

Stock Abbr.: Shen Wuve A

# SHENZHEN PROPERTIES & RESOURCES DEVELOPMENT (GROUP) LTD. **ABSTRACT OF THE 2011 ANNUAL REPORT**

§1. Important Statement

1.1 The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior executives of Shenzhen Properties & Resources Development (Group) Ltd. (hereinafter referred to as "the Company") warrant that this report does not contain any false or misleading statements or omit any material facts and will accept, individually and collectively, responsibility for the factuality, accuracy and completeness of the contents of this report.

The Abstract of the 2011 Annual Report is produced based the full text

of the 2011 Annual Report, which is disclosed on www.cninfo.com.cn at the same time. Investors are suggested to read the full text of the 2011 Annual Report to understand more details.

1.2 China Chain International Certified Public Accountants has audited

the Company's annual financial report and issued a standard audit report with unqualified opinion.
1.3 Mr. Chen Yugang, Chairman of the Board of the Company, Mr.

Wang Hangjun, Person in Charge of Accounting Work, Mr. Gong Sixin, CFO, and Ms. Shen Xueying, Manager of Financial Management Department, hereby confirm that the financial statements enclosed in this report is true and complete.

English Translation for Reference Only. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

## **§2. Company Profile**2.1 Basic information

z.i Dasie imo	ination				
Short form of the stock			hen Wuye A, Shen Wuye B		
Stock code 000011,			200011		
Stock exchange		Shenzhe	n Stock Exchange		
2.2 Contact in	nformation		-		
	Company Secretary		Securities Representative		
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83 Summary	of Accounting Data	and Fi	nancial Indexes		

### §3 Summary of Account 3.1 Major accounting data

,			Unit:	RMB Yuan
	2011	2010	Increase/ decrease year on year (%)	2009
Gross revenues (Yuan)	1,408,565,307.32	993,175,350.38	41.82%	845,366,939.69
Operating profit (Yuan)	340,988,497.94	194,879,101.67	74.97%	130,921,541.68
Total profit (Yuan)	339,503,404.62	207,159,741.70	63.88%	127,297,762.81
Net profit attributable to shareholders of the Company (Yuan)	257,461,077.54	174,998,534.79	47.12%	96,933,951.02
Net profit attributable to shareholders of the Company after deducting non-recurring gains and losses (Yuan)		160,273,095.99	60.69%	109,832,961.93
Net cash flows from operating activities (Yuan)	-361,467,587.70	-101,778,470.64	255.15%	759,650,626.69
	31 Dec. 2011	31 Dec. 2010	Increase/ decrease year on year (%)	31 Dec. 2009
Total assets (Yuan)	3,499,608,314.21	2,913,281,353.84	20.13%	2,834,417,954.60
Total liabilities (Yuan)	2,368,502,353.23	2,038,233,644.90	16.20%	2,172,113,314.42
Owners' equity attributable to shareholders of the Company (Yuan)	1,130,243,873.92	874,185,621.88	29.29%	661,442,553.12
Total share capital (share)	595,979,092.00	595,979,092.00	0.00%	595,979,092.00
3.2 Major financial indexes			Unit:	RMB Yuan

	2011	2010	Increase/ decrease year on year (%)	2009
EPS-basic (Yuan/share)	0.4320	0.2936	47.14%	0.1626
EPS-diluted (Yuan/share)	0.4320	0.2936	47.14%	0.1626
Basic EPS after deducting non-recurring gains and losses (Yuan/share)	0.4321	0.2689	60.69%	0.1843
Weighted average ROE (%)	25.67%	23.27%	2.40%	15.67%
Weighted average ROE after deducting non-recurring gains and losses (%)	25.68%	21.31%	4.37%	17.76%
Net cash flows per share from operating activities (Yuan/ share)	-0.6065	-0.1708	255.09%	1.2746
	31 Dec. 2011	31 Dec. 2010	Increase/ decrease year on year (%)	31 Dec. 2009
Net assets per share attributable to shareholders of the Com- pany (Yuan/share)	1.8964	1.4668	29.29%	1.1098
Debt asset ratio (%)	67.68%	69.96%	-2.28%	76.63%
3.3 Items of extraordinary gains and l	osses:			

