

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

ANNUAL REPORT 1999

Important note: The Board of Directors confirm to the best of their belief that there are no material omission, misrepresentation or seriously misleading in the information contained in this report and individually and severally accept full responsibilities for the truthfulness, accuracy and completeness of its content

A. CORPORATE INFORMATION

1. Name of the Company (Chinese): 深圳市物業發展(集團)股份有限公司
Abbreviation: 物業集團
Name of the Company (English): Shenzhen Properties & Resources Development (Group) Ltd. (PRD)
2. Legal representative: Tian Chenggang
3. Secretary to the Board of Directors: Chen Ting Wei
Telephone: 0755-2253020
Facsimile: 0755-2252043
Registered address: 39/F and 42/F, International Trade Center, Renmin Road South, Shenzhen, PRC
E-mail address: Szwygf@sz.gd.cninfo.net
4. Place of registration and operation: 39/F and 42/F, International Trade Center, Renmin Road South, Shenzhen, PRC
Postal code: 518014
5. Media for disclosure of corporate information: A Shares : Securities Times
B Shares : Dai Gong Bao
Web site for Annual Report: <http://www.cninfo.com.cn>
Place of Annual Report for inspection: 42/F, International Trade Center, Renmin Road South, Shenzhen, PRC, Board of Directors Office
6. Place of shares listing: Shenzhen Stock Exchange
Share name (abbreviation): 深物業 A (0011), 深物業 B (2011)

B. SUMMARY OF ACCOUNTING DATA AND BUSINESS DATA

(1) Accounting data for 1999 (Prepared under PRC accounting standards)

	Unit:RMB
Total profit	49,671,022.13
Net profit	42,954,267.75
Net profit after extra-ordinary items	42,954,267.75
Profit from principal operations	194,302,749.33
Profit from other operations	5,940,729.74
Operating profit	37,855,990.43
Investment income	5,873,788.39
Compensation income	-
Net of non-operating income/expenditure	5,941,243.31
Net cash inflow from operating activities	43,300,884.65
Net increase in cash and cash equivalents	38,489,905.81

(2) Differences in net profit and net assets prepared under the PRC accounting standards and International Accounting Standards (“IAS”)

	Consolidated profit after tax and minority interests for the year ended 31 December 1999	Net assets as at 31 December 1999
	RMB' 000	RMB' 000
As reported under PRC accounting standards	42,954	167,307
Adjustments to conform with IAS:		
Difference in recognition of cost of properties sold	(2,994)	-
Share of profits of associates understated	2,570	2,570
Amortisation of investment cost of associate written back	-	2,340
Difference in exchange translation reserve	-	(3,411)
Others	(731)	(1,022)
As reported under IAS	<u>41,799</u>	<u>167,784</u>

(3) Major accounting data and financial indicators for the recent three years (Prepared under PRC accounting standards)

Particulars	1999	1998		1997		Unit:RMB
		After adjustments	Before adjustments	After adjustments	Before adjustments	
Income from principal operations	549,238,262.97	649,382,629.53	642,541,185.86	705,921,461.41	705,921,461.41	
Net profit	42,954,267.75	10,991,675.11	12,840,735.4	-497,160,799.19	-415,150,779.19	
Total assets	2,373,639,836.36	2,307,083,079.26	2,731,125,719.71	2,268,708,734.30	2,693,171,614.46	
Shareholders' funds (excluding minority interests)	167,306,661.92	124,320,241.30	546,605,718.89	109,302,103.33	533,764,983.49	
Earnings per share	0.079	0.020	0.024	-0.918	-0.766	
Earnings per share (monthly weighted average)	0.079	0.020	0.024	-0.918	-0.766	
Earnings per share (after extra-ordinary items)	0.079	0.020	0.024	-0.918	-0.766	
Net assets per share	0.309	0.229	1.01	0.834	0.985	
Adjusted net assets per share *	0.047	0.105	0.87	0.728	0.879	
Net cash inflow from operating activities per share	0.071	0.058	0.058	-	-	
Return on net assets	25.67%	8.84%	2.35%	-110.05%	-77.78%	

Notes: Computation formula of major financial indicators:

Earnings per share =	Net profit / Total number of ordinary shares in issue at year end
Earnings per share (monthly weighted average) =	Net profit for the period / [Total number of ordinary shares in issue at period end / (1 + Ratio of scrip issue or new issue) + Total number of ordinary shares in issue at period end / (1 + Ratio of scrip issue or new issue) x No of months from the next month after payment date to the month of period end / 12]
Net assets per share =	Shareholders' fund at year end / Total number of ordinary shares in issue at year end
Adjusted net assets per share =	(Shareholders' fund at year end - accounts receivable due more than 3 years - deferred expenses - loss on irrecoverable current and fixed assets - pre-operating expenses - long-term deferred expenditures - negative balance of housing fund) / Total number of ordinary shares in issue at year end
Net cash inflow from operating activities per share =	Net cash inflow from operating activities / Total number of ordinary shares in issue at year end
Return on net assets =	Net profit / Shareholders' funds at year end x 100%

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

(4) Change in shareholders' funds (Prepared under PRC accounting standards)

Unit:RMB

Particulars	Share capital	Capital reserve	Surplus Reserves	Statutory public welfare fund	Undistributed profits	Exchange translation reserve	Total
At beginning of the year	541,799,175.00	284,741,326.49	62,919,127.11	62,919,127.11	-769,165,850.16	4,026,462.86	124,320,241.30
Addition during the year	-	-	-	-	42,954,267.75	32,152.87	42,986,420.62
Reduction during the year	-	-	-	-	-	-	-
At end of the year	541,799,175.00	284,741,326.49	62,919,127.11	62,919,127.11	-726,211,582.41	4,058,615.73	167,306,661.92
Reason for changes					Net profit for the year	Translation of accounts of foreign subsidiaries	

C. CHANGES IN SHARE CAPITAL AND INFORMATION OF SUBSTANTIAL SHAREHOLDERS

(1) Changes in share capital

Change in share capital of the Company in 1999 (Unit: shares)

	At beginning of the year	Increase / (decrease) during the year					At end of the year
		Allotment	Bonus Issue	Capitalisation of surplus reserve	Others	Sub-total	
I. Non-circulating shares		Nil	Nil	Nil	Nil	Nil	
1. Promoter's shares	323,747,713						323,747,713
Including:							
State-owned shares	323,747,713						323,747,713
Domestic legal person shares	65,200,850						65,200,850
Overseas legal person shares							
Others							
2. Subscribed legal person shares							
3. Employees shares							
4. Preference shares or others non-circulating shares							
Total number of non-circulating shares	388,948,563						388,948,563
II. Circulating shares		Nil	Nil	Nil	Nil	Nil	
1. Domestic listed Renminbi ordinary shares	91,355,000						91,355,000
2. Domestic listed foreign investment shares	61,459,312						61,459,312
3. Overseas listed foreign investment shares							
4. Frozen shares held by management	36,300						36,300
Total number of circulating shares	152,850,612						152,850,612
III. Total number of shares	541,799,175	Nil	Nil	Nil	Nil	Nil	541,799,175

There are no changes in the total share capital and the capital structure during the report period.

There were no issuance of shares and derivatives in the recent 3 years before the year end date of this report.

(2) Substantial shareholders

1. As of 31 December 1999, number of shareholders of the Company amounted to 75,350, including 71,436 A Share shareholders and 3,914 B Share shareholders. The top ten shareholders are as follows:

Name of shareholders	No. of shares held (share)	Percentage of total shares(%)
Shenzhen Construction Investment Holdings	323,747,713	59.75
China Ping An Insurance Company	56,628,000	10.45
Shenzhen Guoli Industrial Company Duty-free Company	2,516,800	0.46
Shenzhen Vanke Financial Consultancy Co., Ltd.	1,573,000	0.29
Shanghai Hong Kong Wanguo Securities Earnguard Ltd.	1,430,800	0.26
Zheng Hua Industrial Co., Ltd.	1,160,540	0.21
China Shenzhen International Co-operation Shares Co., Ltd.	900,000	0.17
Normura International (HK) Ltd.	887,172	0.16
	878,596	0.16

In the above top ten shareholders, Shenzhen Construction Investment Holdings is the shareholder of state-owned shares and Shanghai Hong Kong Wanguo Securities, Earnguard Ltd., Zheng Hua Industrial Co.,Ltd. and Normura International (HK) Ltd. are the foreign shareholders.

