhuojian Investment Co., Ltd: The business profit made by Shen Wuye during the transition period would be used to make up the losses arising previously, and neither the assigners nor the assignee should demand Shen Wuye to issue bonus shares or grant dividends with the operating achievements made during the transition period according to the shareholders' equity. As deliberated by the Board, the 2005 profit distribution preplan is as follows:

1. The net profit of 2005 totaling RMB 82,902,699.63 would be used to make up the loss of RMB 62,631,858.48 previously made;
2. 10%, i.e. RMB 2,027,084.12 would be withdrawn as statutory surplus reserve according to the Articles of Association;
3. 5%, i.e. RMB 1,013,542.06 would be withdrawn as statutory public welfare fund;
4. After the above arrangements, the balance of the retained profit at the end 2005 totaled RMB 17,230,214.97, which would be used for the normal operation of the project Fenghe Rili. This profit distribution preplan could only be carried out after being examined and approved by the 2005 Shareholders' General Meeting.

VIII. Report of the Supervisory Committee

In 2005, the Supervisory Committee held 3 meetings in total:

First meeting: Held on Feb. 28, 2005; examined the Report of the Supervisory Committee 2004, Annual Report 2004 and the Summary and the proposal on withdrawing 8 reserves, gave opinions on the explanatory opinions in the Annual Report, etc; unanimously approved the meeting subjects; disclosed information in relevant media.

Second meeting: Held on Aug. 11, 2005; gave the Supervisory Committee's independent opinions on the Semi-Annual Report 2005 and the Summary; formed resolutions and notified all shareholders through relevant media.

Third meeting: Held on Dec. 9, 2005; learned the Securities Law and the Company Law modified after the 18th Meeting of the Standing Committee of the 10th National People's Congress; after the learning, all members of the Supervisory Committee refreshed their knowledge of the Securities Law and the Company Law, strengthened legal consciousness and further summoned up their confidence during work practice.

Members of the Supervisory Committee had attended each Board meeting of the Company, and, in conformity with the Company Law, the Management Rules for

Listed Companies and the Articles of Association, conducted supervision over the Board's and the management team's operation, looked up materials concerning the Company's big economic activities and dutifully fulfilled their supervision responsibilities. Independent opinions given by the Supervisory Committee on relevant issues of the Company are as follows:

1. Operation: According to the Company's various works in 2005, the operation of both the Board and the management team was in conformity with the Company Law, the Management Rules for Listed Companies and the Articles of Association, and the resolutions of the Shareholders' General Meeting was executed effectively. While performing their duties, neither the Board nor the senior executives had committed and behavior that went against any law, regulation or the Articles of Association. And no power abuse or harm done to the Company's interests had been detected. The Supervisory Committee believed that under the right guidance of the Board, the Company had put great efforts in production and operation work in 2005, and successfully accomplished the profit index for the year; the effective organization and appropriate measures by the management team had greatly boosted the overall work efficiency of the Group, the management levels of the subordinate enterprises had generally been advanced, distinguished economic benefit had been gained, and the original development goal had been successfully achieved.

2. Financial status: After looking up the Company's financial accounting materials and relevant rules, the Supervisory Committee believed that the inner control system of the Company was complete and healthy, and the management perfect. This year's accounting had conformed to the financial system of listed companies; various reserves had been withdrawn strictly according to the inner control system of the Company, and necessary application procedures had been conducted. As audited by the Certified Public Accountants, the Financial Report of the Company had faithfully, objectively and accurately reflected the financial status and operating achievements of the Company.

3. During the activities of assets integration and sales, no transactions unfair, inner transactions or other behavior that had done harm to the interests of part of the shareholders or led to assets loss of the Company had been detected.

4. Auditors' Report

Wuhan Zhonghuan Certified Public Accountants had furnished an unqualified Auditors' Report with emphasized issues. The Supervisory Committee had made careful consultation on the matters mentioned in the Auditors' Report. It believed that the explanation given by the Board and the Management team on the issues mentioned had conformed to the actual status of the Company, and that the relevant accounting measures taken had been in accordance with the financial accounting policies.

IX. Significant Events

(I) Progress of the significant lawsuits or arbitrations of previous years:

1. The "Haiyi Company" case disclosed in the Annual Reports during 2000 and 2004 made no new progress. The 8 properties owners including Haiyi (Shenzhen) Industrial

Co., Ltd have not applied to Guangdong Senior People's Court for compulsory execution. The Company is preparing the application for second instance to the Supreme Court right now.

2. As to the "Jiyong Company" case disclosed in a provisional public notice on Apr. 12, 2001 and in the Annual Reports during 2000 and 2004, Shenzhen Intermediate People's Court had ruled that the Company's appeal for second instance be accepted and the case be given second instance in Aug. 2005. The court opened on Dec. 15, 2005 to hear the case, and the hearing is still under way.

