Financial Report (unaudited)

Balance Sheet

Company: Shenzhen Properties & Resources Development (Group) Ltd.
Date： Jun. 30. 2004 Unit: RMB

Assets	Notes	The Group		The Company	
		Amount at the end of the period	Amount at the begin of the year	Amount at the end of the period	Amount at the begin of the year
Current assets					
Monetary fund	5.1	182,867,713.59	266,623,920.64	31,335,769.94	35,378,358.55
Short-term investment	5.2	14,186,723.45	14,186,723.45	2,468,182.16	2,468,182.16
Notes receivable					
Dividends receivable					
Accounts receivable	5.3（1)	71,560,307.88	72,239,912.28	67,207,703.64	66,834,239.64
Accounts paid in advance	5.4	4,794,046.80	13,848,347.77	1,859,405.22	969,007.16
Others receivable	5.3（2)	171,003,141.20	165,756,530.07	246,595,340.38	232,166,983.34
Inventory	5.5	1,556,347,658.71	1,422,357,820.15	376,649,044.22	269,040,554.30
Expense to be apportioned	5.6	1,120,419.67	94,241.97	1,008,203.16	
Long-term credit investment due within 1 year					
Other current assets					
Total current assets		2,001,880,011.30	1,955,107,496.33	727,123,648.72	606,857,325.15
Long-term investment					
Long-term equity investment	5.7	108,799,568.99	111,977,240.30	427,717,243.63	398,493,936.93
Long-term credit investment					
Total long-term investment		108,799,568.99	111,977,240.30	427,717,243.63	398,493,936.93
Fixed assets					
Original price of fixed assets	5.8	415,947,345.26	415,182,059.30	323,517,772.51	323,441,177.51
Less: accumulated depreciation	5.8	128,998,237.33	125,007,479.55	95,107,315.06	88,928,775.23
Net value of fixed assets		286,949,107.93	290,174,579.75	228,410,457.45	234,512,402.28
Provision for devaluation of fixed assets Net amount of fixed assets	5.8				
Engineering material					
Construction in progress					
Disposal of fixed assets	5.9	50,359.88	-273,000.00		
Total fixed assets		286,999,467.81	289,901,579.75	228,410,457.45	234,512,402.28
Intangible and other assets:					
Intangible assets	5.10	74,273,285.93	75,226,345.15		
Long-term expenses to be apportioned	5.11	486,039.00	3,000.00		
Other long-term assets					
Total intangible and other assets		74,759,324.93	75,229,345.15		
Deferred taxes-debit item					
Deferred taxes-debit item	5.12	7,822,444.30	5,012,238.16		335,518.26

Total assets		**2,480,260,817.33**	**2,437,227,899.69**	**1,383,251,349.80**	**1,240,199,182.62**

Balance Sheet (Con.)

Company: Shenzhen Properties & Resources Development (Group) Ltd.