2. The second largest shareholder of the Company is China Ping An Insurance Company, a financial enterprise engaged in the insurance industry. The legal representative is Mr. Ma Mingzhe. As of now, the company has not hypothecated the shares it held.

D. INTRODUCTION OF ANNUAL GENERAL MEETING

The Board of Directors published the Notice of Annual General Meeting on the Securities Times and Hong Kong Commercial Daily on 8 May 1999. The Annual General Meeting was held on 18 June 1999 at 35/F International Trade Center, Shenzhen. Totally 5 shareholders and authorised agents or representatives of shareholders, who in aggregate held 382,928,813 shares representing 70.68% of the total share capital, attended the meeting. The Annual General Meeting was notarised by Shenzhen Public Notary Service on the scene and was authentic and valid in accordance with the Company Law and the Articles of Association of the Company. The following documents were approved unanimously by the shareholders presented at the meeting: 1998 Report of the Directors; 1998 Report of the Supervisors; 1998 Profit Appropriation Plan; the resolution approving the Directors to engage the 1999 auditors; and the 1999 Business Plan. The resolutions were announced on the following day on the Securities Times and the Hong Kong Commercial Daily.

E. REPORT OF THE BOARD OF DIRECTORS

(1) Operation review

1. Principal activities of the Group and its position in the industry

The Group is one of the professional property development companies with longest history and largest scale of operation in Shenzhen. It is also a senior listed company in Shenzhen. In 1994, the Group was awarded the 2nd of “The 100 Real Estate Enterprises with Strongest Consolidated Results”. Due to the over expansion in property development in the year 1996 and before, and the market conditions and changes in accounting policies laid down by the State, the results and the internal resources of the Group declined. However, the Group still remains as an influential property developer in Shenzhen.

2. Review of the principal activities of the Group

(i) Principal operation of the Company

The Company is principally engaged in property development and also carries out the business of property leasing and management, trading, transportation and catering. For the year 1999, the Group achieved a turnover of RMB548,000,000. The analysis of turnover by principal business sectors are set out in note 7 to the financial statements.

(ii) Review of major business segment

Property development

In 1999, the aggregate turnover generated by the Group's main development projects, including the Times New Mansion, the second phase of International Trade Plaza, the Huangcheng Plaza and the International Trade Commercial and Residential Building, amounted to RMB191,000,000. All the units of the Fuchang Mansion, which is a low margin project, were sold and contributed RMB42,000,000 to the turnover. The sales of another low margin project, the Fumin Mansion, are also with good progress. The Group had entered into project management agreements with the subsidiaries in charge of the new development projects, including Huang Yu Yuan, the second phase of Feng Ren Garden, the third phase of Tain Yuan Dushi and the Hainan Xinda Commerce Centre, so as to strengthen the internal controls in areas such as design, cost management, sales and appraisals. The Group believes that such measures will assure the qualities of the projects.

Property leasing and management

In 1999, the Group achieved an occupancy rate of 91% and the total rental income amounted to RMB63,570,000. The Group's wholly-owned subsidiary, Shenzhen International Trade Estate Management Company had entered into new estate management contracts for 30,000 square meter and new estate management and consultancy contracts for 106,000 square meter in respect of properties in Shenzhen. It also won management contracts for 200,300 square meter in respect of properties in Chongqing. The company itself was praised as the "advanced enterprise in Shenzhen which wholly implemented the quality management". Another subsidiary, Shenzhen Property Development and Management Company, also actively implemented the system of management objective and accountability. The Times New Mansion and Fu Lian Garden, two properties under its management, were awarded the "Distinction of the City" and the "Properties in the Country" respectively.

Commerce

In 1999, Shenzhen International Trade Plaza, wholly-owned subsidiary of the Group which engaged in commerce, actively adjusted its operating strategy and strengthened its quality service. It achieved a turnover of RMB44,530,000 and a profit of RMB2,600,000 for the year.

Transportation

In 1999, Shenzhen International Trade Vehicles Services Company, a wholly-owned subsidiary of the Group, endeavored to overcome the unfavorable conditions. It achieved a turnover of RMB46,270,000 and a profit of RMB4,010,000 for the year.

3. The results of the Group's major subsidiary companies

	Company name	Net profit for the year (RMB)
1	Shenzhen Properties & Resources Development (Group) Ltd. (the holding company)	125,694,482.24
2	Huangcheng Real Estate Company	94,654,658.84
3	Shenzhen Property and Construction Development Company	53,504,763.91
4	Shenzhen International Trade Vehicles Services Company	46,265,604.76
5	Shenzhen International Trade Plaza	44,533,308.10
6	Shenzhen International Trade Centre	43,591,923.63
7	Shenzhen ITC Square Properties & Resources Development Co. Ltd.	33,089,659.08
8	Shenzhen International Trade Estate Management Company	32,890,710.69
9	Shanghai Shenzhen Properties Development Co.,Ltd.	32,147,061.90
10	Shenzhen Property Development and Management Company	18,274,014.74

4. Problems occurred in the operation and related solutions

In 1999, the Group faced many difficulties in its operations, which can be analysed into the following main areas: the continuous sluggish property market had significant impact on the property sales of the Group; the mistakes in investment decisions made in the past has held up significant funds and hinders the Group's future development; certain subsidiaries have little profit making ability and the chance of loss is large, and also associates with certain historical problems which also significantly hinders the Group's development. To cope with the above-mentioned difficulties, the Board of Directors proposed the following policies:

- (i) Strengthen the sales of existing property projects to speed up the return of funds.
- (ii) Increase effort in the management of subsidiaries by materiality. Actively adjust the overall composition of assets. Properly adjust the medium to long term development plan of the enterprises.
- (iii) Continuously strengthen the assets underlying principal operations. Strengthen the marketing and sales activities. Incubate the expansion power of the core of the enterprise.
- (iv) Adjust the operation concept. Intensify the change in mode of operation from production to assets management. In order to recover entirely from the current adverse conditions, the Board of Directors will endeavor to try different options to improve the gearing ratio of the Group, increase the efficiency of the assets and increase the profit making ability.

(2) Financial positions of the Group

1. Changes in major financial indicators (Prepared under PRC accounting standards)

Unit: RMB' 0,000

Items	1999	1998	Increase / decrease	% of changes	Principal reason
Total assets	234,692.72	230,708.31	3,984.40	16.00%	Profit for the year
Long term liabilities	10,291.22	6,857.86	3,433.36	50.06%	See note 6(17)
Shareholders' funds	16,730.67	12,432.02	4,298.65	34.58%	Profit for the year
Profit on principal operations	19,430.27	20,209.10	-778.83	-3.85%	Change due to normal reasons
Net profit	4,295.43	1,099.17	3,196.26	290.79%	Provisions made in previous year led to decrease in profit

2. Comments on the explanatory notes contained in the Auditors' Report issued by statutory auditors

In 1995 and 1996, Shenzhen ITC Plaza Development Co., Ltd., a subsidiary of the Group, entered into sales contracts with eight customers including Haiyi Industrial (Shenzhen) Co., Ltd., First Commerce Co., Ltd. for the sales of thirty five shops in International Trade Plaza and had received part of the considerations. Subsequently, the eight customers commenced legal proceedings against the Company and the said subsidiary, alleging the Group failed to deliver the real estate on time and requesting the dismissal of the sales contracts and refund of the deposits of acquisition of real estates and a default penalty amounted to HK\$300 million. The Group considered that the plaintiffs were initially default in paying the residual of contract amounts and raised a counter-claim. The Shenzhen Intermediate People's Court judged in favor of the Group. The plaintiffs appealed to The Guangdong Province High Court. The case was judged in favor of the eight customers and the Group had to pay penalty amounting HK\$79,000,000. The Group considered the fact and the relevant laws considered by the court was not appropriate and applied to The Guangdong Province High Court for a re-trial. The case was accepted in December 1999 and The Shenzhen Intermediate People's Court was noticed to suspend the execution of the court order. Court ruling is yet to be made on the case.