3. As to the "Luohu Restaurant" bankruptcy case disclosed in a provisional public notice on Jul. 23, 2003 and in the Annual Reports during 2001 and 2004, after confirmed by the liquidation team and the court, the Company could recover a bankruptcy claim of RMB 25,888,863.08. At the end of January 2005, authorized by the Guangdong Senior People's Court, Guangzhou Railway Transportation Intermediate Court took the case of Hubei Foreign Trade and Economic Cooperation Bureau suing the Company. Guangzhou Railway Transportation Intermediate Court sent the judgment of sealing to the Luohu Restaurant liquidation team and sealed up the Company's credit claim of RMB 23,000,000 in from Luohu Restaurant, which was then transferred to the Guangzhou Railway Transportation Intermediate Court. The Company filed objection to the judgment right away. In the end, the Supreme Court issued the (2004) MEJZ No. 146-1 Civil Judgment, which ruled that the Court give the case second instance and the execution be suspended during the second instance. The rest of the Company's bankruptcy claim from Luohu Restaurant had been recovered.

4. As to the case of the Company being sued by Hubei Foreign Trade and Economic Cooperation Bureau disclosed in Annual Report 2004, the Company did not agree with the Court's judgment of refunding the construction fund totaling RMB 10.8 million and relevant bank interests to the Shenzhen Office of Hubei Foreign Trade and Economic Cooperation Bureau, and had filed an appeal to the Supreme Court for second instance. On Jan. 18, 2005, the Supreme Court gave the case a hearing. In August 2005, the Supreme Court issued the (2004) MEJZ No. 146-1 Civil Judgment and ruled that the Court give the case second instance and the execution be suspended during the second instance. The Court heard the case on Dec. 5, 2005.

(II) Significant lawsuits of this year

In 2003, the Company signed a Real Estate Lease Contract with Shenzhen Shengfenglu Guomao Jewel & Gold Co., Ltd (hereinafter referred to as "Jewel & Gold Company"), and leased the business stores in Guomao Building (A 1st to 5th floor) originally run the Company to Jewel & Gold Company, which would also to use the premises for commodity sales. The lease term started on May 1, 2003 and would end on Apr. 30, 2013 (see Annual Report 2003 for details.). Since Jewel & Gold Company had not punctually paid its rents, management charges as well as power charges, the Company put an end to the Lease Contract with Jewel & Gold Company on Sep. 27, 2005 according to the Contract Law and the Lease Contract. In the mean time, the Company filed an appeal to the court for a judgment demanding Jewel & Gold Company to compensate the Company's principal loss of RMB

34,357,599.6 ended Sep. 27, 2005. The Company also appealed for Lin Nuohua to take the joint responsibility of RMB 10,053,000 for Jewel & Gold Company's debts. The court has accepted the case.

(III) The Company had no events of assets purchase, sales or reorganization during the report period.

(IV) Significant related transactions during the report period

1. There were no significant transactions happening in the report period.

2. Related transaction of previous years that were connected with routine operations

① Bidding had been invited by the Construction Projects Transaction Service Center of Shenzhen Construction Bureau for the 12-15 high-rises of Huangyuyuan B developed by the Company's subordinate Shenzhen Huangcheng Real Estate Co., Ltd, Shenzhen Jianye Construction Engineering Company won, and the two parties signed a project contract totaling RMB 195,919,800.00. The ultimate settlement price was RMB 182,464,375.42. By Dec. 31, 2005, Shenzhen Huangcheng Real Estate Co., Ltd had paid the entire project fund.

② Bidding had been invited by the Shenzhen Bidding Invitation Center for the Junfeng Lishe Project developed by the Company, and Shenzhen Yuezhong (Group) Co., Ltd won. The two parties signed a project contract, which together with the supplementary agreement totaled RMB 268,487,701.00. The ultimate settlement price amounted to RMB 248,008,618.71. By Dec. 31, 2005, the Company had paid RMB 240,403,919.00.

2. Credits, liabilities and guarantees between the Company and related parties

For details on the credits and liabilities with related parties, please refer to the balances of accounts receivable from and payable by related parties in Note (VIII), 2, (4) of the Financial Report. For details on the guarantees, please refer to Note (VIII), 2, (2) of the Financial Report. The aforesaid funds had occurred due to normal operation needs and left over by history.

(V) Significant contracts and their implementation

1. During the report period, the Company had no events of assets entrusting, contracting or leasing.

2. Significant guarantees

① As to the guarantee for "Jintian Company" disclosed in a provisional public notice on Dec. 28, 2004, Annual Reports during 2001 and 2004, Semi-Annual Report 2005 and another provisional notice on Apr. 26, 2005, the three lawsuits caused by the loan guarantee provided by the Company for Jintian Company have almost been solved at the end of the report period.

In the report period, the lawsuit caused by the guarantee provided by the Company for Jintian Company to Changchun Branch of Communications Bank of China came to the end. The Company fully performed its duties stipulated in the Reorganization Agreement of Liability Guarantee, and the court had freed the Company's housing properties frozen due to the lawsuit. The Company has asked Jintian Company to compensate the Company's loss of RMB 48 million. A bad debt reserve of RMB 48 million had been withdrawn in the report year of 2004.

Since the Company had provided guarantee to Guomao Sub-Branch of Shenzhen

Branch, Agricultural Bank of China (hereinafter referred to as “Guomao Bank”) for Jintian Company’s loan of RMB 6 million in 1997, and Jintian Company had failed to pay back the loan by the expiration date, the Company had to bear the joint responsibility. In the report period, the Company signed a Execution Reconciliation Agreement with Guomao Bank, and paid Jintian Company’s loan principal of RMB 6 million and the execution charges of the case. This Agreement has been fully performed. According to relevant laws and regulations, the Company has demanded Jintian Company to compensate the Company all the losses. In the report year 2004, the Company estimated that the relevant losses totaled RMB 6 million. A bad debt reserve of RMB 6 million has been withdrawn during this period.