Date: Jun. 30, 2004 Unit: RMB

Liabilities and shareholders' equity	Notes	The Group		The Company	
		Amount at the end of the period	Amount at the begin of the year	Amount at the end of the period	Amount at the begin of the year
Current liabilities:					
Short-term loans	5.13	526,000,000.00	707,500,000.00	453,000,000.00	527,500,000.00
Notes payable	5.14		50,500,000.00		
Account payable	5.15	338,629,008.36	343,889,474.03	44,799,180.39	45,511,150.07
Accounts received in advance	5.16	455,762,910.45	237,509,511.40	112,054,053.33	22,677,148.83
Other payable	5.19	156,869,547.69	137,412,863.72	49,157,604.13	55,429,903.73
Wage payable		783,420.00	722,241.95	311,090.00	
Welfare funds payable		11,354,089.99	10,398,538.78	871,535.96	1,050,646.45
Taxes payable	5.17	12,701,951.01	56,845,070.63	5,956,480.94	6,390,714.12
Dividends payable					
Other unpaid accounts	5.18	-224,742.45	76,486.46	38,353.66	39,974.98
Accrued expenses	5.20	57,388,724.31	0,664,568.59	56,303,627.40	56,303,627.40
Projected liabilities	5.21	50,002,304.07	50,002,304.07	50,002,304.07	50,002,304.07
Long-term liabilities due within 1 year	5.22	29,000,000.00	70,000,000.00		
Other current liabilities					
Total current liabilities		1,638,267,213.43	1,735,521,059.63	772,494,229.88	764,905,469.65
Long-term liabilities					
Long-term loans	5.23	257,000,000.00	130,000,000.00	127,000,000.00	
Bonds payable					
Long-term accounts payable					
Special accounts payable					
Other long-term liabilities	5.24	102,307,483.98	97,484,127.09		
Total long-term liabilities		359,307,483.98	227,484,127.09	127,000,000.00	
Deferred taxes-credit item					
Deferred taxes-credit item					
Total liabilities	56	1,997,574,697.41	1,963,005,186.72	899,494,229.88	764,905,469.65
Minority interests					
Minority interests					
Shareholders' equity					
Share capital	5.25	541,799,175.00	541,799,175.00	541,799,175.00	541,799,175.00
Less: Restored investment Net amount of share capital					
Capital public reserve	5.26	396,864,322.87	396,864,322.87	396,864,322.87	396,864,322.87
Surplus public reserve	5.27	62,919,127.11	62,919,127.11	62,919,127.11	62,919,127.11
Including: Statutory public welfare fund		62,919,127.11	62,919,127.11	62,919,127.11	62,919,127.11
Retained profit	5.28	(518,896,505.06)	(527,359,912.01)	(517,825,505.06)	(526,288,912.01)
Difference balance in conversion of foreign currency					
Total shareholders' equity of the Company		482,686,119.92	474,222,712.97	483,757,119.92	475,293,712.97
Total shareholders' equity		482,686,119.92	474,222,712.97	483,757,119.92	475,293,712.97
Total liabilities and		**2,480,260,817.33**	**2,437,227,899.69**	**1,383,251,349.80**	**1,240,199,182.62**

shareholders' equity					

Statement of Profit and Profit Distribution

Company: Shenzhen Properties & Resources Development (Group) Ltd.

(Jan.-Jun.2004) Unit: RMB

Items	The Group		The Company	
	Accumulated amount in this period	Amount at the same period of last year	Accumulated amount in this period	Amount at the same period of last year
I. Income from core business (note 5.29)	259,275,868.71	249,851,393.54	15,509,881.51	13,359,312.21
Less: Discount and allowance				
Net income from core business	259,275,868.71	249,851,393.54	15,509,881.51	13,359,312.21
Less: Cost of core business (note 5.30)	146,269,878.90	172,237,341.63	6,141,590.33	5,756,852.06
Taxes and extras of core business (note 5.21)	12,136,401.99	11,242,491.67	806,513.71	694,836.00
II. Profit from core business	100,869,587.82	66,371,560.24	8,561,777.47	6,907,624.15
Add: Profit from other business lines (note 5.32)	-578,839.89	-831,262.62		
Less: Losses on price falling of inventory				
Operating expenses	13,724,840.81	5,026,550.68	17,004.00	50,850.11
Administrative expenses	57,543,188.73	46,724,392.66	22,931,856.80	19,704,508.89
Financial expenses (note 5.33)	16,113,639.77	4,840,082.82	6,350,332.16	4,044,271.53
III. Operating profit	12,909,078.62	8,949,271.46	-20,737,415.49	-16,892,006.38
Add: Investment income (note 5.34)	1,572,328.69	1,098,755.42	29,223,306.70	24,620,673.13
Subsidy income				
Non-operating income (note 5.35)	843,128.21	618,731.24	44,684.72	
Less: Non-operating expenditure (note 5.36)	505,624.34	236,721.02	67,168.98	
IV. Total profit	**14,818,911.18**	**10,430,037.10**	**8,463,406.95**	**7,728,666.75**
Less: Income tax	6,355,504.23	2,701,370.35	0.00	0.00
Minority interests			0.00	0.00
V. Net profit	**8,463,406.95**	**7,728,666.75**	**8,463,406.95**	**7,728,666.75**
Add: Retained profit at the begin of the year	(527,359,912.01)	(604,361,743.45)	(526,288,912.01)	(604,361,743.45)
Transferring into surplus public reserve	0.00	0.00	0.00	0.00
VI. Profit available for distribution:	**(518,896,505.06)**	**(596,633,076.70)**	**(517,825,505.06)**	**(596,633,076.70)**
Less: Allotted statutory surplus public reserve	0.00	0.00	0.00	0.00
Allotted statutory welfare funds	0.00	0.00	0.00	0.00
VII. Profit available for distribution to shareholders:	**(518,896,505.06)**	**(596,633,076.70)**	**(517,825,505.06)**	**(596,633,076.70)**
Less: Dividend of preference shares payable	0.00	0.00	0.00	0.00
Allotted arbitrary surplus public reserve	0.00	0.00	0.00	0.00
Dividend of common share payable	0.00	0.00	0.00	0.00
Dividend of common share transferred as share capital	0.00	0.00	0.00	0.00
VIII. Retained profit	**(518,896,505.06)**	**(596,633,076.70)**	**(517,825,505.06)**	**(596,633,076.70)**

