1999 ANNUAL REPORT

SHENZHEN CHIWAN WHARF HOLDINGS LIMITED

Important Note

The Board of Directors guarantees that there exist no omission, misstatement, or misleading information in this annual report. The Board of Directors is responsible, individually and jointly, for the authenticity, accuracy and integrity of the information herein.

The Annual Report is written in both English and Chinese.

In case of conflict between the two versions, Chinese version prevails.

PART I COMPANY PROFILE

A.	Company's Name in Chinese	深圳赤湾港航股份有限公司
	Company's Name in English	Shenzhen Chiwan Wharf Holdings Limited (CWH)
B.	Legal Representative	Dr. Fu Yuning, Chairman
C.	Company Secretary	Mr. Yuan Yuhui
	Authorized Representative	Ms. Lydia Chiu
	Address	12/F., Chiwan Petroleum Building Port of Chiwan, Shenzhen, PRC
	Tel	+86 755 6694228, 6694620, 6817332
	Fax	+86 755 6694297
	E-mail	szchiwan@public.szptt.net.cn
D.	Place of Registration	Port of Chiwan, Shenzhen, PRC
	Offices	11-12/F, Chiwan Petroleum Building, Chiwan, Shenzhen, PRC
	Postal Code	518068
	E-mail	szchiwan@public.szptt.net.cn
E.	Newspaper for information release	"Securities Daily" and "South China Morning Post"
	Website for Annual Report	http:\\www.cninfo.com.cn
	Annual Report Preparation	Secretariat of the Board of Directors
F.	Stock Exchange	Shenzhen Stock Exchange
	Stock Short Name	Shen Chiwan A/Shen Chiwan B
	Stock Code	0022/2022

PART II   FINANCIAL AND BUSINESS HIGHLIGHTS

A. Profit for 1999 (RMB)

Group profit	104,043,525
Net profit	72,446,700
Gross profit	168,221,151
Operating profit	120,561,451
Share of result of associates	-1,074,904
Net cash from operating activities	121,892,708
Increase/(decrease) in cash and cash equivalents	-38,134,864

* Net profit for 1999 of Shenzhen Chiwan Wharf Holdings Limited ("the Company calculated under both Chinese and International Accounting Standards to be RMB72,446,700. No discrepancy exists between the results of the two calculations.

B. Financial Indicators

	1999 (RMB)	1998 (RMB)	1997 (RMB)
Sales	431,566,147	334,769,356	366,874,816
Net profit	72,446,700	55,411,195	93,340,126
Total assets	1,746,261,896	1,682,580,600	1,560,673,251
Shareholders' equity (Minority interests excluded)	1,048,621,110	1,020,433,169	998,916,207
Earnings per share	0.190	0.145	0.245
Weighted average monthly earnings per share	0.190	0.145	0.245
Net assets per share	2.749	2.675	2.618
Net cash per share from operating activities	0.319	0.318	
Return on net assets	6.91%	5.43%	9.34%

* Formula used for the calculations of the above financial indicators:

a) Earnings per share = net profit / number of ordinary shares at year end

b) Net assets per share = shareholders equity at year end / number of ordinary shares at year end

c) Net cash per share from operating activities = net cash from operating activities/ number of ordinary shares at year end

d) Return on net assets = net profit / shareholders equity at year-end x 100%

C. Change of Shareholders' Equity in 1999

1. Change of shareholders' equity

Item	Shares capital	Share premium & capital reserve	Surplus reserves	Social welfare fund	Retained profit	Shareholders' equity
Amount at year beginning	381517000	406340474	199725201	34753090	812177	1020433169
Increase	0	0	25356345	3622335	72446700	101425380
Decrease	0	0	0	0	73234652	73237439
Amount at year end	381517000	406340474	225081546	38375425	24225	1048621110

2. Shareholders' equity was increased due to the drawing of surplus reserve and social welfare fund in 1999.

PART III CHANGES IN SHAREHOLDING STRUCTURE AND SHAREHOLDERS

A. Changes in Shareholding Structure

1. Change in the stock of shares of the Company

	Before the change	Change in amount of shares (+,-)						After the change
		rights	bonus shares	reserves to stocks	new issue	others	subtotal	
1. **Untradable shares**								
a. Promoter's shares	224,470,000							224,470,000
among which								
shares held by the State								
shares held by domestic legal entity	224,470,000							224,470,000
shares held by overseas legal entity								
others								
b. Shares raised from legal entity								
c. Employees' shares	201,900							201,900
d. Preference shares and others								
Subtotal	224,671,900							224,671,900
2. Tradable shares								
a. A shares	50,398,100							50,398,100
b. B shares	106,447,000							106,447,000
c. Overseas listed shares								
d. others								
Subtotal	156,845,100							156,845,100
3. Total shares	381,517,000							381,517,000