(3) Investments

During the year, there was no significant change in the Group's long term investments. The particulars of the Group's investee companies are set out in notes 4 and 8(2) to the financial statements.

In the property development sector, the Group increased the investments in Fuchang Mansion, Fumin Mansion, Huang Yu Yuan, the second phase of Feng Ren Garden, the third phase of Tain Yuan Dushi and the Hainan Xinda Commerce Centre. The projects progress smoothly. Fuchang Mansion was completed and all sold out, generating a profit of RMB11,450,000 for the year.

(4) Effect of changes in macro policies and regulations on the Group

In 1999, the State effected the seventh decrease in the interest rate of both short term borrowings and mortgage loans. The State also promulgated the “Notice of adjustments on taxation policies in respect of property market”, which waives the business tax, lease tax and land appreciation tax of individuals selling properties in the secondary market and also the business tax of property developers selling vacant residential units. These policies will activate the recovery of the property market and bring business opportunities for property developers.

Pursuant to the “Accounting Standards for Joint Stock Limited Companies”, the “Enterprise Accounting Standards – Accounting Policies, Changes in Accounting Estimates and Correction of Accounting Errors” and other relevant regulations promulgated by the Finance Bureau, the Group made adjustments to the retained profits brought forward amounting RMB426,311,940.45. Detailed information in this respect is set out in note 3 to the financial statements.

Follow the entry of China into the World Trade Organisation, The demands for properties sold to foreigners, especially commercial units, will increase conspicuously. This will have positive impact on realisation of the Group’s properties on stock.

(5) Business development plan for the year 2000

In 2000, the Group will keep improving in all aspects. In particular, the Group will invest totally RMB265,000,000 in the business of property development, covering total site area under construction of 348,774 square meter and total completed site area of 67,180 square meter. The main projects include: Fumin Mansion with budgeted investment of RMB35,000,000 and target completion date in October 2001; Huang Yu Yuan with budgeted investment of RMB150,000,000 and target completion date in June 2001; the second phase of Feng Ren Garden with budgeted investment of RMB30,000,000 and target completion date for section A in October 2000; the third phase of Tain Yuan Dushi with budgeted investment of RMB24,500,000 and target completion date in June 2000; Xinda Commercial Centre with budgeted investment of RMB10,000,000 and target completion date in October 2001.

(6) The work of the Board of Directors

1. Details of the meetings of the Board of Directors during the year 1999 and the resolutions passed in the meetings were as follows:

<u>Date of meeting</u>	<u>Resolutions passed</u>
27 January 1999	Consideration and approval of Work Summary for the year 1998 and Business Plan of the year 1999, approval of the reorganisation plan of the head office;
16 April 1999	Consideration and approval of Annual Report for 1998 and the date of the Annual General Meeting;
31 May 1999	Consideration and approval of documents for Annual General Meeting for the year 1998 and the reorganisation plan for subsidiaries
16 August 1999	Approval of Interim Report for the year 1999

2. In the year 1999, the Board of Directors effectively executed the resolutions passed by the Annual General Meeting. Pursuant to the authorisation granted by the Annual General Meeting held in June 1999, the Board of Directors appointed Shenzhen Huapeng Certified Public Accountants and Deloitte Touche Tohmatsu as the statutory auditors and the international auditors respectively for the year 1999.

(7) The management and staff of the Company

1. Current directors, supervisors and senior management

Name	Sex	Age	Shareholding		Terms of appointment	Remuneration (RMB)
			At beginning of the period	At end of the period		
Directors						
Tian Chenggang	Male	46	0	0	98/2001	88,000
Li Yongming	Male	44	0	0	ditto	88,000
Shao Xianghua	Male	50	0	0	ditto	Nil
Cao Ziyang	Male	49	0	0	ditto	74,000
Zha Shengming	Male	51	18,150	18,150	ditto	75,000
He Wenhua	Male	55	18,150	18,150	ditto	76,000
Chen Linfan	Male	46	0	0	ditto	Nil
Li Zhen	Male	37	0	0	ditto	Nil
Supervisors						
Deng Renqing	Male	51	0	0	98/2001	Nil
Tong Qinghuo	Male	36	0	0	ditto	63,000
Li Qingmin	Male	59	0	0	ditto	65,000
Jin Yigui	Male	52	0	0	ditto	52,000
Yang Weidong	Male	32	0	0	ditto	43,000
Senior management						
Zhao Ning	Male	46	0	0	97/2000	74,000
Yang Shuncheng	Male	51	0	0	99/2002	74,000
Yang Bin	Male	58	0	0	97/2000	75,000
Chen Tingwei	Male	38	0	0	98/2001	63,000

In 1999, in accordance with the work requirements, the Board of Directors appointed Mr. Yang Shuncheng as the Deputy General Manager of the Company.

2. As of the year end of 1999, the Group had 1,200 staff, of which 40% have post-secondary qualifications. In recent years, more professionals with higher qualifications and of higher calibre joined the Group. This will improve the age structure of the staff of the Group. Many of them also became core members of the management team, providing backup for the Group's future development.
- (8) In accordance with the Group's operating results for the year 1999 and other circumstances, the Board of Directors do not propose any profit appropriations nor capitalisation of capital reserve to capital.
- (9) The Board of Directors has designated the "Securities Times" and the "Dai Gong Bao" respectively as the domestic and overseas information release publications.

F. REPORT OF SUPERVISORY COMMITTEE

- (1) In the year 1999, the supervisory committee held 3 meetings. The 1st meeting was held on 15 January 1999. At the meeting, the work of the Supervisory Committee for the year 1998 was reviewed and the Working Plan for the year 1999 was set up. The 2nd meeting was held on 30 March 1999. At the meeting, the Report of the Directors, Operation Report and Financial Statements for last year were discussed. The 3rd meeting was held on 10 September 1999. At the meeting, the appointment of fourteen coordinators of the Supervisory Committee in subsidiaries was approved, thus setting up the preliminary system of supervision throughout the whole Group.
- (2) During the year, the Supervisory Committee took up their responsibilities under the Company Law and the Articles of Association of the Company. It effectively assumed the supervising role. The supervisors attended all the meetings of the Board of Directors. The Supervisory Committee also made special emphasis as the following:
 1. Supervise the Company to operate in accordance with the statutory requirements – the Supervisory Committee considered that the operation of the Board of Directors were in accordance with the Company Law, the Articles of Association of the Company and relevant rules and regulations. The Board of Directors and management term strictly observed the relevant rule sand regulations of the country and effectively executed the resolutions of the Annual General Meeting. In 1999, the Company based on real situation, further improves the system of operation, strengths management, actively solves the historical problems and puts large resources to effective assets management, and obtain better return.
 2. Supervise the work of directors and senior management – the Supervisory Committee had not discovered any violations from laws, regulations, Articles of Association of the Company on any acts which would impair the Company's interest.
 3. Supervise the acquisition and disposal of assets – the Supervisory committee did not discovered any unreasonable transactions, insider trading or any other transactions which would impair the interest of Shareholders or would cause any shrinkage of the Company's assets.
 4. Supervise the related party transactions of the Company – the Supervisory Committee considered that all related party transactions were based on fair terms and to the best interest of the Company and all shareholders.
- (3) Comment on operation result – the net profit for the year 1999 was RMB42,950,000, with acceptable variance from the budget. The provisions made for diminution in value of assets during the year were in accordance with the relevant system of internal controls.