### V Applicable ☐ Inapplicable

			Umit: 1	RMB Yuai
Items	Amount in 2011	Notes (if applicable)	Amount in 2010	Amount in 2009
Gains and losses on disposal of non-current assets	-26,955.97		3,666,926.49	58,710.32
Corporate restructuring cost, such as employee resettle- ment expense, integration costs etc.	0.00		-87,077.70	-12,700,956.90
Gains and losses on contingencies not relating to routine operation	0.00		3,533,281.90	-8,031,974.39
Gains or losses arising from a change in the fair value of financial asset or financial liability and investment in- come from disposal of tradable financial assets and la- bilities as well as available-for-sale financial assets that is not part of a hedging relationship related to ordinary operation of the Company			39,900.00	2,473,993.55
Recovery of accounts receivable that independently make provision for impairment	842,092.26	Refer to Notes to financial statements V. 4, 5	1,478,071.21	0.00
Gains and losses on external entrusted loan	351,962.50		0.00	0.00
Other non-operating income and expense apart from the above items	-1,458,137.35	Mainly of compensation for payment to Peace Hotel	6,620,338.00	4,346,485.20
Income tax effects	-26,727.37		-526,001.10	954,731.31
Total	-77.691.12	_	14 725 438 80	-12,899,010.91

4.1 Particulars about shares held by the top ten shareholders and top ten

shareholders holding shares not subject to trading moratorium

Total number of shareholders at the		47,653		of shareholders at month before the	47,653	
010 01 2011		·	day when this	report is disclosed	·	
Particulars about shares held by the	top ten shareholders		ı			
Name of shareholder	Nature of shareholder	Share- holding ratio (%)	Total number of shares held	Number of shares subject to trading moratorium held	Shares pledged or frozer	
SHENZHEN CONSTRUCTION IN- VESTMENT HOLDINGS CORPO- RATION	State-owned corporation	54.31%	323,704,856	323,704,856	(	
SHENZHEN INVESTMENT MAN- AGEMENT CORPORATION	State-owned corporation	9.49%	56,582,573	56,582,573		
CHINA INDUSTRIAL INTERNA- TIONAL TRUST LIMITED - FIRST PHASE (THREE PHASES) OF SUBSCRIPTION OF CBC WEALTH	corporation	0.92%	5,461,000	0		
SHENZHEN INTERNATIONAL TRADE CENTER PROPERTY MANAGEMENT COMPANY	State-owned corporation	0.42%	2,514,781	0	(	
GUANG PING	Foreign natural person	0.35%	2,058,212	0		
ZENG YING	Foreign natural person	0.29%	1,750,000	0		
SHENZHEN SPECIAL ZONE DU- TY-FREE COMMODITY CO.	Domestic non-state-owned corporation	0.29%	1,730,300	1,730,300		
LI PING	Domestic natural person	0.15%	881,216	0		
XU GUOXING	Domestic natural person	0.13%	785,869	0		
ZHOU YONGHONG	Domestic natural person	0.11%	682,832	0		
Particulars about shares held by the	top ten shareholders holding s	shares not	subject to mora	torium		
Name of share	pholder	subject t	of shares not o moratorium held	Type of sha	Type of shares	
CHINA INDUSTRIAL INTERNATION FIRST PHASE (THREE PHASES CBC WEALTH			5,461,000	RMB ordinary	shares	
SHENZHEN INTERNATIONAL TRA MANAGERMENT COMPANY	ADE CENTER PROPERTY		2,514,781	RMB ordinary	shares	
GUANG PING			2,058,212			
ZENG YING		1,750,000		Domestically listed foreign shares		
LI PING			881,216	RMB ordinary	shares	
XU GUOXING			785,869	RMB ordinary		
ZHOU YONGHONG		682,832		Domastically listed foreign		
SUN LIHUA			660,100	RMB ordinary		
LIU LIAOYUAN			641,900	Domestically liste shares	d foreign	
LONG KEYI			638,500	RMB ordinary	shares	
	Among the top 10 shareho under the management of S s actual controlling shareh	henzhen In	vestment Holdi	ngs Co., Ltd., the (	Company	

Explanation on associated relation—

Company's wholly-owned subsidiary. Other than that, the Company does not know whether there exists associated relationship or consistent action among the other seven shareholders.

The Company does not know whether there exists associated relationship sistent action among the top ten shareholders not subject to trading morato 4.2 The controlling relationship between the Company and the actual



### §5. Report of the Board of Directors

5.1 Discussion and analysis by the management team

I. Business review for the reporting period Analysis of the market environment

Macro-control and market fluctuations remained the theme for the real estate industry in 2011, with "a sharp drop in trading" and "decreasing average prices" becoming new key phrases for the year. The government carried out macro-control throughout the year, increasing the number of cities with limited purchase, specifying the limited purchase conditions and shifting the focus from "preventing house prices "promoting reasonable regression of house from going up too fast" to . As a result, commercial house trading in major cities recorded a decreasing trend in both the trading number and prices for the first time in recent years. Growth in the national average price for selling commercial houses continued to slow down as compared with last year. The land market was sluggish with houses often being traded at bottom prices, real estate investment & development declined from the peak. and real estate enterprises were in face of difficulties concerning financing and re-investment.