Since the Company had provided guarantee to Sehnzhen Branch Office of China Construction Bank (hereinafter referred to as “Construction Bank”) for Jintian Company’s loan of RMB 2.6 million in 1998, and Jintian Company had failed to pay back the loan by the expiration date, the Company had to bear the joint responsibility. During the report period, the Company estimated that the relevant losses totaled RMB 2.6 million, which had been recorded under the item of gains and losses of the period. By the end of the report period, the Company has not paid its guarantee fund.

② With the 3rd floor and Room 4-01 of Shenzhen International Trade Center Building owned by the Company, the Company provided a guarantee to Shenzhen Futian Sub-Branch of Industrial and Commercial Bank of China for the Company’s wholly-owned subsidiary Shenzhen Huangcheng Real Estate Co., Ltd for its loan totaling RMB 81 million. The guarantee amount took up 12.46 percent of the Company’s net assets.

③ During the report period, the Company has not entrusted others with cash assets management.

(VI) Commitments made by the shareholders holding more than 5 percent of the Company’s shares in the report period.

On Dec. 12, 2005, the Company officially launched its Share-Trading Reform. In the modified final Plan of Share-Trading Reform issued on Dec. 21, both the main consideration executor and the Company’s potential controlling shareholder Zhuojian Investment Co., Ltd promised: “Zhuojian Investment Co., Ltd would abide by the relevant laws, regulations and rules, and, besides fulfilling the legal responsibilities promised, it would also promised not to trade or transfer the non-circulating shares held within 36 months since the day those shares get the right to circulate. Should Zhuojian Investment Co., Ltd broke its promise by selling its shares, the capital obtained by it would be transferred to and owned by the Listed Company. It is also promised that within 3 years since the non-circulating shares are granted with the rights to circulate, Zhuojian Investment Co., Ltd would go through relevant procedures to make the proposal of issuing bonus shares and dividends at the annual Shareholders’ General Meetings of Shen Wuye, with the bonus shares and dividends no lower than 30 percent of the net profit available for distribution, and give its vote of agreement to the proposal at the Shareholders’ General Meetings. Zhuojian Investment Co., Ltd promised: all relevant expenses arising during Shen Wuye’s Share-Trading Reform would be paid by Zhuojian Investment Co., Ltd.

The Shareholders' General Meeting held on Jan. 13, 2006 has approved Shen Wuye's Plan of Share-Trading Reform. By the disclosing day of this report, relevant procedures of Share-Trading Reform are still under way.

(VII) Engagement of Certified Public Accountants

In the report period, the Company still invited Wuhan Zhonghuan Certified Public Accountants Ltd to do the auditing work for the year 2005. Since Wuhan Zhonghuan Certified Public Accountants Ltd has joined BDO International Certified Public Accountants (hereinafter referred to as BDO), it is professionally qualified to provide the Company with Auditors' Reports for A shares and B shares, of which Auditors' Report for B shares has been signed and furnished in the name of BDO International Wuhan Zhonghuan Certified Public Accountants. Since the first agreement signed on the auditing work between the two parties, Wuhan Zhonghuan Certified Public Accountants has providing auditing service for 4 report years for the Company. The achievement auditing fees for 2005 totaled RMB 550,000 (including business trip expenses).

(VIII) In the report period, neither the Company, nor the Board of the Company or directors have been inspected, punished, or criticized by the securities regulatory sections.

X. Financial Report (attached)

XI. Documents for Reference

1. Accounting Statements with the signatures and seals of the Legal Representative and the Manager of the Finance Department.
2. Originals of the Auditors' Reports with the seals of the auditing agencies, and the signatures and seals of the CPAs.
3. Texts and originals of the public notices disclosed in the media within the report period.

**Board of Directors of
Shenzhen Properties & Resources Development (Group) Ltd
Mar. 11, 2006**



德豪国际武汉众环会计师事务所

BDO Wuhan Zhonghuan Certified Public Accountants

**SHENZHEN PROPERTIES & RESOURCES
DEVELOPMENT (GROUP) LIMITED
深圳市物業發展(集團)股份有限公司
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

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

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BDO WUHAN ZHONGHUAN

CERTIFIED PUBLIC ACCOUNTANTS

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ZHSZ (2006) No.149

AUDITORS' REPORT TO THE SHAREHOLDERS OF

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LIMITED

深圳市物業發展(集團)股份有限公司

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

We have audited the accompanying balance sheet of the Shenzhen Properties & Resources Development (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as of December 31 2005, and the related consolidated statements of income, and cash flows for the year then ended.

Respective Responsibilities of Company's Management and Auditors

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing except that the scope of our work as limited as explained below. Those Standards require that we plan and perform the Audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Furthermore, owing to insufficient information acquired, we were unable to satisfy ourselves as to certain adjustments for adoption of International Accounting Standards in the prior years. Those adjustments result the decrease of opening balances and closing balances of the Company's assets and net assets by RMB19, 828 (in thousand). The evidence available to us was limited as we were unable to carry out satisfactory auditing procedure to obtain adequate assurance regarding those opening balances and their impact to the financial statements.