G. MAJOR EVENTS

- (1) Major litigations

1. In December 1997, eight customers including Haiyi Industrial (Shenzhen) Co., Ltd., First Commerce Co., Ltd. and Hailang International (Hong Kong) Co., Ltd. have commenced legal proceedings against the Company and the subsidiary, Shenzhen ITC Plaza Development Company Limited alleging the Company failed to deliver the real estate on time and requesting the dismissal of the sales and purchase contracts of the real estates and refund of the deposits of acquisition of real estates and a default penalty amounted to HK\$300 million. The Group considered the facts and the laws adopted in the second trial were not appropriate and applied to The Guangdong Province High Court for a re-trial. The case was accepted by The Guangdong Province High Court in December 1999. Court ruling is yet to be made on the case.
2. Shum Yip Properties Development Limited (“Shum Yip”), a subsidiary of the Company, entered into a sales and purchase contract in respect to the sales of the land parcel located in DingGau, Tsuen Wan in Hong Kong held by its subsidiary, Wayhang Development Limited (“Wayhang”), on 15 September 1997 to Link Harvest Limited and Goldlease International Limited (“the Purchaser”). The total contract price amounted to HK\$ 60,000,000 and a total amount of HK\$12,000,000 of deposit and part of the contract amount was received from the Purchaser. The effective date of the transfer of estates was on 5 December 1997. Later, the land prices in Hong Kong drastically dropped down, the Purchaser tried to break the contract and requested Wayhang to return the HK\$12,000,000 deposit and payment and commenced a legal proceedings in the Hong Kong High Court (under High Court Action No.A13971 of 1997). The Company’s legal advisers are of opinion that the Company is not without merit and stand some chance of success. During 1999, in accordance to the legal procedures, the legal representative of Shum Yip proceeded the necessary documentation with the High Court and the legal representative of the Purchaser. Court ruling is yet to be made on the case.
3. In 1993, the Company cooperated with the Haibin Property Development Company (currently known as Jiyong Company (“Jiyong”)) to develop Jiabin Building, and entered into an “Agreement of Transfer of Interest in Development of Jiabin Building”. In January 1999, Jiyong instituted legal proceeding in The Guangdong Province High Court against the Company, based on the reasons of dispute in area of properties, to cancel the agreement. The Company raised a counter-claim for the settlement of the outstanding balance under the agreement and applied for the freezing of the other party’s properties with a total area of 28,000 square meter. In November 1999, Jiyong ceased the legal proceedings. Currently, the conciliation between Jiyong and the Company is underway.

In addition, Shenzhen Sanjiu Zongli Industrial Company instituted legal proceeding in The Guangdong Province High Court against Jiyong to cancel the “Co-operation Agreement to Develop Jiabin Building” entered between the two parties. The Company was involved as the third defendant. Court ruling is yet to be made on the case.

- (2) During the period, the Company and its management had not been published by any of relevant authorities.
- (3) During the period, there were no acquisition or disposal of assets and merger.

- (4) There were no significant related party transactions during the year.
- (5) The management, assets and finance of the Company and its holding company, Shenzhen Construction Investment Holdings, are completely independent from each other.
- (6) In accordance with the authorisation granted by the Annual General Meeting, the Company appointed Shenzhen Huapeng Certified Public Accountants and Deloitte Touche Tohmatsu as the statutory auditors and the international auditors respectively for the year 1999.
- (7) Significant guarantees

During the year, the Company and Jin Tin Industrial (Group) Co. Ltd. entered into a counter guarantee agreement pursuant to which the Company issued guarantee of the amount of RMB65,000,000 to secure Jin Tin Industrial (Group) Co. Ltd.'s banking facilities

H. FINANCIAL STATEMENTS

[**Attached**]

I. OTHER INFORMATIONS

- (1) Date of change of registration : 5 October 1997
Place : Shenzhen Industrial and Commerce Administration Bureau
- (2) Registration number of Business Licensee of Legal Person : 19217413-5
- (3) Registration number of Tax Registration : 440301192174135
- (4) Registrar and custodian of non-circulated shares: Shenzhen Securities Clearing Co.
Ltd.
- (5) Statutory auditors : Shenzhen Huapeng Certified Public Accountants
Address: 26/F Special Zone Daily Building, Shenzhen, PRC.
International auditors : Deloitte Touche Tohmatsu
Address : 26/F, Wing On Centre, 111 Connaught Road Central, Hong Kong

J. DOCUMENTS AVAILABLE FOR INSPECTION

- (1) Financial statements duly signed by legal person and financial controller.
- (2) Auditors' report duly signed and sealed by auditors.
- (3) The originals of all announcements made in accordance with the requirement of the PRC Securities Commission during the period and the original of the Result Announcement.

The Board of Directors
Shenzhen Properties & Resources Development (Group) Ltd.
29 April 2000

PRINTING INSTRUCTION

(WORD Filename QG33C010.129)

FULL NAME OF CLIENT (including Chinese name if any)

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

Charge Code D Engagement Code _____
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AUDITORS' REPORT

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SHENZHEN PROPERTIES & RESOURCES
DEVELOPMENT (GROUP) LTD.

Report and Financial Statements
For the year ended 31 December 1999

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

<u>CONTENTS</u>	<u>PAGE(S)</u>
AUDITORS' REPORT	1 & 2
CONSOLIDATED INCOME STATEMENT	3
CONSOLIDATED BALANCE SHEET	4
CONSOLIDATED CASH FLOW STATEMENT	5
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 29

AUDITORS' REPORT

TO THE HOLDERS OF B SHARES OF
SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.
(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of Shenzhen Properties & Resources Development (Group) Ltd. and its subsidiaries (the "Group") as of 31 December 1999, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. 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 principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The consolidated statement of changes in equity reflects prior period adjustments to the equity of the Group as of 1 January 1998. These prior period adjustments, which are analysed in note 23 to the financial statements, include provisions for doubtful debts, for diminution in value of investments and for properties held for sale, the aggregate effect of which is a reduction in equity as at 1 January 1998 of approximately RMB423,317,000. The adjustments have been made by the directors to the respective account balances brought forward at 1 January 1998 in order to be consistent with the presentation of the statutory financial statements, which are prepared under relevant accounting regulations and standards of the People's Republic of China. In our opinion, in accordance with the requirements of International Accounting Standard No. 8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", since the provisions represent revisions to accounting estimates based on new information and developments during the current year, which do not fall within the definition of a fundamental error, they should, accordingly, be charged against the current year's net profit.

AUDITORS' REPORT

TO THE HOLDERS OF B SHARES OF
SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD. - continued
(Incorporated in the People's Republic of China with limited liability)

Without qualifying our opinion, we draw attention to the disclosures made in note 2 to the financial statements which explain that the Group is currently in discussion with its bankers to renew certain expired banking facilities. The absence of confirmed bank facilities raises significant uncertainties that the Group will be able to continue as a going concern. Provided that the negotiations can be successfully completed and after taking into account the cash inflow expected to be received from the sales of properties in coming year, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain such funding.

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 1999. In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the results of the Group's operations and of its cash flows for the year ended 31 December 1999 and have been properly prepared in accordance with International Accounting Standards.