Shenzhen Properties & Resources Development (Group) Ltd.					
Supplement Information of Statement of Profit					
Jan.-Jun. 2004					
No.	**Items**	**Consolidation**		**Parent company**	
		Accumulated amount in this year	**Actual amount as of previous year**	**Accumulated amount in this year**	**Actual amount as of previous year**
1	Income from selling or disposal branch and investee enterprise				
2	Losses due from natural disaster				
	Increase (or decrease) of total profit due to the changing of accounting policies				
3	Increase (or decrease) of total profit due to the changing of accounting estimation				
4	Losses on debts reorganization				
5	Other				

Statement of Cash Flow

Company: Shenzhen Properties & Resources Development (Group) Ltd.

(Jan.-Jun., 2004) Unit: RMB

Items		The Group		The Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services		487,032,517.76		105,100,551.41
Rebated tax received		11,833.00		
Other cash received concerning operating activities (Note 5.37)		41,081,997.16		133,077,327.59
Subtotal of cash inflows		**528,126,347.92**		**238,177,879.00**
Cash paid for purchasing commodities and receiving labor service		225,955,255.26		105,684,330.43
Cash paid to / for staff and workers		52,840,842.36		17,030,434.15
Taxes paid		73,085,218.84		5,525,396.76
Other cash paid concerning operating activities (Note 5.38)		84,357,744.51		170,084,617.27
Subtotal of cash outflows		**436,239,060.97**		**298,324,778.61**
Net cash flows arising from operating activities		**91,887,286.95**		**-60,146,899.61**
II. Cash flows arising from investing activities:				
Cash received from recovering investment		304,279.54		300,000.00
Cash received from investment income		13,699,512.77		13,527,972.77
Net cash received from disposal of fixed, intangible and other long-term assets		127,000.00		
Other cash received concerning investing activities				
Subtotal of cash inflows		14,130,792.31		**13,827,972.77**
Net cash paid for purchasing fixed, intangible and other long-term assets		8,889,895.40		
Cash paid for investment				
Other cash paid concerning investing activities				
Subtotal of cash outflows		**8,889,895.40**		
Net cash flows arising from investing activities		**5,240,896.91**		**13,827,972.77**
III. Cash flows arising from financing activities				
Cash received by absorbing investment		5,000,000.00		
Cash received from loans		150,635,889.00		150,000,000.00
Other cash received concerning financing activities		256,216.09		
Subtotal of cash inflows		**155,892,105.09**		**150,000,000.00**
Cash paid for settling debts		316,000,000.00		97,500,000.00
Cash paid for dividends and profit distributing or interest paying		20,580,093.34		10,120,778.90
Other cash paid concerning financing activities		196,402.66		102,882.87
Subtotal of cash outflows		**336,776,496.00**		**107,723,661.77**
Net cash flows arising from financing activities		**-180,884,390.91**		**42,276,338.23**
IV. Influence of fluctuation in exchange rate on cash				
V. Net increase of cash and cash equivalents		**-83,756,207.05**		**-4,042,588.61**
Note:				
Supplement information		The Group		The Company
1. Investing and financing activities involving no cash incomings / outgoings:				