Fundamental uncertainty relating to the outcome of certain litigations

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of certain litigations against the Group for breach of contracts of sale and purchase of realty properties by the Group on the ground of the Group's failure to complete the contracts as schedules. The future settlement of these litigations might result in additional liabilities to the Group. Details of the circumstances relating to this fundamental uncertainty are described in Note 27 to the financial statements. We consider that the fundamental

uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

Opinion

In our opinion, except for the effects of adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the opening balances of the financial statements and the results and assets and liabilities of the non-consolidated subsidiaries on the Group's results and assets and liabilities, the financial statements give a true and fair view of the financial position of the Company as of December 31 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards and comply with the relevant statute.

BDO Wuhan Zhonghuan Certified Public Accountants Co., Ltd

Wuhan, China, March 9, 2006

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

CONSOLIDATED INCOME STATEMENT
 YEAR ENDED DECEMBER 31, 2005

	<u>Notes</u>	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Turnover	4	963,481	1,326,290
Cost of sales		<u>(674,839)</u>	<u>(902,525)</u>
Gross profit		288,642	423,765
Other revenue/ (expenses), net		(11,263)	(2,632)
Administrative expenses		(132,458)	(218,441)
Distribution costs		<u>(35,082)</u>	<u>(33,219)</u>
Profit from operations	6	109,839	169,473
Finance costs	7	(32,835)	(41,293)
Share of profits/ (losses) of associates		25,964	3,692
Loss on investments, net	8	<u>(7,370)</u>	<u>(5,766)</u>
Profit before taxation		95,598	126,106
Taxation	9	<u>(16,067)</u>	<u>(35,710)</u>
Profit after taxation and attributable to shareholders		<u>79,531</u>	<u>90,396</u>
Earnings per share			
Basic and diluted	10	<u>RMB0.14</u>	<u>RMB0.17</u>

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

CONSOLIDATED BALANCE SHEET
 AT DECEMBER 31, 2005

	Notes	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Non-current assets			
Property, plant and equipment	11	301,649	333,909
Intangible assets	12	69,115	70,364
Interests in subsidiaries not consolidated	14	20,829	5,096
Interests in associates	15	95,484	107,235
Investments in securities	16	6,319	16,410
		<u>493,396</u>	<u>533,014</u>
Current assets			
Inventories	17	895,578	1,316,712
Trade and other debtors and prepayments	18	127,410	135,851
Trading securities	19	2,714	9,944
Cash and bank balances		240,144	240,234
		<u>1,256,846</u>	<u>1,702,741</u>
Current liabilities			
Trade and other creditors	20	547,660	866,385
Provisions	21	54,028	58,602
Taxes payable		42,016	68,314
Borrowings	22	462,202	559,980
		<u>1,105,906</u>	<u>1,553,281</u>
Net current assets/(liabilities)		<u>159,940</u>	<u>149,460</u>
Total assets less current liabilities		<u>653,336</u>	<u>702,474</u>
Non-current liabilities			
Borrowings	22	-	96,000
Long-term deferred income	23	25,340	38,235
		<u>25,340</u>	<u>134,235</u>
		<u>627,996</u>	<u>548,239</u>
CAPITAL AND RESERVES			
Share capital	24	541,799	541,799
Reserves		86,197	6,440
		<u>627,996</u>	<u>548,239</u>

Approved by the board of directors on March 9, 2006.

DIRECTOR

DIRECTOR

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 YEAR ENDED DECEMBER 31, 2005

	Share capital RMB'000 (Note 25)	Statutory capital reserve RMB'000	Public welfare fund RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at January 1, 2004	541,799	347,665	79,511	(521,155)	447,820
Profit for the year	-	-	-	90,396	90,396
Transfer of reserve	-	39,764	-	(29,741)	10,023
Balance at December 31, 2004	541,799	387,429	79,511	(460,500)	548,239
Profit for the year	-	-	-	79,531	79,531
Transfer of reserve	-	(374,052)	3,041	371,237	(226)
Balance at December 31, 2005	541,799	13,377	82,552	(9,732)	627,996

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

CONSOLIDATED CASH FLOW STATEMENT
 YEAR ENDED DECEMBER 31, 2005

	<u>2005</u> RMB'000	<u>2004</u> RMB'000
Profit from ordinary activities before taxation	95,598	126,106
Adjustment for:		
Share of results of associates	(7,711)	(3,692)
Interest expense	32,827	47,689
Interest income	(957)	(2,067)
Bad or doubtful debts written back	(17,392)	(50)
Provision for doubtful debts	14,697	71,586
Provision for inventories written back	(6,881)	(10,515)
Provision for impairment in investments in securities	8,106	-
Decrease in bank balances pledged as securities	-	5,000
Provision for trading securities	273	(7,838)
Provision for trading securities written back	(8,370)	-
Depreciation of property, plant and equipment	26,937	26,640
Amortisation of intangible assets	1,786	3,043
(Gain)/loss on disposal of property, plant and equipment	9,177	476
(Gain)/ loss on dealing of listed investments	(9,263)	62
Gain/(loss) in foreign currency exchange	(695)	-
Operating cash flows before movements in working capital	138,132	256,440
Decrease in inventories	426,292	80,433
Decrease in receivables	31,585	16,232
Increase/(decrease) in payables	(262,880)	10,782
Cash generated by operations	333,129	363,887
Taxes paid	(114,330)	(119,846)
Net cash flows from operating activities	218,799	244,041
Investing activities		
Interest received	957	2,067
Proceeds on disposal of other investments	6,341	916
Decrease in trading securities	-	4,243
Proceeds on disposal of property, plant and equipment	18,666	3,967
Purchases of property, plant and equipment	(19,761)	(10,922)
Decrease/(Increase) in interests in associates	-	28,507
Net cash flows from investing activities	6,203	28,778