DELOITTE TOUCHE TOHMATSU

20 April 2000

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>NOTES</u>	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Revenue	5	536,295	579,199
Cost of sales		<u>(347,350)</u>	<u>(347,490)</u>
Gross profit		188,945	231,709
Other operating income		29,374	23,189
Distribution costs		(17,598)	(16,523)
Administrative expenses		(96,667)	(110,561)
Other operating expenses		<u>(9,220)</u>	<u>(9,275)</u>
Profit from operations	7	94,834	118,539
Finance costs	8	(51,897)	(84,951)
Share of profits (losses) of associates		2,423	(22,651)
Income (loss) from investments	9	<u>3,270</u>	<u>(3,648)</u>
Profit before tax		48,630	7,289
Income taxes	10	<u>(5,230)</u>	<u>(5,842)</u>
Profit after tax		43,400	1,447
Minority interests		<u>(1,601)</u>	<u>13,223</u>
Net profit for the year		<u><u>41,799</u></u>	<u><u>14,670</u></u>
Earnings per share	11	<u><u>RMB0.08</u></u>	<u><u>RMB0.03</u></u>

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 1999

	<u>NOTES</u>	<u>1999</u> RMB'000	Restated <u>1998</u> RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	188,461	199,924
Intangible assets	13	52,456	53,734
Interests in associates	15	259,519	258,617
Other investments	16	56,789	55,947
		<u>557,225</u>	<u>568,222</u>
Current assets			
Inventories	17	1,345,920	1,344,094
Trade and other receivables		281,644	237,454
Other investments	16	24,573	31,826
Bank balances and cash		155,837	221,933
		<u>1,807,974</u>	<u>1,835,307</u>
Total assets		<u><u>2,365,199</u></u>	<u><u>2,403,529</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	541,799	541,799
Reserves	19	(374,015)	(416,461)
		<u>167,784</u>	<u>125,338</u>
Minority interests		<u>24,769</u>	<u>23,168</u>
Non-current liabilities			
Long-term borrowings	20	<u>4,365</u>	<u>6,074</u>
Current liabilities			
Trade and other payables		983,889	1,014,756
Income tax liabilities		36,949	52,764
Dividends payable		29,454	29,454
Obligations under finance leases		8,089	8,089
Short-term borrowings	20	1,109,900	1,143,886
		<u>2,168,281</u>	<u>2,248,949</u>
Total equity and liabilities		<u><u>2,365,199</u></u>	<u><u>2,403,529</u></u>

The financial statements on pages 3 to 29 were approved by the Board of Directors on 20 April 2000 and are signed on its behalf by:

DIRECTOR

DIRECTOR

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>NOTES</u>	<u>1999</u> RMB'000	<u>1998</u> RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	<u>61,356</u>	<u>158,010</u>
INVESTING ACTIVITIES			
Interest received		2,051	7,292
Dividends received		650	6,500
Proceeds on disposal of other investments		164	-
Proceeds on disposal of property, plant and equipment		985	14,127
Purchases of property, plant and equipment		(8,964)	(12,577)
Acquisition of associates		(464)	-
Acquisition of other investments		(1,006)	-
Repayments by associates		5,723	59,975
Advances to associates		<u>(22,366)</u>	<u>(25,586)</u>
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES		<u>(23,227)</u>	<u>49,731</u>
FINANCING ACTIVITIES	22		
Interest paid on bank and other loans		(68,530)	(110,684)
New short-term bank loans raised		49,600	143,405
New short-term loans raised		247	26,000
Repayments of short-term bank loans		(27,466)	(70,209)
Repayments of short-term loans		(57,700)	(8,000)
Repayments of long-term bank loans		<u>(376)</u>	<u>(58,540)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(104,225)</u>	<u>(78,028)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(66,096)	129,713
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>221,933</u>	<u>92,220</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>155,837</u>	<u>221,933</u>
ANALYSE OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		<u>155,837</u>	<u>221,933</u>

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Reserves</u>							<u>Total</u> RMB'000
	<u>Share capital</u> RMB'000	<u>Capital reserve</u> RMB'000	<u>Statutory surplus reserves</u> RMB'000	<u>Statutory public welfare fund</u> RMB'000	<u>Translation reserve</u> RMB'000	<u>Accumulated losses</u> RMB'000	<u>Reserves total</u> RMB'000	
Balance at 1 January 1998								
As previously stated	541,799	256,806	412,545	79,511	11,880	(768,556)	(7,814)	533,985
Prior year adjustments (note 23)	-	-	-	-	-	(423,317)	(423,317)	(423,317)
As restated	541,799	256,806	412,545	79,511	11,880	(1,191,873)	(431,131)	110,668
Net profit for the year	-	-	-	-	-	14,670	14,670	14,670
Transfer from surplus funds	-	-	(440,998)	-	-	440,998	-	-
Balance at 1 January 1999	541,799	256,806	(28,453)	79,511	11,880	(736,205)	(416,461)	125,338
Net profit for the year	-	-	-	-	-	41,799	41,799	41,799
Translation of financial statements of overseas subsidiary	-	-	-	-	647	-	647	647
Balance at 31 December 1999	<u>541,799</u>	<u>256,806</u>	<u>(28,453)</u>	<u>79,511</u>	<u>12,527</u>	<u>(694,406)</u>	<u>(374,015)</u>	<u>167,784</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1. GENERAL

Shenzhen Properties & Resources Development (Group) Ltd. (the "Company") was established in the People's Republic of China (the "PRC") as a joint stock company limited by shares.

The Company is engaged in property development and investment as well as investment holding business. The principal activities of the subsidiaries and associates are set out in notes 14 and 15 respectively. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The directors have carefully considered the financial position of the Group in the light of accumulated losses of RMB694,406,000 and net current liabilities of RMB360,307,000 as shown on the balance sheet as at 31 December 1999. The Group is currently in negotiation with its bankers to renew certain expired banking facilities. The absence of such confirmed facilities raised significant uncertainties that the Group will be able to continue as a going concern. Provided that the negotiations can be successfully completed and after taking into account the cash inflow expected to be received from the sales of properties in coming year, the directors arrived at the opinion that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis, and no adjustments have been made that would result from a failure to obtain such funding.

3. PRESENTATION OF FINANCIAL STATEMENTS

The Group maintains its accounting records and prepares its statutory financial statements in accordance with the PRC accounting standards and regulations ("PRC GAAP").

These financial statements have been prepared in accordance with International Accounting Standards ("IAS"). The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain respects from IAS. The differences arising from the restatement of the results of operations and the net assets for compliance with IAS are adjusted in the financial statements but will not be taken up in the accounting records of the Group.

Difference between IAS and PRC GAAP are set out in note 29.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with IAS. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company, directly or indirectly, holds more than 50% of the voting rights of the investee enterprise or otherwise has the power to govern its financial and operating policies so as to obtain benefits from its activities.

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

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value ascribed to the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition, is capitalised and amortised on a straight-line basis over its useful economic life, not exceeding ten years. Goodwill arising on the acquisition of an associate is included within the carrying value of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately as an intangible asset.

On disposal of interests in subsidiaries or associates, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal of the business.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are initially reflected at cost and are subsequently adjusted for post-acquisition changes in the Group's share of the net assets of its associates. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Revenue from sale of properties is recognised upon the execution of a sales contract or the completion of development, whichever is the later. Payments received from purchasers prior to this stage are recorded as customers' deposits and included under current liabilities.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Revenue from property management services, taxi services, hotel and restaurant operations is recognised when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals receivable or payable under operating leases are credited or charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas operations that are integral to the operations of the Company are translated as if the transactions of the overseas operations had been entered into by the Company itself.

The assets and liabilities of other overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and are recognised as income or as expenses in the period in which the operation is disposed of.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs

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

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefit costs

In accordance with local government regulations, the Group is required to make contributions to a retirement insurance fund which is administered by the local labour department. The amount of contributions is determined at a fixed percentage of the basic salaries of the Group's existing PRC staff.

Retirement benefits are paid directly from the fund and are calculated based upon a retired employee's basic monthly salary and their number of years' service.

The amount charged to the income statement represents the amount of contribution payable to the scheme by the Group.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Temporary differences arise from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised unless the temporary difference arises from goodwill or other initial recognition of asset and liabilities which does not have an effect on tax profit and accounting profit.

Tangible fixed assets and depreciation

As required by the relevant PRC rules and regulations when the Company was formed in 1991 for the purpose of listing on the Shenzhen Stock Exchange, a valuation of the assets and liabilities injected into the Group was carried out by a PRC professional valuer and the injected assets and liabilities were reflected in the financial statements on this basis. This valuation established the cost of the injected fixed assets on the formation of the Company.