2. Issuance and listing of shares

a) The company was approved to issue 310,470,000 ordinary shares at a par value of RMB1.00 per share in February 1993, with 224,470,000 being the promoter's shares; 46,000,000 shares (the "A shares) being issued to PRC investors (of which 6,000,000 shares were allotted to the employees of the Company), and 40,000,000 shares (the "B shares) being issued to overseas investors. The A shares were issued at RMB3.10 per share and the B shares at RMB3.18 per share, which were payable at HKD2.83 per share. On 5 May 1993, the Company's A and B shares were listed and traded on the Shenzhen Stock Exchange.

b) On June 1994, bonus shares were issued in a proportion of "one bonus share for every ten shares". As a result, the total volume of the Company's shares rose to 341,517,000. On 16 June and 21 June 1994, respectively, 4,600,000 bonus A

Shares at an issuing price of RMB3.10 per share in February 1993. The shares were put in trust with the Shenzhen Securities Registration Co. Ltd. in March 1993. After bonus shares were issued in June 1994, Employees' Shares rose to 6,600,000, among which 600,000 bonus shares were allowed to be traded on 16 June 1994. On 1st August 1994, the Company's Employees' Shares totaling 6,000,000 were allowed to become tradable. Shares held by Directors, Supervisory Committee Members and senior management personnel remained untradable according to relevant rules. Employees' Shares has remained to be 201,900 shares in 1999 without any change.

B. Shareholders

1. Within the reporting year, 55,574 shareholders of the Company were recorded, with one shareholder being domestic legal entity, 48,729 being shareholders of A Shares and 6,844 being shareholders of B Shares.

2. Top ten shareholders

Series Number	Code	Name	Amount of Shares	Percen-tage
1	00038657	CND	224,470,000	58.84%
2	00218620	THE SCM CHINA GROWTH FUND LDC	5,872,400	1.54%
3	00204641	BERMUDA TRUST (FAR EAST) LTD-VALUE PARTNERS	4,975,499	1.26%
4	00003399	BIAL/HSBC GLOBAL INVESTMENT FUNDS CHINESE EQUITY	2,999,930	0.79%
5	00222756	IBT BOSTON A/C WILLIAM BLAIR INT'L SHARE FUND	2,184,914	0.57%
6	00301608	BTFE-BOBL/MANULIFE GLOBAL FUND-CHINA VALUE	2,062,334	0.54%

7	00205354	BTFE/SCHRODERS ASIA CHINA/HK ENTERPRISE FUND	1,899,960	0.50%
8	00202837	HILLWICK DEVELOPMENT LTD	1,729,200	0.45%
9	00210548	SHELL PENSIONS TST/SHELL CONTRIBUTORY PENSION FUND	1,466,900	0.38%
10	00203668	APPASSIONATO INVESTMENTS N.V.	1,273,702	0.33%
Total			**248,754,839**	**65.20%**

* a) The above-mentioned amount of shares are the figures recorded at the end of 1999.

b) Except for CND, the other nine shareholders among the top ten are all overseas investors.

c) CND is the only shareholder holding more than 5% of the Company's shares. Shares held by CND was not changed within the reporting year. CND did not pledge or freeze its shares in 1999.

3. Shareholder of the nature of a legal entity, which holds more than 10% of the Company's shares:

   Company name: China Nanshan Development (Group) Incorporation (CND)
   Legal representative: Dr. Fu Yuning
   Business Scope: Land development, port services and transportation, as well as related bonded warehousing, industry, commerce, property and tourism.

4. Within the reporting year, the controlling shareholder of the Company was not changed.

PART IV ANNUAL GENERAL MEETING

The Company disclosed the Notice of the Annual General Meeting for 1999 in the specified newspapers on 17 April 1999. On 21 May 1999, the meeting was held as scheduled at the Conference Room on 10/F, Chiwan Petroleum Building, Shenzhen. Twenty-seven participants, including shareholders (or shareholders proxies), Directors, Supervisory Committee members and senior management staff, represented 236,638,700 shares, or 62.03% of the total 381,517,000 shares, with 224,676,900 being A shares and 11,961,800 B shares, which conformed to relevant rules and the Company's Articles of Association. The meeting was presided by Dr. Fu Yuning, Chairman of the Board of Directors. Following proposals were reviewed and passed by voting at the meeting.