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

CONSOLIDATED CASH FLOW STATEMENT – continued
 YEAR ENDED DECEMBER 31, 2005

Financing activities		
Interest paid on bank loans and other loans	<u>(32,827)</u>	<u>(47,689)</u>
New bank loans raised	<u>292,920</u>	<u>473,600</u>
Repayments of bank loans	<u>(486,698)</u>	<u>(725,120)</u>
Net cash flows in financing activities	<u>(226,605)</u>	<u>(299,209)</u>
(Decrease)/ increase in cash and cash equivalents	<u>(1,603)</u>	<u>(26,390)</u>
Cash and cash equivalents at beginning of year		
- as previously registered	240,234	266,624
- effect of exclusion of subsidiaries consolidated in prior year	<u>1,513</u>	<u>-</u>
As adjusted	<u>241,747</u>	<u>266,624</u>
Cash and cash equivalents at end of year		
Represented by cash and bank balances	<u>240,144</u>	<u>240,234</u>

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current event and actions, actual results ultimately may differ from those estimates.

3. PRINCIPAL ACCOUNTING POLICIES

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

(a) Subsidiaries

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

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

(b) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company’s share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are

3. PRINCIPAL ACCOUNTING POLICIES – continued

entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(c) Property, plant and equipment

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

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

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

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

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

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

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

(d) Land use rights

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

(e) Intangible assets

Intangible assets represent the cost of acquisition of taxi licenses and are stated at

3. PRINCIPAL ACCOUNTING POLICIES – continued

diminution in value. Amortisation is provided to write off the cost of taxi licenses over the license period granted by relevant authorities, which is 20 years.

(f) Investment in securities

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

(g) Properties under development

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

(h) Completed properties for sale

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

(i) 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.

(j) Impairment loss

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

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

3. PRINCIPAL ACCOUNTING POLICIES – continued

(k) Revenue recognition

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

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

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

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

(l) 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 income statement according to the contribution determined by the relevant schemes.

(m) Taxation

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES – continued

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

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

(n) 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 income statement.

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

(o) Operating leasing

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

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

(p) Cash and cash equivalents

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

(q) Provisions

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

(r) Financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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3. PRINCIPAL ACCOUNTING POLICIES – continued

(s) Related parties

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

4. TURNOVER

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

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Sale of properties	751,338	1,112,296
Sale of goods	27,378	34,294
Taxi services	37,522	33,506
Property rental and management services income	126,695	133,217
Hotel and restaurant operations	13,674	12,977
Others	<u>6,873</u>	<u>-</u>
Totals	<u>963,481</u>	<u>1,326,290</u>

5. SEGMENTS REPORTING

(a) Business segment

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

Principal activities are as follows:

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

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

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5. SEGMENTS REPORTING – continued

	Sales of properties, management services and <u>rental income</u>	Sales of <u>goods</u>	Taxi services, hotel and restaurant operations <u>and others</u>	<u>Eliminations</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
External sales	878,034	27,378	58,069		963,481
Inter-segment sales	<u>9,777</u>	<u>-</u>	<u>-</u>	<u>(9,777)</u>	<u>-</u>
Total revenue	<u>887,811</u>	<u>27,378</u>	<u>58,069</u>	<u>(9,777)</u>	<u>963,481</u>

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

	Sales of properties, management services and <u>rental income</u> RMB'000	Sales of <u>goods</u> RMB'000	Taxi services, hotel and restaurant operations <u>and others</u> RMB'000	<u>Eliminations</u> RMB'000	<u>Consolidated</u> RMB'000
RESULTS					
Segment results	257,761	668	35,694	(5,481)	288,642
General administrative expenses and unallocated corporate expenses					<u>(178,803)</u>
Profit from operations					109,839
Finance costs					(32,835)
Share of losses of associates					25,964
Loss on investments					<u>(7,370)</u>
Profit before taxation					95,598
Taxation					<u>(16,067)</u>
Profit after taxation and attributable to shareholders					<u>79,531</u>

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5. SEGMENTS REPORTING – continued

Segment information about these businesses for the year ended December 31, 2004 is presented below:

	Sales of properties, management services and <u>rental income</u> RMB'000	Sales of goods RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	<u>Eliminations</u> RMB'000	<u>Consolidated</u> RMB'000
Revenue					
External sales	1,245,513	34,294	46,483	-	1,326,290
Inter-segment sales	<u>4,296</u>	<u>-</u>	<u>-</u>	<u>(4,296)</u>	<u>-</u>
Total revenue	<u>1,249,809</u>	<u>34,294</u>	<u>46,483</u>	<u>(4,296)</u>	<u>1,326,290</u>