The regression of house prices in major cities to a certain level indicates that the macro-control is taking effect. The Company always believes that if house prices grow too high and too fast to go beyond the endurance of ordinary citizens, it will not only bring social problems, but also affect the long-term healthy development of the industry. Objective-

ly speaking, although macro-control stimulates the periodic adjustment of the industry, increases the risk of fluctuations and imposes great challenges to enterprises, it helps with the normative operation in the industry and the transformation from extended development to connotative development. Considering its improving business performance and richer market experience, the Company is still very confident of the future development of itself and the industry as a whole. The industry temporarily slows down mainly because the policy restricts some purchasing power and enterprise financing channels. In the long run, the urbanization progress, the rising resident income, the improving living standards, the decreasing developable land in cities and other factors that support development of the industry remain unchanged fundamentally. Therefore, enterprises which adhere to steady operation and product quality improvement will see greater development opportunities.

(II) Overall performance of the Company In the reporting period, the Company achieved operating revenue of RMB 1,408,565,307.32, up by 41.82% over last year; operating profit of RMB 340,988,497.94, up by 74.97% year on year; total profit of RMB 339,503,404.62, an increase of 63.88% from last year; net profit of RMB 257,461,077.54, increasing by 47.12% compared to last year; and net profit attributable to owners of the Company of RMB 257,461,077.54, representing a year-on-year growth of 47.12%.

Operating revenue increased by a great margin mainly because real estate income increased considerably and managed and leased property areas also became larger. Operating profit, total profit and net profit also recorded significant growth mainly because income from some new real estate projects met the carry-forward conditions.

(III) Operation of main businesses

1. Operation and scope of main businesses The Company specializes in real estate development, with taxi transportation service, property management, house leasing, etc. as its sidelines. In 2011, the revenue generated from the main business reached RMB 1,377,581,701.71, representing a year-on-year growth of 42.59%, i.e. RMB 411,435,711.83; and main business profit reached RMB 478,265,576.86. And the composition of main business revenue and profit was specified as follows:

(1) Classified according to industries:

In terms of the business of real estate development, the income generated stood at RMB 1,039,983,994.06, with profit of RMB 434,347,389.86;

In terms of the business of property management and leasing the income generated stood at RMB 246,969,986.05, with profit of RMB 5,670,705.84; In terms of the business of taxi transportation service, the income generat-

ed stood at RMB 54,490,052.27, with profit of RMB 25,649,950.32; In terms of the catering business, the income generated stood at RMB 22,254,535.68, with profit of RMB 3,040,275.41;

In terms of other businesses, the income generated stood at RMB 13,883,133.65, with profit of RMB 9,557,255.43. (2) Classified according to regions: In terms of the business in Shenzhen, the income generated stood at

RMB 1,273,033,823.42; In terms of the business in other areas, the income generated stood at

RMB 104,547,878.29. As could be seen from the above classification according to industries and regions, the Company's business income mainly came from Shenzhen and the real estate development business contributed a large proportion of the business income.

(3) Composition of the Company's main business

main business revenue, cost and gross profit rate:											
Unit: RMB' 00											
	Busine	ss income	Busir	ness cost	Gross profit rate						
Industry	Amount	Change over last year (%)	Amount	Change over last year (%)		Change over last year (%)					
Real estate development	1,039,984	50.66	283518	-36.51	72.74	37.43					
Property management and leasing	246,970	29.50	223709	29.07	9.42	0.30					
Taxi passenger transportation service	54,490	7.37	27011	0.49	50.43	3.39					
Catering service	22,255	10.46	17990	-1.18	19.16	9.52					

-8.49 74.34 13,883 -2.50 3562 Notes: Other businesses refer to project supervision, auto repair service, elevator maintenance, etc.

Explanation on the strengthened profitability of the Company in the reporting period compared with that of last year: Main business revenue increased over last year mainly due to increase of incomes from real estate, property management and lease. Gross profit rates for the main businesses also rose significantly mainly due to the considerable growth of income from real estate with a comparatively higher gross profit rate. Real estate income increased with decreased cost mainly because selling prices for main carried-forward real estate projects in 2011 were much higher than those of last year but their unit costs were similar. (4) Suppliers and customers

In its business of real estate development, the Company transferred, by means of bid invitation, its real estate projects to the company which won the bid. And the building contractor was responsible for the purchase of construction materials. The Company made no bulk purchases this year; The Company's commercial houses were sold to individual customers. And the sales income from the top 5 customers stood at RMB 20,757,489, accounting for 1.47% of the operating revenue.