Debts repaid with fixed assets				
Debts repaid with investment				
Long-term investment made with fixed assets				
Debts repaid with inventories				
2. Adjusting net profit to cash flows for operating activities:				
Net profit		**8,463,406.95**		**8,463,406.95**
Add: allotment of provision for bad debts or reselling of bad debts				
Minority interests				
Depreciation of fixed assets		**9,564,724.54**		**6,178,251.24**
Amortization of intangible assets		**953,059.22**		
Amortization of long-term expenses to be apportioned		**40,530.00**		
Decrease of expenses to be apportioned (Less: increase)		**-1,015,429.59**		**-1,008,203.16**
Increase of accrued expenses (Less: decrease)		**-13,223,617.28**		
Loss on disposal of fixed, intangible and other long-term assets (Less: income)		**-188,574.26**		**-22,484.26**
Losses on rejection of fixed assets				
Financial expense		**16,113,639.77**		**6,350,332.16**
Investment loss (Less: income)		**1,572,328.69**		**-29,223,306.70**
Deferred taxes – credit item (-: debit item)		**-7,822,444.30**		
Decrease of inventory (Less: increase)		**-126,365,196.35**		**-107,608,489.92**
Decrease of receivables in operating (Less: increase)		**-63,990,544.24**		**-15,692,219.10**
Increase of payables in operating (Less: decrease)		**190,639,079.85**		**82,392,635.22**
Other		**77,146,323.95**		**-9,976,822.04**
Net cash flows arising from operating activities		**91,887,286.95**		**-60,146,899.61**
3. Net increase of cash and cash equivalents:				**0.00**
Balance of cash at the end of the period		**182,867,713.59**		**31,335,769.94**
Less: Balance of cash at the begin of the period		**266,623,920.64**		**35,378,358.55**
Add: Balance of cash equivalents at the end of the period				**0.00**
Less: Balance of cash equivalents at the begin of the period				**0.00**
Net increase of cash and cash equivalents		**-83,756,207.05**		**-4,042,588.61**

Subsidiary Statement of Consolidation Provision for Devaluation of Assets						
	Jun. 30, 2004					KG Table 01-1
Company: Shenzhen Properties & Resources Development (Group) Ltd.						Unit: RMB
Items	**Balance at the begin of the year**	**Increase in this year**	**Decrease in this year**			**Balance at the end of the year**
			Switching back due to recovered price of assets	**Transferring out due to other reasons**	**Total**	
I. Total of provision for bad debts	215,032,722.26					215,032,722.26
Including: Account receivable	56,733,574.75					56,733,574.75
Other receivable	158,299,147.51					158,299,147.51
II. Total of provision for falling price of short-term investment	10,877,091.64					10,877,091.64
Including: Stocks investment	10,877,091.64					10,877,091.64
Bonds investment						
III. Total of provision for falling price of inventory	136,891,046.23			1,969,073.20	1,969,073.20	134,921,973.03
Including: Raw material	3,077,504.90			1,969,073.20	1,969,073.20	1,108,431.70
Merchandise inventory	34,646.00					34,646.00
Land planning to develop	84,240,964.29					84,240,964.29
Work in progress						
Finished product	49,537,931.04					49,537,931.04
IV. Total of provision for devaluation of long-term investment	81,145,352.08					81,145,352.08
Including: Long-term equity investment	81,145,352.08					81,145,352.08
Long-term credit investment						
V. Total of provision for devaluation of fixed assets						
Including: Building						
Machinery and equipment						
VI. Provision for devaluation of intangible assets						
Including: Patent right						
Land use right						
VII. Provision for devaluation of construction in progress						

VIII. Provision for devaluation of commission loan						

Legal representative: Person in charge of accounting work: Person in charge of accounting institution:

Subsidiary Statement of Provision for Devaluation of Assets

Jun. 30, 2004 KG Table 01-1

Company: Shenzhen Properties & Resources Development (Group) Ltd. Unit: RMB

Items	Balance at the begin of the year	Increase in this year	Decrease in this year			Balance at the end of the year
			Switching back due to recovered price of assets	Transferring out due to other reasons	Total	
I. Total of provision for bad debts	186,045,865.09					186,045,865.09
Including: Account receivable	51,860,241.00					51,860,241.00
Other receivable	134,185,624.09					134,185,624.09
II. Total of provision for falling price of short-term investment	4,201,850.29					4,201,850.29
Including: Stocks investment	4,201,850.29					4,201,850.29
Bonds investment						
III. Total of provision for falling price of inventory	76,921,702.01					76,921,702.01
Including: Raw material						
Merchandise inventory	1,400,000.00					1,400,000.00
Land planning to develop	75,521,702.01					75,521,702.01
Work in progress						
Finished product						
IV. Total of provision for devaluation of long-term investment	68,157,923.78					68,157,923.78
Including: Long-term equity investment	68,157,923.78					68,157,923.78
Long-term credit investment						
V. Total of provision for devaluation of fixed assets						
Including: Building						
Machinery and equipment						
VI. Provision for devaluation of intangible assets						
Including: Patent right						
Land use right						
VII. Provision for devaluation of construction in progress						

VIII. Provision for devaluation of commission loan						
Legal representative:	Person in charge of accounting work:			Person in charge of accounting institution:		