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

	Sales of properties, management services and <u>rental income</u> RMB'000	Sales of goods RMB'000	Taxi services, hotel and restaurant operations and others RMB'000	<u>Eliminations</u> RMB'000	<u>Consolidated</u> RMB'000
RESULTS					
Segment results	<u>397,012</u>	<u>2,110</u>	<u>28,939</u>	<u>(4,296)</u>	<u>423,765</u>
General administrative expenses and unallocated corporate expenses					<u>(254,292)</u>
Profit from operations					169,473
Finance costs					(41,293)
Share of losses of associates					3,692
Income from investments					<u>(5,766)</u>
Profit before taxation					126,106
Taxation					<u>(35,710)</u>
Profit after taxation and attributable to shareholders					<u>90,396</u>

(b) Geographical segment

For the year ended December 31, 2005 and 2004, all of the Groups business was derived from activities in the PRC and all of the Group's total assets are located in the PRC as at December 31, 2005 and 2004.

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6. PROFIT FROM OPERATIONS

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

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
After charging:		
Staff costs – statutory pension	19,267	15,843
– other costs	136,165	111,965
Total staff cost	155,432	127,808
Depreciation of owned property, plant and equipment	26,937	26,640
Amortisation of intangible assets	1,786	3,044
Provision for doubtful debts	14,697	71,736
Provision for impairment of investments	8,106	-
Unrealised losses on trading securities	-	7,838
Loss on dealing of trading securities	8,989	62
Loss on disposal of property, plant and equipment	9,177	476
And after crediting:		
Interest income	957	2,067
Provision for doubtful debts written back	17,392	-
Provision for inventories written back	6,881	10,515
Provision for impairment of trading securities written back	8,097	-
Gain on dealing of investment	16,747	-

7. FINANCE COSTS

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Interest expenses	32,835	47,689
Less: Interest capitalized	-	(6,396)
	<u>32,835</u>	<u>41,293</u>

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8. LOSS ON INVESTMENTS, NET

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Interest on bank deposits, government bonds and other loans	(1,629)	(2,067)
Provision for impairment	-	-
Loss/(gain) on dealing of listed investments	8,989	62
Reversal of the provision for trading securities	<u>10</u>	<u>7,771</u>
	<u>7,370</u>	<u>5,766</u>

9. TAXATION

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
The charge comprises:		
Income tax for the year:		
PRC income tax	<u>16,067</u>	<u>35,710</u>
Taxation attributable to the Company and its subsidiaries	<u>16,067</u>	<u>35,710</u>

The Group provided for income tax on the estimated assessable profit for the year at the rate of 15% (2004: 15%), the prevailing income tax rate 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 subsidiaries operate.

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

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Profit before tax	<u>98,885</u>	<u>126,106</u>
Tax at the domestic income tax rate of 15% (2004:15%)	14,833	18,916
Tax effect of expenses that are not deductible in determining taxable profit	2,564	12,473
Effect of different tax rates of subsidiaries and associates	<u>-1,330</u>	<u>4,321</u>
Tax expense and effective tax rate for the year	<u>16,067</u>	<u>35,710</u>

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10. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB 79,531,000 (2004: RMB 90,396,000) and the 541,799,000 (2004: 541,799,000) shares in issue during the year. No diluted earnings per share is presented since there are no dilutive potential ordinary shares in existence during the years ended December 31, 2005 and 2004.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and <u>buildings</u> RMB'000	Leasehold <u>improvements</u> RMB'000	Motor <u>vehicles</u> RMB'000	Fixture and <u>equipment</u> RMB'000	<u>Total</u> RMB'000
COST					
At January 1, 2005	368,308	37,478	35,505	27,966	469,257
Transferred from inventories	46,792	-	-	-	46,792
Additions	776	101	18,572	1,023	20,472
Disposals	73,713	-	18,228	1,114	93,055
At December 31, 2005	<u>342,163</u>	<u>37,579</u>	<u>35,849</u>	<u>27,875</u>	<u>443,466</u>
DEPRECIATION					
At January 1, 2005	89,640	14,391	17,210	14,107	135,348
Charge for the year	16,881	764	7,737	1,555	26,937
Eliminated on disposals	(4,898)	-	(14,629)	(941)	(20,468)
At December 31, 2005	<u>101,623</u>	<u>15,155</u>	<u>10,318</u>	<u>14,721</u>	<u>141,817</u>
NET BOOK VALUES					
At December 31, 2005	<u>240,540</u>	<u>22,424</u>	<u>25,531</u>	<u>13,154</u>	<u>301,649</u>
At December 31, 2004	<u>278,668</u>	<u>23,087</u>	<u>18,295</u>	<u>13,859</u>	<u>333,909</u>

As at December 31, 2005, land and buildings with net book values of approximately RMB 142,473,991.47 (2004: RMB 66,307,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

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12. INTANGIBLE ASSETS

	RMB'000
Cost	
At January 1, 2004	100,787
Additions	537
At December 31, 2005	101,324
Amortisation	
At January 1, 2004	30,423
Provide for the year	1,786
At December 31, 2005	32,209
Net book value	
At December 31, 2005	69,115
At January 1, 2005	70,364

As at December 31, 2005, taxi licenses with net book value of RMB 37,028,420 (2004: RMB 27,018,042) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries.

13. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries included in consolidated financial statements at December 31, 2005 are as follows:

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

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14. INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Cost of investment	29,751	100,658
Provision for impairment	<u>(28,923)</u>	<u>(76,041)</u>
	829	24,617
Amounts due from subsidiaries	20,000	20,000
Amounts due to subsidiaries	<u>-</u>	<u>(39,521)</u>
	<u>20,829</u>	<u>5,096</u>

Details of subsidiaries excluded from the consolidated financial statement at December 31, 2005 are as follows:

<u>Name of subsidiary</u>	<u>Proportion of ownership interest/ voting power held</u>		<u>Principal activities</u>	<u>Place of incorporation</u>
	<u>Direct</u> %	<u>Indirect</u> %		
Shum Yip Properties Development Limited	100	-	Property development	Hong Kong
Zhanjiang Shenzhen Estate Development Company Limited	-	100	Property development and retailing of general merchandise	The People's Republic of China
Shenzhen ITC Plaza & Development Company Limited	70	-	Property investment and development	The People's Republic of China
Shenzhen Real Estate Development Company	100	-	Property development	The People's Republic of China
Shenzhen Real Estate Exchange	100	-	Property investment	The People's Republic of China
Shen Shan Company	100	-	Dormant	The People's Republic of China
Sihui Jianye Huangjiang Development Company	-	100	Property development	The People's Republic of China
Shenzhen Tesu Vehicle Driver Training Center Limited	-	100	Driver training	The People's Republic of China

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15. INTERESTS IN ASSOCIATES

	2005 RMB'000	2004 RMB'000 restated
Cost of investment	126,603	148,559
Share of post-acquisition loss, net of dividends received	5,460	(20,072)
Provision for impairment	(64,140)	(64,350)
	67,923	64,137
Amounts due from associates	29,706	45,362
Amounts due to associates	(2,145)	(2,264)
	<u>95,484</u>	<u>107,235</u>

Details of the principal associates at December 31, 2005 are as follows:

<u>Name of associate</u>	<u>Proportion of ownership interest/ voting power held</u>		<u>Principal activities</u>	<u>Place of incorporation</u>
	<u>Direct</u> %	<u>Indirect</u> %		
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 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
Shenzhen Fulin Industry Incorporated Company	10.59	-	Hotel	The People's Republic of China
Shenzhen Matform Ceramics Industry Company Limited	26	-	Ceramics craft	The People's Republic of China
Shenzhen ITC Industry Development Company Limited	38.33	-	Property development	The People's Republic of China
Shenzhen Tian'an International Building Property Management Company Limited	50	-	Building management	The People's Republic of China
Shenzhen Huajin Glass Bottle Company Limited	15.83	-	Manufacturing and sales of glass	The People's Republic of China
Guangzhou Lishifeng Motorcar Company Limited	-	30	Motor vehicle trading	The People's Republic of China

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16. INVESTMENTS IN SECURITIES

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Unlisted equity investments at cost	22,386	21,760
Provision for impairment	<u>(16,067)</u>	<u>(5,350)</u>
	<u>6,319</u>	<u>16,410</u>

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

17. INVENTORIES

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Properties held for sale/under development	471,559	421,557
Completed properties held for sale	421,629	892,281
Other inventories	<u>2,390</u>	<u>2,874</u>
	<u>895,578</u>	<u>1,316,712</u>

As at December 31, 2005, completed properties held for sale with carrying value of RMB 8,234,237.55 (2004:RMB129,672,453) have been pledged to the banks to secure general banking facilities granted to the subsidiaries.

18. OTHER FINANCIAL ASSETS

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

19. TRADING SECURITIES

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Listed securities, at market value	<u>2,714</u>	<u>9,944</u>

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20. OTHER FINANCIAL LIABILITIES

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

21. PROVISIONS

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

22. BORROWINGS

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Bank loans	449,002	635,980
Other loans	<u>13,200</u>	<u>20,000</u>
	<u>462,202</u>	<u>655,980</u>
Secured	449,002	635,980
Unsecured	<u>13,200</u>	<u>20,000</u>
	<u>462,202</u>	<u>655,980</u>

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

On demand or within one year	462,202	559,980
More than one year, but not exceeding two years	-	96,000
More than two years, but not exceeding five years	<u>-</u>	<u>-</u>
	462,202	655,980
Less: Amounts due within one year shown under current liabilities	<u>462,202</u>	<u>559,980</u>
	<u>-</u>	<u>96,000</u>

During the year, the Group obtained new bank loans in the amounts of RMB 292,920,000. The loans bear interest at prevailing market rates ranging from 5% to 7% (2004:5% to 7%) per annum.