(IV) Changes of the Company's asset composition in the reporting period compared to that of last year, as well as the main reasons for change

1. Changes of asset composition compared to that of last year										
	31 Dec. 2	011	31 Dec. 2	010	Increase or	Asset				
Item	Amount (RMB, Yuan)	Proportion in total assets (%)	Amount (RMB, Yuan)	Proportion in total assets (%)	decrease of the proportion in total assets (%)	increase or decrease over last year (%)				
Monetary capital	463,775,328.93	13.25	534,418,695.36	18.34	-5.09	-13.22				
Prepayment	474,354,748.39	13.55	49,360,431.87	1.69	11.86	861.00				
Other receivables	3,346,988.49	0.10	37,787,880.10	1.30	-1.20	-91.14				
Inventory	1,814,992,629.34	51.86	1,576,183,305.38	54.10	-2.24	15.15				
Fixed assets	65,011,538.39	1.86	78,112,745.51	2.68	-0.82	-16.77				
Intangible assets	100,040,864.15	2.86	106,563,665.92	3.66	-0.80	-6.12				
Deferred income tax assets	124,102,202.41	3.55	83,209,649.31	2.86	0.69	49.14				
Other non-current assets	9,000,000.00	0.00	0.00	0.00	0.00					
Short-term borrowings	601,495,212.00	17.19	10,000,000.00	0.34	16.85	5914.95				
Accounts payable	187,083,147.42	5.35	105,465,038.93	3.62	1.73	77.39				
Accounts received in advance	208,655,909.41	5.96	878,660,737.46	30.16	-24.20	-76.25				
Employees' compensation payable	45,013,122.69	1.29	53,817,405.36	1.85	-0.56	-16.36				
Taxes and fares payable	499,430,386.43	14.27	195,585,180.87	6.71	7.56	155.35				
Other payables	479,430,681.58	13.70	229,549,997.54	7.88	5.82	108.86				
Non -current liabilities due within 1 year	218,359,888.32	6.24	250,960,000.00	8.61	-2.37	-12.99				
Long-term borrowings	7,333,333.32	0.21	212,000,000.00	7.28	-7.07	-96.54				
Total assets	3,499,608,314.21		2,913,281,353.84			20.13				

Notes on the changes

(1) Monetary capital decreased 13.22% over last year, which was mainbecause the Company received fewer property payments;

(2) Prepayment increased 861.00% over last year, which was mainly because the Company prepaid more for the land in Yangzhou and taxes

concerning relevant projects according to the Law of Tax;
(3) Other receivables decreased 91.14% over last year, which was mainly because the Company modified its accounting estimation method for bad-debt provisions and increased such provisions;

(4) Inventory increased 15.15% over last year, which was mainly because construction in process proceeded as scheduled and inventories purchased according to the construction progress increased accordingly; (5) Fixed assets decreased 16.77% over last year, which was mainly because some fixed assets previously used for leasing were restated as investment properties and were depreciated;

(6) Intangible assets decreased 6.12% over last year, which was mainly lue to amortization of intangible assets;

(7) Deferred income tax assets increased 49.14% over last year, which was mainly because more land VAT pre-withdrawn by the Company was recognized as deferred income tax assets;

(8) Other non-current assets increased over last year, which was mainly because a subsidiary provided entrusted financing for Shenxin Taxi Co., Ltd.; (9) Short-term borrowings increased 5914.95% over last year, which was mainly because the Company received entrusted financing from Shenzhen Investment Holdings Co., Ltd.;

(10) Accounts payable increased 77.39% over last year, which was mainly because the PRD-Shengang No. 1 Project was completed and its preliminarily estimated cost was recognized;

(11) Accounts received in advance decreased 76.25% over last year, which was mainly due to the income carried forward from the Shengang No. 1 Project; (12) Employees' compensation payable decreased 16.36% over last year, which was mainly because the housing public reserve funds with—

drawn at the end of last year for previous years were paid in the reporting period; (13) Taxes and fares payable increased 155.35% over last year, which

was mainly because income from the PRD-Shengang No. 1 Project was recognized and relevant land VAT was withdrawn accordingly. Other payables increased 108.86% over last year, which was mainly because the Company carried out the asset exchange as promised

in the share reform and brought in some land in Moon Bay; (15) Non-current liabilities due within 1 year decreased 12.99% over ast year, which was mainly because mature loans were repaid;

(16) Long-term borrowings decreased 96.54% over last year, which was mainly because some long-term borrowings were restated as non-current liabilities due within 1 year; (17) Total assets increased 20.13% over last year, which was mainly

ause the Company's business and borrowings received expanded. 2. Changes in operating expenses, administrative expenses, financial expanses and income tax expenses over last year, as well as main reasons

or the changes					
Items	JanDec. 2011	(RMB, Yuan)	JanDec. 2010	(RMB, Yuan)	Year-on-year Increase / decrease (±%)
Operating expenses		32,792,286.16		14,956,309.36	119.25
Administrative expenses		92,292,907.64		92,642,838.43	-0.38
Financial expanses		12,119,255.73		-2,813,250.22	530.79
Income tax expenses		82,042,327.08		32,161,206.91	155.10
AT .					,