Properties in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any provision for impairment considered necessary by the directors. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other tangible fixed assets are stated at cost less depreciation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Tangible fixed assets and depreciation - continued

Depreciation is provided to write off the cost of fixed assets other than properties under construction over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amounts of assets, expected future cash flow are not discounted to their present value.

Intangible assets

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

Other investments

Current investments are stated at the lower of cost and market value determined on an individual basis. Reductions to market value and reversals of such reductions are included in investment income for the year.

Non-current investments are stated at cost less provision, if necessary, for any permanent diminution in value.

Inventories

Inventories, which represent properties under development held for sale, completed properties held for sale and general merchandise held for trading, are stated at the lower of cost and net realisable value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories - continued

The cost of properties under development comprises building construction costs, fees for land use rights and development costs, including attributable interest costs and professional charges capitalised during the development period. The cost of completed properties comprises building costs, fees for land use rights and development costs, and is determined by apportionment of the total costs attributable to the unsold properties. The cost of general merchandise represents the invoiced cost of inventories and is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets

The Group's principal financial assets are bank balances and cash, trade receivables and equity investments.

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The accounting policies adopted for equity investments are outlined above.

Financial liabilities

Significant financial liabilities include finance lease obligations, interest-bearing bank loans and trade and other payables.

The accounting policy adopted for finance leases is outlined above.

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are stated at their nominal value.

5. REVENUE

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

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Sale of properties	290,837	328,234
Sale of goods	86,282	70,188
Property management services	40,931	37,714
Taxi service	45,054	50,789
Property rental income	45,760	61,000
Hotel and restaurant operations	3,296	4,008
Others	24,135	27,266
Total revenue	<u>536,295</u>	<u>579,199</u>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

Principal activities are as follows:

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

All the Group's business are conducted in PRC.

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Segment information about these businesses for the year ended 31 December 1999 is presented below:

	<u>Property</u> RMB'000	<u>Trading</u> RMB'000	<u>Transportation and catering services</u> RMB'000	<u>Eliminations</u> RMB'000	<u>Consolidated</u> RMB'000
REVENUE					
External sales	401,663	86,282	48,350	-	536,295
Inter-segment sales	21,200	-	-	(21,200)	-
Total revenue	<u>422,863</u>	<u>86,282</u>	<u>48,350</u>	<u>(21,200)</u>	<u>536,295</u>
Inter-segment sales are charged on terms as determined by the directors.					
RESULTS					
Segment results	<u>110,480</u>	<u>(3,287)</u>	<u>(759)</u>	<u>-</u>	106,434
Unallocated corporate expenses					<u>(11,600)</u>
Operating profit					94,834
Finance costs					(51,897)
Share of profits of associates					2,423
Income from investments					<u>3,270</u>
Profit before tax					48,630
Income taxes					<u>(5,230)</u>
Profit after tax					43,400
Minority interests					<u>(1,601)</u>
Net profit for the year					<u>41,799</u>
			<u>Transportation and catering services</u>		<u>Consolidated</u>
	<u>Property</u>	<u>Trading</u>	<u>services</u>		<u>RMB'000</u>
	RMB'000	RMB'000	RMB'000		RMB'000
BALANCE SHEET					
ASSETS					
Segment assets	<u>1,788,680</u>	<u>33,506</u>	<u>134,546</u>		1,956,732
Interest in associates					259,519
Unallocated corporate assets					<u>148,948</u>
Consolidated total assets					<u>2,365,199</u>
LIABILITIES					
Segment liabilities	<u>970,954</u>	<u>62,929</u>	<u>127,581</u>		1,161,464
Unallocated corporate liabilities					<u>1,035,951</u>
Consolidated total liabilities					<u>2,197,415</u>
OTHER INFORMATION					
Capital expenditure	3,024	622	5,318		8,964
Depreciation and amortisation	13,170	374	6,703		20,247
Other non-cash expenses	<u>1,491</u>	<u>-</u>	<u>1,840</u>		<u>3,331</u>

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

Segment information about these businesses for the year ended 31 December 1998 is presented below:

	<u>Property</u> RMB'000	<u>Trading</u> RMB'000	<u>Transportation and catering services</u> RMB'000	<u>Eliminations</u> RMB'000	<u>Consolidated</u> RMB'000
REVENUE					
External sales	451,540	70,188	57,471	-	579,199
Inter-segment sales	22,500	-	-	(22,500)	-
Total revenue	<u>474,040</u>	<u>70,188</u>	<u>57,471</u>	<u>(22,500)</u>	<u>579,199</u>
Inter-segment sales are charged on terms as determined by the directors.					
RESULTS					
Segment results	<u>162,245</u>	<u>(21,733)</u>	<u>(8,157)</u>	<u>-</u>	132,355
Unallocated corporate expenses					<u>(13,816)</u>
Operating profit					118,539
Finance costs					(84,951)
Share of losses of associates					(22,651)
Loss from investments					<u>(3,648)</u>
Profit before tax					7,289
Income taxes					<u>(5,842)</u>
Profit after tax					1,447
Minority interests					<u>13,223</u>
Net profit for the year					<u>14,670</u>
			<u>Transportation and catering services</u>		<u>Consolidated</u>
	<u>Property</u>	<u>Trading</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
BALANCE SHEET					
ASSETS					
Segment assets	<u>1,800,929</u>	<u>26,848</u>	<u>135,290</u>		1,963,067
Interest in associates					258,617
Unallocated corporate assets					<u>181,845</u>
Consolidated total assets					<u>2,403,529</u>
LIABILITIES					
Segment liabilities	<u>966,005</u>	<u>24,215</u>	<u>188,235</u>		1,178,455
Unallocated corporate liabilities					<u>1,099,736</u>
Consolidated total liabilities					<u>2,278,191</u>
OTHER INFORMATION					
Capital expenditure	4,348	609	7,620		12,577
Depreciation and amortisation	14,459	563	8,251		23,273
Other non-cash expenses	-	1,183	-		<u>1,183</u>

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Depreciation - owned fixed assets	18,437	17,781
- leased fixed assets	532	4,214
Amortisation of intangible assets	1,278	1,278
Provision for inventories	3,331	1,183
Net foreign exchange gains	(364)	(587)
Provision for doubtful debts	932	5,811
Staff costs - statutory pension	6,100	7,150
- other costs	43,964	50,050
	<u> </u>	<u> </u>

8. FINANCE COSTS

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Interest expenses	68,530	110,684
Less: Interest capitalised	<u>(16,633)</u>	<u>(25,733)</u>
	<u>51,897</u>	<u>84,951</u>

Interest capitalised during the year arose on the general borrowing pool and has been calculated by applying a capitalisation rate of 7% (1998: 10%) per annum to expenditure on qualifying assets.

9. INCOME (LOSS) FROM INVESTMENTS

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Interest on bank deposits and government bonds	2,051	7,292
Dividends from equity investments	650	-
Provisions for diminution in value of other investments	-	(8,483)
Gain on dealing of listed investments	754	-
Unrealised loss on current investments	<u>(185)</u>	<u>(2,457)</u>
	<u>3,270</u>	<u>(3,648)</u>

10. INCOME TAXES

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
The charge comprises:		
Profits tax for the year:		
PRC profits tax	<u>5,230</u>	<u>5,842</u>
Taxation attributable to the Company and its subsidiaries	5,230	5,842
Share of taxation attributable to associates	<u>-</u>	<u>-</u>
	<u>5,230</u>	<u>5,842</u>

Domestic profits tax is calculated in accordance with the applicable income tax regulations and at 15% (1998: 15%) of the estimated assessable profit determined in accordance with PRC GAAP. Taxation for other jurisdictions is calculated at rates prevailing in the respective jurisdictions.