1. To approve the working report for 1998 of the Board of Directors;

2. To approve the working report for 1998 of the Supervisory Committee;

3. To approve the financial statements for 1998;

4. To approve the profit distribution plan for the year of 1998. After 10% of the net profit for 1998 totaled RMB55,411,195 being drawn for Statutory Surplus Reserve, 5% for Social Welfare Fund, 25% for Discretionary Surplus Reserve, profit distributable to shareholders for 1998 amounted to RM34,004,156 together with the retained profit for 1997 of RMB757,439. A cash dividend of RMB0.087 per share (pre-tax), or a total dividend of RMB33,191,979 was approved to be distributed with the balance of RMB812,177 being retained for the next year. No reserves was transferred to stocks in 1999;

5. To approve the re-appointment of Zhong-Hua (Shekou) Certified Public Accountants and Price Waterhouse Coopers as the Company's accounting firms for the year 1999;

6. To approve by special resolution the amendment of Article 93 in the Company Articles of Associations from the Board shall consist of seven Directors the Board shall consist of nine Directors

7. To elect the Company's Third Board of Directors with Dr. Fu Yuning, Ms. Wang Fen, Mr. Fan Zhaoping, Mr. Han Guimao, Mr. Yuan Yuhui, Dr. Liu Zhangjun, Mr. Zhou Jian and Mr. Zheng Shaoping being Directors; and

8. To elect the Company's Third Supervisory Committee with Mr. Li Heihu and Ms. Mary-Jean Wong being the members (Mr. Zhang Ning had been elected as the employees' representative in the Third Supervisory Committee by the employees.)

No special shareholders   meeting was held in 1999.

PART V REPORT BY THE BOARD OF DIRECTORS

A. Performance in 1999

1. The Company's market position

The Company engaged mainly in the handling, warehousing and transportation of containers as well as bulk and general cargoes at the terminals of Chiwan Port in Shenzhen, and also in other related services. A record throughput of 7,930,000 tons was achieved at Chiwan Port in 1999, 42% up over 1998, which accounted for almost a 17% market share in Shenzhen area. For container terminal business, a throughput of 481,500TEU was accomplished, 76% up over 1998 and representing for a share of 16% on the container terminal market in Shenzhen. Prospect of the business is regarded as bullish. The Company realized a bulk and general cargo throughput of 4,790,000 tons in 1999, taking almost the same one-third of the market share among the three major terminals for bulk and general cargo handling in the western part of Shenzhen as it did in 1998.

2. Core business

Core business of the Company is consisted of three parts: a) container handling and warehousing; b) handling and warehousing of bulk and general cargo; c) port-related container trucking and tugboat service at the port. Business performance of the Company for the past three years is set out as follows.

Business Data	1999	1998	1997
Total throughput (ton)	7,930,000	5,960,000	6,260,000
Throughput of bulk and general cargo (ton)	4,790,000	3,630,000	4,650,000
Container throughput (TEU)	481,500	273,200	210,200
Trucking (million ton•m)	63.98	62.03	63.43
Hours charged for tugboat	8,100	9,500	10,600

a) business of container terminals

With more attention being paid to the marketing and service, container terminal business of the Company grew rapidly in 1999. Five additional international shipping lines calling Kaifeng Terminal were put into service and container throughput increased by almost 80% compared with the figure for 1998. Container terminal business has contributed greater profit to the Company. With the development of container transportation around the world, such an advanced transport pattern will definitely attract more cargoes to be carried this way. When China enters WTO, domestic industry structure will be adjusted accordingly. More cargoes for export from the processing zone of the Pearl River Delta and more cargoes for domestic trade will be transported in containers, which endue the Company with greater space for the development of its container terminal business.

b) business of bulk and general cargo terminal

Business of the Company's bulk and General cargo terminal come back after two years of slackness. The Company achieved a throughput of 4,790,000 tons of bulk and general cargo, more than 30% up over 1998. One-third of the market share was kept. Throughput of fertilizer, grains, steel and timber increased greatly compared with that of 1998. Throughput of grains even reached 1.72m tons, 101% up over 1998. Fertilizer and grains will remain to be the major cargoes handled at Chiwan Port.

c) business of land and marine transportation

Regular profit from the land transportation business was realized in 1999. For the container trucking business, cooperation contracts with another two shipping companies were signed in 1999 besides the contracts already signed with two international liners. Transportation business for ready-mixed concrete grew steadily. Port-trucking service was provided at the two major container terminals in Shenzhen, which would win reputation for "Chiwan" and at the same time achieve profit. Marine transportation business of the Company aims mainly at the market at Chiwan Port, meanwhile, efforts have been made to explore on the outside market and to improve the container barge transportation plying between Hong Kong and Shenzhen.