(1) Operating expenses increased mainly because more projects were sold and marketing effort was enhanced according to market changes, causing higher a higher marketing expenditure;

(2) Administrative expenses decreased mainly because the Company en-(3) Financial expenses increased mainly because the Company increased borrowings for working capital according to its capital needs and

some project loans were not capitalized but recognized as financial expenses due to their completion; (4) Income tax expenses increased mainly because the total profit in-

No significant changes took place on the measurement attributes of the Company's main assets during the reporting period.

(V) Items measured by fair value, as well as the held foreign-currency

financial assets and financial liabilities

The Company's financial accounting was conducted on the accrued basis. Except that the transaction financial assets and the available-forsale financial assets were measured by fair value, other assets were usually measured on the basis of the historical costs. Where the replacement cost, net realizable, capitalized value or fair value was adopted as the measurement basis, it was made sure that the amount of the determined accounting elements could be obtained and reliably measured.

(1) Hems measured by fair value					
				Unit:	RME
Items	Amount at period-begin	Gains or losses due to fair value changes in this period	Accumulative changes of fair value recorded in the equity	Impair- ment withdrawn in this period	Amount at period- end
Financial assets		•	•	•	
Of which: 1. Financial assets measured by fair value and the changes were included in the current gains or losses	272,100.00	-3,364.50			0.00
Of which: derivative financial assets					
Available-for-sale financial assets					
Subtotal of financial assets	272,100.00	-3,364.50			0.00
Financial liabilities					
Investment real estate					
Productive biological assets					
Others					
Total	272.100.00	-3.364.50			0.00

Notes: The financial assets measured by fair value and of which the changes were included in the current gains or losses referred to the tradable shares purchased in the secondary market. And the aforesaid financial assets were measured at the closing price of the stock exchange as the fair value. All of the financial assets were sold out by the period-

(2) Foreign-currency financial assets and financial liabilities held In the reporting period, the Company didn't hold any foreign-currency financial asset or financial liability.

(3) No significant changes took place on the measurement attributes of

the Company's main assets during the reporting period.

(VI) Changes in main items of cash flow statement in the reporting peac well ac the r

fou over last year, as well as the reasons for changes							
Items	2011 (RMB, Yuan)	2010 (RMB, Yuan)	Increase or decrease (%)				
I . Cash flow arising from operating activities							
Sub-total of cash inflows	769,733,785.15	1,191,281,389.97	-35.39				
Sub-total of cash outflows	1,131,201,372.85	1,293,059,860.61	-12.52				
Net cash flows arising from operating activities	-361,467,587.70	-101,778,470.64	255.15				
II . Cash flow arising from investing activities							
Sub-total of cash inflows	5,828,454.81	12,057,679.84	-51.66				
Sub-total of cash outflows	21,411,814.98	19,488,536.34	9.87				
Net cash flows arising from investing activities	-15,583,360.17	-7,430,856.50	109.71				
III. Cash flows arising flow financing activities							
Sub-total of cash inflows	612,495,212.00	260,687,344.20	134.95				
Sub-total of cash outflows	305,869,745.03	446,954,370.52	-31.57				
Net cash flows arising from financing activities	306,625,466.97	-186,267,026.32	264.62				

(1) The net cash flows arising from operating activities was negative, representing more net outflows than last year, which was mainly because a smaller area was sold during the reporting period, causing fewer property payments received.

(2) The net cash flows arising from investing activities was negative, representing more net outflows than last year, which was mainly because the Company received less cash from the disposal of fixed assets and

(3) The net cash flows arising from financing activities increased over last year, which was mainly because the Company obtained entrusted financing of RMB 490 million from Shenzhen Investment Holdings Co., Ltd. and bank loans repaid decreased.

(4) The net cash flows arising from operating activities during the reporting period was RMB -361,467,587.70, representing a great difference from the net profit of RMB 257,461,077.54 for the reporting period, which was mainly because:

"Cash paid for goods and services" in the Company's cash flow statement was higher than "Main business cost" in the income statement, which was mainly due to the great construction payment of RMB 159 million for unsettled construction projects and the amount of RMB 435 million paid for the land of the Yangzhou project;

B. Depreciation and amortization of RMB 35.19 million in the incom-

statement were not paid in cash; C. Deducted interest expense of RMB 16.43 million in the income statement did not belong to cash flows arising from operating activities; D. Asset impairment provision of RMB 22.26 million in the income statement did not cause cash outflow.