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23. LONG-TERM DEFERRED INCOME

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
At January 1	38,235	40,009
Additions for the year	(8,582)	5,430
Released to income statement	<u>(4,313)</u>	<u>(7,204)</u>
At December 31	<u>25,340</u>	<u>38,235</u>

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

24. SHARE CAPITAL

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Registered, issued and fully paid:		
388,949,000 state shares and shares held by other promoters of RMB1.00 each	388,949	388,949
91,391,000 A share of RMB1.00 each	91,391	91,391
61,459,000 B share of RMB1.00 each	<u>61,459</u>	<u>61,459</u>
	<u>541,799</u>	<u>541,799</u>

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

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>Short-term</u> <u>bank loans</u> RMB'000	<u>Long-term</u> <u>bank loans</u> RMB'000	<u>Other</u> <u>short-term</u> <u>loans</u> RMB'000 restated
Balance at January 1, 2005	400,980	96,000	159,000
New loans raised	292,920	-	-
Repayments of amounts borrowed	<u>(231,698)</u>	<u>(96,000)</u>	<u>(159,000)</u>
Balance at December 31, 2005	<u>462,202</u>	<u>-</u>	<u>-</u>

26. PLEDGE OF ASSETS

As at December 31, 2005, leasehold land and buildings with a net book value of RMB 142,473,991.47 (2004: RMB66,307,000), completed properties held for sales of RMB 8,234,237.55 (2004: RMB129,672,453) and certain taxi licenses having a net book value of RMB 37,028,420 (2004: RMB27,018,000) have been pledged to the banks for the general banking facilities granted to the Group.

27. CONTINGENT LIABILITIES

(1) The Company and one of its wholly owned subsidiaries are defendants in a law suit carried to the court in 1999 claiming for breach of contract of sale and purchase of realty properties on the part of the Company and its subsidiary by virtue of failure to completing the transaction by proper transfer of title deeds of properties concerned on schedule as contracted. The Provincial High Court of Guangdong has declared and re-affirmed its final ruling against the Company and its subsidiary for paying a total compensation of approximately HK\$ 79 million (or approximately RMB84 million) to the plaintiffs. The Company is seeking an appeal to the People's Supreme Court and as a prerequisite, submitted to the court a voluntary order of restriction on certain of the Group's realty properties assets of a carrying value on the balance sheet as at December 31, 2003 of approximately RMB40 million which, in the opinion of the Company's directors, are of a realisable value sufficient to cover the compensation as imposed by the court decision. A provision of approximately RMB42 million has been made for the loss under such case in the Group's financial statements as of December 31, 2004. As at the date of this report, the application for appeal to the Supreme Court is still in progress.

(2) A court case against the Company in 2000 in relation to delay in delivery of realty properties was finalised and according to the court decision the Company have to refund to the plaintiff the whole of the purchase consideration for the properties concerned of RMB10.8 million plus interest accrued. The Company appealed to the People's Supreme Court and on August 2005 a civil award was given by the Supreme Court which set out that Guangdong Provincial Supreme Court should execute a new trial. Up to Dec 31 2005 a contingent loss of RMB 9,655,160.25 was made by the Company.

(3) On Dec 1998, the Company provided security for its parent company's borrowings of RMB 260,000. On May 2001 the Company was commanded to bear the guardianship. A contingent loss of RMB 260,000 was made by the Company in the year 2004. Up to Dec 31 2005 the amount was still unpaid.

(4) As at Dec 31 2005, certain properties of the Company was used to secure the borrowings of RMB 8,100,000 made available to one of its subsidiary.

(5) As at Dec 31 2005, the Company and its subsidiaries provided guarantee of RMB 21,545,000 to its realty properties purchasers in favor of banks.

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28. OPERATING LEASES

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

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
- Within one year	26,760	26,190
- In the second to fifth year inclusive	<u>91,060</u>	<u>52,380</u>
	<u>117,820</u>	<u>78,570</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

29. RETIREMENT BENEFITS PLANS

Defined contribution plans

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

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30. RELATED PARTY TRANSACTIONS

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

	<u>Name</u>	<u>Relationship with the Group</u>	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Construction costs paid	Shenzhen Construction Investment Holding Co.	Holding company	182,464	163,720
Construction costs paid	Shenzhen Yuezhong (Group) Co. Ltd	Fellow subsidiary	240,403	209,138
			<hr/>	<hr/>

Outstanding balances with related parties the balance sheet date which are included in the balance sheet are as follows:

	<u>2005</u> RMB'000	<u>2004</u> RMB'000 restated
Amounts due from related parties, disclosed as interest in subsidiaries not consolidated, interest in associates and trade and other debtors and prepayments	<u>49,706</u>	<u>186,663</u>

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NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2005

31. IMPACT OF IFRS ADJUSTMENTS ON NET PROFIT FOR THE YEAR

	Profit for the year ended December 31	
	<u>2005</u>	<u>2004</u>
	RMB'000	RMB'000 restated
As reported in financial statements prepared in accordance with PRC GAAP	82,903	90,450
Adjustments to confirm with IFRS:		
Deferred expenses written off	(1,165)	(86)
Amortisation charges written back	-	32
Others	(2,207)	-
	<u>79,531</u>	<u>90,396</u>

32. IMPACT OF IFRS ADJUSTMENTS ON CONSOLIDATION NET ASSETS

	Consolidated net assets As at December 31	
	<u>2005</u>	<u>2004</u>
	RMB'000	RMB'000 restated
As reported in financial statements prepared in accordance with PRC GAAP	650,258	567,129
Adjustments to confirm with IFRS:		
“B share” prior years adjustments	(19,828)	(4,000)
Deferred expenses written off	(1,316)	(3,448)
Amortisation charges written back	(6,368)	613
Addition depreciation charges	-	(10,380)
Addition amortisation charges	-	(8,373)
Unamortised expenses written off	-	(4,233)
Others	5,250	10,931
	<u>627,996</u>	<u>548,239</u>