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

	<u>1999</u> RMB'000	%	<u>1998</u> RMB'000	%
Profit before tax	<u>48,630</u>		<u>7,289</u>	
Tax at the domestic profit tax rate of 15% (1998: 15%)	7,295	15	1,093	15
Tax effect of utilisation of tax losses not previously recognised	(6,443)	(13)	-	-
Additional tax effect of profits generated in profit-making subsidiaries that cannot be off-set by losses in other subsidiaries	4,160	9	3,359	46
Tax effect of expenses that are not deductible in determining taxable profit	218	-	1,032	14
Effect of different tax rates of subsidiaries	<u>-</u>	<u>-</u>	<u>358</u>	<u>5</u>
Tax expense and effective tax rate for the year	<u>5,230</u>	<u>11</u>	<u>5,842</u>	<u>80</u>

At 31 December 1999, the potential deferred tax asset of approximately RMB175,000,000 (1998: RMB182,000,000), which represents mainly timing differences arising from tax losses available to be carried forward, has not been recognised in these financial statements as it is uncertain that such an asset

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

will crystallise in the foreseeable future. No provision for other deferred tax had been made in the financial statements as the effect of other temporary differences is insignificant.

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit for the year of approximately RMB41,799,000 (1998: RMB14,670,000) and on the number of 541,799,000 (1998: 541,799,000) shares in issue during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and <u>buildings</u> RMB'000	Motor <u>vehicles</u> RMB'000	Fixture and <u>equipment</u> RMB'000	<u>Total</u> RMB'000
COST				
At 1 January 1999	201,851	73,794	48,935	324,580
Additions	-	5,860	3,104	8,964
Disposals	-	(7,824)	(805)	(8,629)
Exchange differences	(26)	-	(1)	(27)
At 31 December 1999	<u>201,825</u>	<u>71,830</u>	<u>51,233</u>	<u>324,888</u>
DEPRECIATION				
At 1 January 1999	53,916	49,123	21,617	124,656
Provided for the year	8,458	4,477	6,034	18,969
Eliminated on disposals	-	(6,582)	(607)	(7,189)
Exchange differences	(8)	-	(1)	(9)
At 31 December 1999	<u>62,366</u>	<u>47,018</u>	<u>27,043</u>	<u>136,427</u>
NET BOOK VALUES				
At 31 December 1999	<u>139,459</u>	<u>24,812</u>	<u>24,190</u>	<u>188,461</u>
At 31 December 1998	<u>147,935</u>	<u>24,671</u>	<u>27,318</u>	<u>199,924</u>

The net book value of motor vehicles does not include any amounts (1998: RMB532,000) in respect of assets held under finance leases.

The Group's leasehold land and buildings have been pledged as security for the Group's bank borrowings (see note 24).

13. INTANGIBLE ASSETS

	RMB'000
COST	
At 1 January 1999 and at 31 December 1999	<u>63,924</u>
AMORTISATION	
At 1 January 1999	10,190
Provided for the year	<u>1,278</u>
At 31 December 1999	<u>11,468</u>
NET BOOK VALUES	
At 31 December 1999	<u>52,456</u>
At 31 December 1998	<u>53,734</u>

14. SUBSIDIARIES

Details of the principal subsidiaries at 31 December 1999 are as follows:

<u>Name of subsidiary</u>	<u>Proportion of ownership interest/ proportion of voting power held</u> %	<u>Principal activity</u>
Shenzhen ITC Vehicles Services Company	100	Transportation and vehicles rental service
Shenzhen International Trade Centre	100	Trading
Hainan Xinda Development Headquarter Company	100	Property development and trading
Shenzhen Property and Construction Development Company	100	Property development
Shenzhen ITC Estate Management Company	100	Property management
Shenzhen International Trade Plaza	100	Retailing of general merchandise
Shenzhen Property Development and Management Company	100	Property management
Shenzhen Real Estate Exchange Company	100	Property trading
Nanjing International Tongren Development Ltd.	55	Property development
Shenzhen Heping Hotel	100	Hotel operation
Shenzhen Huangcheng Real Estate Company Limited	100	Property development, construction and management

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

14. SUBSIDIARIES - continued

<u>Name of subsidiary</u>	Proportion of ownership interest/ proportion of <u>voting power held</u> %	<u>Principal activity</u>
Shenzhen Property Architecture Design Department	100	Property construction
Shum Yip Properties Development Limited	100	Property development
Shanghai Shenzhen Properties Development Company Limited	100	Property management and construction
Nanjing Shenzhen Properties Development Company Limited	100	Property investment
Dalian Shenzhen Estate Development Company Limited	100	Property development, construction and management
Shenzhen ITC Plaza & Development Company, Ltd	57	Property investment and development
Shenzhen ITC Tourism Company	100	Travel agent
Shenzhen ITC Advertisement and Culture Company Limited	100	Advertising
Zhanjiang Shenzhen Estate Development Company Limited	100	Property development and retailing of general merchandise

15. INTERESTS IN ASSOCIATES

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Cost of investment	344,573	344,109
Share of post-acquisition results, net of dividends received	<u>(88,668)</u>	<u>(91,091)</u>
	255,905	253,018
Amounts due from associates	72,269	74,254
Provision for decline in value	<u>(68,655)</u>	<u>(68,655)</u>
	<u>259,519</u>	<u>258,617</u>

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

15. INTERESTS IN ASSOCIATES - continued

Details of the principal associates at 31 December 1999 are as follows:

<u>Name of associate</u>	<u>Proportion of ownership interest/ proportion of voting power held</u> %	<u>Principal activity</u>
Shenzhen Luohu Hotel Company Limited	50	Hotel operation
Shenzhen Industry and Commerce Development Company Limited	38	Catering service
Shenzhen Carrier Service Company Limited	40	Air-conditioning
ITC Tian An Company Limited	50	Property investment and development
Shenzhen Lingnan Jifa Warehouse Company Limited	50	Warehousing
Anhui Nan Peng Paper Manufacturing Company Limited	25	Manufacturing and sales of coated art paper
Suzhou Fuda Property Development Company Limited	25	Property development
Shenzhen Matform Ceramics Industry Company Limited	26	Ceramics craft

16. OTHER INVESTMENTS

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
NON-CURRENT INVESTMENTS		
Unlisted equity investments, at cost	88,866	87,860
Provision for permanent diminution in value	(55,762)	(55,762)
	33,104	32,098
Unlisted legal person shares	23,685	23,849
	<u>56,789</u>	<u>55,947</u>
CURRENT INVESTMENTS		
Listed equity investments, at cost	31,574	38,349
Unrealised loss	(7,071)	(6,886)
	24,503	31,463
Government bonds, at cost	70	363
	<u>24,573</u>	<u>31,826</u>
Market value of listed equity investments	<u>25,516</u>	<u>36,535</u>

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

17. INVENTORIES

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Properties under development held for sale	740,495	738,106
Completed properties held for sale	599,746	594,933
Other inventories	5,679	11,055
	<u>1,345,920</u>	<u>1,344,094</u>
Carrying amount of inventories carried at net realisable value	<u>1,345,920</u>	<u>1,344,094</u>

18. SHARE CAPITAL

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Registered, issued and fully paid:		
388,949,000 state shares and shares held by other promoters of RMB1 each	388,949	388,949
91,391,000 A share of RMB1 each	91,391	91,391
61,459,000 B share of RMB1 each	61,459	61,459
	<u>541,799</u>	<u>541,799</u>

All the shares rank pari passu with each other in all respects except for that A shares can only be owned and traded by nationals of the PRC while B shares can only be owned and traded by overseas investors. Both A shares and B shares are traded on the Shenzhen Stock Exchange.

19. RESERVES

Statutory surplus reserve and statutory public welfare fund form part of shareholders' equity.

Statutory surplus reserve/Discretionary surplus reserve

In accordance with PRC Company Law and the Company's Articles of Association, the Company is required to appropriate 10% of its profit after taxation reported in its PRC statutory financial statements to the statutory surplus reserve. Appropriations to discretionary surplus reserve is at the discretion of the Company, subject to shareholders' approval at general meeting.