7. Operation and performance analysis of the Company's main sub-

	and joint stock com	I					ι	nit:	RMB	000
			Total as	sets	Net	assets	Operat	ion profit	Net	profit
Company name	Main products	Regis- tered capital	Amount	Increase/ decrease over last year (%)	Amount	Increase/ decrease over last year (%)	Amount	Increase/ decrease over last year (%)	Amount	decreas over las year (%
Huangcheng Real	Development, construction, operation and management supporting commercial ser- vice facilities at Huangcheng Port		2,063,437.87	14.44	486,918	126.98	352,068	1,187	272,394.58	705.2
Shenzhen Properties & Resources Real Estates Development Co., Ltd.	Dauglonment of real estates	30,950	606,681.48	-2.75	78,303	38.34	27,120	-81	21,699.05	-80.7
Shenzhen ITC Vehi- cles Services Com- pany	Automobile transportation of passengers and leasing of automobiles	29,850	437,392.10	41.48	63,329	11.73	8,931	-17	6,650.53	-21.5

Shenzhen Huangcheng Real Estate Co., Ltd. earned little income from real estate last year. However, some of its real estate project reached the condition for carrying forward income this year, and its net assets, operating profit and net profit rose significantly as a result. Real estate in come earned by Shenzhen Properties & Resources Real Estates Development Co., Ltd. was much less than last year, and its operating profit and net profit decreased considerably as a result.

 $8.\ {\rm Changes}$  of the main sales and technical personnel, as well as other information relevant to the Company's operation

In the reporting period, there existed no major changes concerning the sales and technical personnel of the Company 9. Special-purpose entities controlled by the Company

There existed no special-purpose entities controlled by the Company . Prospect of the future development of the Company

1. Risks faced by the Company, as well as the countermeasures (1) Risks concerning policies

At the 2011 Central Conference on Economic Work and the 11th National People's Congress held in 2012, it was clearly expressed that the government was to maintain the macro-control over real estate, stick to the real estate macro-control policies, promote rational regression of house prices, beef up construction of ordinary commercial houses to increase the effective supply, and boost healthy development in the real estate sector. Policies unveiled by some cities to relax the control have been stopped, indicating the central government's determination of macro-control. Therefore, in 2012, limited purchase, limited credit, limited prices and other macro-control policies are expected to continue, which may bring great impact on the commercial house sales volume,

the average sales price, funds inflow, enterprise financing, etc.

The Company attaches great importance to studying and predicting macro-control policies. It carries out in-depth analysis of the policies various influence on the market, looks for maximum development within the policy limitation, tries to meet market demands in terms of project positioning, house design, the landscape environment, etc., tries to build quality houses under the concept of "A quality property makes an eternal classic. We give you a better life with a beautiful house.", and tries to win customer trust with excellent product quality and services. 2. Financial risk

The macro-control policies have put a strict limit on lendings from commercial banks and other financial institutions to real estate developers. Statistics show that the growth of domestic loans granted to real estate developers was nil in 2011. Sales of commercial houses remains weak with shrinking sold areas and average selling prices. Funds inflow from property sales slowed down significantly, with a notably decreasing turnover rate of funds for real estate enterprises. It is thus expected that, in 2012, limited funds inflow from property sales and restricted external financing will continue to put double pressure on the capital chain of real estate enterprises, increase the capital cost and increase the financial risk.

The Company has always kept to stable operation, putting capital safety on the top priority and monitoring financial risk in a dynamic way. It will rationally control its pace of investment and sales and ensure the smooth running of the capital chain. Meanwhile, it will enhance internal management and strictly control various costs. And it will also promote development of its sideline businesses, trying any possible means to expand financing channels and try to obtain external financing support. Operating risk

(1) Market risk

With the continuously tight macro-control policies, sale of commercial houses is expected to encounter great challenges in 2012. The absolute number of clients eligible for house purchase in cities with restricted purchase will decrease while the stock of commercial houses is on the rise. As social security houses are completed, some rigid demand is attracted. The market risk should be kept in mind in 2012.