3. Results of wholly-owned subsidiaries and joint ventures

a) Shenzhen Kaifeng Terminal Co., Ltd. (KFT)

Focusing on berthing international container lines, KFT achieved a satisfactory profit with a throughput of 350,000TEU, 72% up over 1998. KFT purchased one quay crane, 3 RTG, and one reach-stacker in 1999 and will invest HKD20m in the upgrading of computer management system as well as the close-circuit television supervising system. With the operation of Berth 11, the improvement of the handling facility and the upgrading of the computer network system, international container liners will feel more convinced in calling KFT. It is expected that throughput, operating revenues and profit of KFT will rise up greatly in 2000.

b) Shenzhen Chiwan Harbour Container Co.

The company kept on cooperate with shipping companies in 1999 to provide container handling service for offshore trade and coastal domestic trade. A throughput of 130,000TEU was achieved in 1999, 88% up over 1998. It's planned to purchase one more gantry crane of 40 tons, one fork lift and one reach-stacker to elevate the handling capacity so as to meet up with the demands from business development.

c) Harbor Division

Harbor Division of the Company is engaged mainly in the handling of bulk and general cargo. Though the competition on the bulk and general cargo handling market remained fierce in 1999, Harbor Division realized a higher throughput in 1999 than in 1998 with its active marketing, reasonable tariff and good service. With the warming up of macro-economic environment, the Company will invest more in the handling facilities for major cargoes, and at the same time enforce the cost-control so as to better the economic results.

d) Shenzhen Chiwan Transportation Co.

Taking Chiwan port as its base, the Company has extended its container trucking service to Yantian Terminal, Huangpu Port and some specified manufacturers at Longhua Town of Shenzhen. It will further take on the port-trucking service at Kaifeng Terminal and Yantian Terminal. In holding the idea of "Service First", the company accomplished 17% more revenue from transportation business in 1999 than in 1998 in spite of the tough competition at the land transportation market.

e) Shenzhen Chiwan Shipping & Transportation Co.

With its core business being tugboat service at the port and barge service to and fro between Hong Kong and Shenzhen, the company achieved higher operating revenues and profit in 1999 than in 1998.

f) Chiwan International Freight Agency Ltd.

The company is engaged mainly in the freight agency and customs declaring services. In keeping on acting as the freight agent for CMA, NORASIA and other world-famous international liners, the company actively sought in 1999 new customers, such as consignors and liners, for the Company's container terminals. It also made efforts to explore the agency market for containers in domestic trade in accordance with the market development so as to provide excellent related services for the Company's core business.

B. Financial Status

Unit RMB

	1999	1998	+/-	Reason
Total assets	1,746,261,896	1,682,580,600	3.78%	Increase of fixed assets
Non-current liabilities	99,678,135	124,907,523	-20.20%	Long-term bank loans repayable in one year be transferred to current liabilities

Shareholders' equity	1,048,621,110	1,020,433,169	2.76%	Net profit realized in 1999
Operating profit	120,561,451	78,912,216	52.78%	Increase of revenue from container terminal business
Net profit	72,446,700	55,411,195	30.74%	Increase of operating profit

C. Investments

1. Utilization of proceeds

No funds were raised in 1999. The last proceeds had been used up by the end of 1996.

2. Other investments

a) investments in fixed assets

During the reporting year, RMB146.23m was invested in fixed assets, among which RMB26.59m in the infrastructure facilities such as Haiyun Building, and RMB119.64m in the handling and transportation equipment at the port. Such investments upgraded the handling and warehousing capacity at the container terminals and the stacking capacity at the bulk and general cargo terminal, thus enhanced the operation efficiency of the Company.

b) project investments

The Company entered into an agreement with China Nanshan Development (Group) Inc. (CND) to build a 12-storey with a construction area of 12,983 square meters to provide office-rental service for the port authority, shipping companies, shippers and freight agencies. Under the agreement, the cost of construction totaling RM60m is shared equally by the Company and CND. The actual cost incurred by the Company for 1999 is RMB29.92m. Haiyun Building will be put into service in May of 2000.