The appropriation of statutory surplus reserve may cease to apply if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. Surplus reserves can be used to make up losses or for conversion into share capital. The Company may, upon the approval by a resolution of shareholders' general meeting, convert its surplus reserve into share capital and issue new shares to existing shareholders in proportion to their original shareholding or increase the nominal value of each share. When converting the Company's statutory surplus reserve into share capital, the amount of such reserve remaining unconverted must not be less than 25% of the registered capital.

Statutory public welfare fund

In accordance with the PRC Company Law and the Articles of Association, the Company is required to appropriate 5% to 10% of the profit after tax as reported in its the PRC statutory financial statements to the statutory public welfare fund. The statutory public welfare fund shall only apply to capital expenditure related to the provision of collective welfare of staff and workers. The statutory public welfare fund is non-distributable other than in liquidation. When the public welfare fund is utilised, an amount equal to the cost of the assets acquired is transferred to the discretionary surplus fund. On disposal of the relevant assets, the original transfers from the fund are reversed.

Profits available for distribution

The profit of the Company available for appropriations will be the lesser of the profit reported in its financial statements prepared under PRC GAAP or under IAS. At 31 December 1999, there were no profits available for distribution to shareholders (1998: Nil).

20. BORROWINGS

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Short-term borrowings:		
Unsecured bank loans	642,628	704,054
Secured bank loans	467,025	382,132
Other unsecured loans	247	57,700
	<u>1,109,900</u>	<u>1,143,886</u>

The short-term bank loans are secured by the Group's assets and with interest rates ranging from 5% to 12% (1998: 9% to 12%) per annum. Other unsecured loans carry interest at an annual fixed rate of 10% (1998: 10%).

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
The maturity of the Group's borrowings is as follows:		
On demand or within one year	1,109,900	1,143,886
More than one year but not exceeding two years	1,623	1,200
More than two years but not exceeding five years	2,742	4,874
More than five years	-	-
	<u>1,114,265</u>	<u>1,149,960</u>
Less: Amount due within one year shown under current liabilities	<u>(1,109,900)</u>	<u>(1,143,886)</u>
	<u>4,365</u>	<u>6,074</u>

The long-term borrowings represents bank loans secured by the Group's properties and with interest rate at about 10% (1998: 10%) per annum.

Particulars of assets pledged for bank loans are set out in note 24.

21. RECONCILIATION OF PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Profit from ordinary activities before taxation	48,630	7,289
Adjustments for:		
Share of results of associates	(2,423)	22,651
Interest expense	51,897	84,951
Interest income	(2,051)	(7,292)
Dividend income	(650)	-
Provision for doubtful debts	932	5,811
Provision for inventories	3,331	1,183
Provision for diminution in value of other investments	-	8,483
Unrealised loss on current investments	185	2,457
Depreciation of property, plant and equipment	18,969	21,995
Amortisation of intangible assets	1,278	1,278
Loss (gain) on disposal of fixed assets	455	(3,362)
Operating cash flows before movements in working capital	120,553	145,444
Decrease (increase) in inventories	11,476	(33,464)
Decrease in short term investments	7,068	14,719
Increase in receivables	(45,122)	(77,250)
(Decrease) increase in payables	(12,239)	111,409
Cash generated by operations	81,736	160,858
Income taxes paid	(21,045)	(2,848)
Exchange difference	665	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>61,356</u>	<u>158,010</u>

22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Short-term <u>bank loans</u> RMB'000	Long-term <u>bank loans</u> RMB'000	Other short-term <u>loans</u> RMB'000	Minority <u>interests</u> RMB'000
Balance at 1 January 1998	1,011,657	65,947	39,700	36,391
New loans raised	143,405	-	26,000	-
Repayments of amounts borrowed	(70,209)	(58,540)	(8,000)	-
Reclassified of long-term loans due within one year	1,333	(1,333)	-	-
Share of loss by minority shareholders	-	-	-	(13,223)
Balance at 1 January 1999	1,086,186	6,074	57,700	23,168
New loans raised	49,600	-	247	-
Repayments of amounts borrowed	(27,466)	(376)	(57,700)	-
Reclassified of long-term loans due within one year	1,333	(1,333)	-	-
Share of profit by minority shareholders	-	-	-	1,601
Balance at 31 December 1999	<u>1,109,653</u>	<u>4,365</u>	<u>247</u>	<u>24,769</u>

23. PRIOR YEAR ADJUSTMENTS

	RMB'000
Under-provision for doubtful debts	51,592
Under-provision for diminution in value of associates	68,655
Under-provision for diminution in value of other investments	5,000
Under-provision for loss on properties held for sale	298,070
	<u>423,317</u>

The adjustments were identified in the current year based on new information and developments in the current year. In order to be consistent with the presentation of the statutory financial statements, which are prepared under PRC GAAP, the directors consider that it is appropriate to reflect such adjustments as prior period adjustments to the equity of the Group as of 1 January 1998.

The comparative figures in these financial statements have been restated accordingly to incorporate the above corrections.

24. PLEDGE OF ASSETS

The Group has pledged certain leasehold land and buildings having a net book value of approximately RMB121,936,000 (1998: RMB95,870,000) and certain taxi licences having a net book value of approximately RMB33,000,000 (1998: RMB53,734,000) to secure banking facilities granted to the Group.

25. CONTINGENT LIABILITIES

	<u>1999</u> RMB'000	<u>1998</u> RMB'000
Guarantees given to banks in respect of bank facilities utilised by:		
- associates	2,000	12,000
- third parties	<u>67,600</u>	<u>80,000</u>
	<u>69,600</u>	<u>92,000</u>

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group's principal financial assets are bank balances and cash, trade receivables and equity investments. Significant financial liabilities include bank borrowings, finance lease obligations and trade and other creditors. The accounting policies adopted for these categories of financial instruments are disclosed in note 4. Terms and conditions of equity investments and bank borrowings are outlined in the relevant explanatory notes cross-referenced from the primary statements.

Trade and other receivables comprise mainly amounts receivable for the sales of properties and other goods, rental income and provision of services. The credit terms are stipulated in the relevant contracts. An allowance has been made for estimated irrecoverable amounts, which has been determined by reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Bank balances and cash comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates to their fair value.

Trade and other payable comprise amounts outstanding for construction costs, trade purchases and ongoing costs. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of provisions for doubtful receivables, estimated by the directors based on prior experience and the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

27. RELATED PARTY TRANSACTIONS

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

	<u>Rental income</u>		<u>Property management services income</u>		<u>Amounts due to related parties</u>		<u>Amounts due from related parties</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Associates	<u>10,658</u>	<u>24,000</u>	<u>1,397</u>	<u>2,500</u>	<u>10,767</u>	<u>29,395</u>	<u>72,269</u>	<u>74,254</u>

The amounts due to associates are included in trade and other payables.

The above transactions were carried out at terms agreed between the Group and the associates.

28. LITIGATION

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

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

29. SUMMARY OF DIFFERENCES BETWEEN IAS AND PRC GAAP

These financial statements are prepared in conformity with IAS which are different from its statutory financial statements prepared in accordance with PRC GAAP.

The statutory financial statements for the year ended 31 December 1999 reported profit after taxation as RMB42,954,000 and net assets as RMB167,307,000. The principal IAS adjustments made to profit after taxation and net assets are as follows:

	<u>Profit after taxation</u> RMB'000	<u>Net assets</u> RMB'000
As reported under PRC GAAP	42,954	167,307
Adjustments to conform with IAS:		
Difference in recognition of cost of properties sold	(2,994)	-
Share of profits of associates understated	2,570	2,570
Amortisation of investment cost of associate written back	-	2,340
Difference in exchange translation reserve	-	(3,411)

SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD.

Others	<u>(731)</u>	<u>(1,022)</u>
As reported under IAS	<u>41,799</u>	<u>167,784</u>

30. LANGUAGE

The English text of the financial statements is a translated version of the Chinese text for the convenience of English readers and for reference only. The Chinese text of the financial statements will prevail over the English text.