Being fully aware of the market risks to come, the Company will keep to the development concept of "A quality property makes an eternal classic. We give you a better life with a beautiful house.", and focus on improving product quality, increasing inner value of products, promoting brand with products and promoting product sales with the brand. With clear macro-control policies, the slightly eased monetary policy and policy support for rigid demand, the Company will increase clients' confidence to purchase, integrate marketing resources and work out a marketing plan for a "joint sale of four projects" in Shenzhen, so as to accomplish the annual sales target. (2) Operating risk Periodic fluctuations of the real estate industry increase the operating

risk. Especially for investments covering more than one region and projects, real estate developers must carefully handle the investment and sale progress and consider their financial positions. Currently, the -economy is hard to predict and costs of raw materials, financing and labor force keep rising, which increases operating costs and makes it harder for real estate developers to manage its cooperation partners. In 2012, the Company will run 10 development projects in Shenzhen,

Dongguan, Xuzhou, Yangzhou and other regions at the same time. With capital plans as the core, the Company will work out development plans, enhance strategic management, monitor the actual investment & development progress in a dynamic way, and flexibly adjust development plans according to market changes. Meanwhile it will formulate and in ans according to market changes. Meanwhile, it will formulate and improve various cost control mechanism, offset the pressure of rising costs,

improve the operating risk monitoring and pre-warning system, capitalize on its experience and enhance management over partners. (3) Management risk

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The macro-control hands over the right to lead the real estate market to buyers. As a result, buyers will be more rational when making choices They will favor projects developed by top brands, which objectively leads to fiercer competition among real estate developers and raises more requirements for their development and management capability. Therefore, real estate enterprises need to formulate a perfect management flow chart that goes with their actual situation covering development plan management, progress management, cost control, construction quality,

The Company has been aware of the importance of improving its real estate development and management capability since a long time ago. As its development projects cover more types and regions, the Company carries out a whole-process evaluation after every project is completed or a phasic evaluation after a stage of investment is made. It capitalizes on its development experience, combines with improvement of its internal control system, and improves the management flow chart and development management mechanism. It also carries forward the target management, learns from advanced enterprises and keeps improving its man-

agement.
(II) Competitive edges and potential of the Company

As a mature listed company specializing in real estate, the Company has experienced various adjustments and integrations of the industry, which has equipped the Company with rich experience of risk handling and product development. In recent years, the Company has successfully launched and completed quite a few influential real estate projects in Shenzhen. As such, the Company has won a lot of honorable titles such as "Top 50 Real Estate Listed Companies in China" (granted by China Real Estate Research) and "Top 10 Real Estate Developers in Guangdong with the Best Development Potential for 2011" (granted by Guangdong Entrepreneurs Association).

The Company focuses on building quality houses to safeguard its brand image. In terms of the PRD-Shengang No. 1 Project, the PRD-Langqiao International Project, the PRD-Caitianyise Project and other best-quality projects developed by the Company, it started from planning & designing, carried out in-depth market researches, kept improving in the house design, positioned the project at a high quality from the outside elevation and landscape, strictly supervised over the construction quality during the construction process, and introduced high-quality property management services afterwards. The best-quality projects of the Company were well received by the market. The "PRD" brand with the Shengang Metropolis series as the representative has aroused remarkable attention in the market.

The good business performance and improving management become strong support for the development of more projects. Since 2008, the business performance of the Company has been making new records again and again, with higher and higher income and profit. Its strength and risk resistance have been significantly enhanced, with better and better business results and a larger and larger development scale Plan for 2012

For 2012, the Company plans to achieve main business revenue of RMB 1.54 billion, with the planned period expenses being RMB 820 million. With the Company's 12th five-year development strategic planning as the guidance, adhering to the theme of development, the Company will carry forward the elaborate house strategy in the main business of real estate, enhance marketing, and realize steady growth in both the business results and the development scale. Meanwhile, it will ensure the steady operation of its sideline business, deepen reforms, push forward normative management, improve the internal control system, formulate a risk control system and promote sustained and healthy development of the Company. Major tasks for the Company in 2012 are as follows:

1. To carry on with all the real estate development projects. With the annual financial plan as the core, the Company will improve its strategic management, enhance coordination of development plans for all the real estate projects, rationally formulate the schedules for all projects, and specify management over key points in the progress of all the projects. Besides, it will beef up marketing and properly handle price strategies and sales pace for pre-sale projects and restricted-sale projects, so as to achieve the annual business objectives.

2. To improve internal management. Based on improvements in 2011 in internal control, enterprise culture, three mechanism reforms, target management, compilation of management rules, etc, the Company will further deepen promotion, accomplish the formulation of the internal control system and the corporate culture system, deepen target manage ment and keep improving the management rules based on trial imple-

(IV) Particulars about demand for capital, plan for capital use and cap-

In the year 2012, it is expected that over RMB 884 million is needed for the construction in-progress of the Company. In order to ensure the capital supply and satisfy the need of the business development, the Company intends to solve the capital issue by more bank loans, the payment by ry include to strict the capital issue by more bank reals, the paying customers for the real estate sold, etc.

5.2 Main businesses classified according to industries and products

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Main businesses classified according to industries											
Industries	Operating income	Operating cost	Gross profit rate (%)	Increase/decrease of operating income over last year (%)		gross profit rate over					
Real estate development	103,998.40	28,351.80			, ,	, ,					
Property management and leasing	24,697.00	22,370.90	9.42%	29.50%	29.07%	0.30					
Taxi passenger transportation service	5,449.00	2,701.10	50.43%	7.37%	0.49%	3.39					
Catering service	2,225.50	1,799.00	19.16%	10.46%	-1.18%	9.52					
Others	1,388.30	356.20	74.34%	-2.50%	-8.49%	1.689					
	Main bi	usinesses c	lassified ac	cording to products							
Products	Operating income	Operating cost	Gross profit rate (%)	Increase/decrease of operating income over last year (%)		Increase/decrease of gross profit rate over last year (%)					
Real estate development	103,998.40	28,351.80	72.74%	50.66%	-36.51%	37.439					
Property management and leasing	24,697.00	22,370.90	9.42%	29.50%	29.07%	0.30					
Taxi passenger transportation service	5,449.00	2,701.10	50.43%	7.37%	0.49%	3.39					
Catering service	2,225.50	1,799.00	19.16%	10.46%	-1.18%	9.52					
Others	1,388.30	356.20	74.34%	-2.50%	-8.49%	1.689					

5.3 Reasons for material movements of profit breakdown, main busines and its structure and main business profitability in the reporting period as compared with last year

VApplicable □Inapplicable

Main business revenue increased over last year mainly due to increase of incomes from real estate, property management and lease. Gross profit rates for the main businesses also rose significantly mainly due to the considerable growth of income from real estate with a comparatively higher gross profit rate. Real estate income increased with decreased cost mainly because selling prices for main carried-forward real estate projects in 2011 were much higher than those of last year but their unit costs were similar.

§6 Financial Report

6.1 Explanation about changes in accounting policies, accounting estimates and measurement methods as compared with the previous annual

√Applicable ☐Inapplicable

In the reporting period, there were no changes in the accounting olicies in the Company. (II) Change of accounting estimates for the reporting period

Contents of the accounting estimate change and the approval proce-At the 4th Session of the 7th Board of Directors held during the report-

ing period, the Accounting Policy and Estimate of ShenZhen Properties & Resources Development (Group) Ltd. was reviewed and approved to adjust the standard for dividing account receivable risk portfolios according to risk features and the methods for making bad-debt provision Details are as follows: A. For details of the new policy, please refer to Note (II) 10 to the fi-

B. The original policy is as follows:

Receivables that are provided for provision on a basis of portfolio:

Basis on determine the portfolio:

Receivables portfolio of similarity or with similar credit risk characteristics for the subsidiaries engage in property management business, except receivables which have provided for provision separately with obviously high credit risk. Receivables portfolio for the subsidiaries beside the ones which engage in property management busines except receivables which have provided for provision separately with obviously high credit risk The method of provision for impairment according to portfolio rtfolio 1 Percentage of balance method On balance sheet day, the impairment test is carried on individually according significance; the Company rtfolio 2 provides provision for impairment loss for the amount which is measured as the difference between the as-

set's carrying amount and the present value of estimated future cash flows. The percentage of provision for the portfolio: ortfolio Name | Percentage of provision for accounts receivable | % | Percentage of provision for other receivables | % | virtfolio 1 | 2 on | Influence of the accounting estimate change on the reporting period After the change

Before the change Influenced amounts ns in the balance sheet: ounts receivable ther receivables 25,233,658.7 -21,886,670.2 3,346,988.49 124,102,202.41 erred income tax asse ns in the income statemen 23,261,521.0 22,264,148.69 sset impairment loss 2.355,745. \_313,956.7 82 356 283 8 82.042.327.08 me tax expense Net profit 282,455,634.03 -24,994,556.49 257,461,077.54

(III) In the reporting period, there were no significant accounting errors in the Company 6.2 Contents, corrected amounts, reasons and influence of material ac-

counting errors

 $\square$ Applicable  $\vee$ Inapplicable 6.3 Specific explanation about changes of the consolidation scope as

compared with the previous annual report √Applicable □Inapplicable

During the reporting period, the Company incorporated a new whollyowned subsidiary—PRD Yangzhou Real Estate Development Co., Ltd. in Yangzhou, Jiangsu Province to develop the land parcel No. 676 in Weiyang District, Yangzhou. On 9 May 2011, the business license No. 321000000081100 was obtained from Jiangsu Yangzhou Administrative Bureau for Industry and Commerce, The registered capital of RMB 50

million was all contributed by the Company in monetary funds. 6.4 Explanation from the Board of Directors and the Supervisory Committee on any "non-standard auditor's report" issued by the Certified Public Accountants

√Inapplicable □Applicable