D. Business Plan for 2000

Commercial opportunity and competition will co-exist for the port operators in Southern China when China enters WTO. Thus, the Company will further invest in container terminals and at the same time improve service so as to enhance the comprehensive competitiveness. The Company will develop the business in a steady way as usual to ensure a stable long-term benefit for the Company's shareholders, customers and employees. The Company's business objective and development plan for 2000 are set out as follows.

1. Business of container terminals

- The Company will manage to attract two or three more international container lines calling Chiwan container terminals so that the Company's container throughput could be increased by 40% in 2000. Meanwhile, the Company will make more efforts on the marketing in container business for domestic trade so as to achieve a breakthrough on the throughput of containers in domestic trade.
- Berth 11 will be put into service in 2000. The three newly-procured quay cranes will be delivered in April and at the end of 2000, respectively. Four RTG will be delivered in July. Such equipment could guarantee the operation efficiency with the development of business.
- Berth 8 of multi-purpose will be reconstructed into container berth in 2000, and the new stacking yards at the jetty will be built. Related one quay crane and 3 RTG will be delivered in mid-2000, which will improve the handling capacity for containers in domestic trade.
- Upgrading of the computer network system at the two container terminals as well as the setup of close-circuit television supervising system will be completed in 2000 so as to improve the operation efficiency and service quality.
- The Company will further develop the freight agency business and set up the transportation network for containers in domestic trade.
- Haiyun Building will be put into service in May 2000, when business demands from various customers could be met.

2. Business of bulk and general cargo terminal

- The Company will on one hand pay more attention to the marketing and new business exploring and on the other hand secure the market share for its current business.
- Phase II of the bulk-grains silo will be commenced and be delivered to use at the end of 2000.
- Service quality will be improved, and computer network system will be upgraded soon so that the operation efficiency as well as the service quality could be heightened.

3. Business of land and marine transportation

- Self-management will be emphasized in 2000. Being market-driven, the Company will innovate in the transportation business with logistic ideology in mind and manage to be the transport agent for one or two enterprises of large scale.

s accounting firms for the year 1999;

f) To review and approve the amendment of the Company s Articles of Associations;

The above proposals were subject to the approval of the Annual General Meeting for 1999.

g) To approve the re-appointment of Mr. He Fei and Mr. Zhou Weiping of Haiwen & Partners in Beijing as the Company s solicitors for the year 1999;

h) To approve the change of the Board of Directors and to nominate Dr. Fu Yuning, Ms. Wang Fen, Mr. Fan Zhaoping, Mr. Han Guimao, Mr. Yuan Yuhui, Dr. Liu Zhangjun, Mr. Zhou Jian and Mr. Zheng Shaoping as the candidates for the Third Board of Directors for the Annual General Meeting of 1999 to elect;

i) To set the date, venue and subjects for the Annual General Meeting of 1999;

The Third Board of Directors was elected at the Annual General Meeting held on May 21, 1999. The first meeting of the Third Board of Directors was held on the afternoon of 21 May 1999, on which following resolutions were passed through discussion.

Appointed as the Assistant General Manager of Chiwan Petroleum Supply Base Co. Ltd. in 1988, and then General Manager and Managing Director. President of CND since 1991 and then Chairman. Now, Vice President of China Merchants Holdings Co., Ltd. Elected as the Executive Director of the Company in March 1993 and Elected as the Chairman of the Company in April 1995 with the present term starting from May 1999 and ending in May 2002. Holding 43,000 shares of the Company without any change in 1999.

Vice Chairman, Ms. Wang Fen, 45 years of age, Master's Degree. Having taken part in the development of Chiwan Port ever since 1982. Previously, Director of General Manager Office and Manager of Business Department of CND, and General Manager of Shenzhen Chiwan Godown Co., Ltd. Appointed as the Vice President of CND in 1994 and then Senior Vice President participating and taking charge of the development and management of CND's investment. Now, Executive Vice President of CND. Elected Director of the Company in March 1993, Vice Chairman of the Company in December 1998, and concurrently Chairman and Executive Director of some subsidiaries of the Company. The present term started from May 1999 and ends in May 2002. Holding 34,100 shares of the Company without any change in 1999.

Director, Mr. Fan Zhaoping, 46 years of age. Got Bachelor Degree in Economics from the State's Finance University, Master's Degree in Economics from the Research Institute of Finance Ministry of China and then worked as assistant researcher there. As an experienced finance manager, Mr. Fan took the position of Financial Manager at Chiwan Petroleum Supply Base Co., Ltd. in 1988, and Manager of the Finance Department of CND in 1991, then Manager of the Investment Department and Vice President of CND. Now Senior Vice President of CND. Appointed as the Company's Chief Financial Officer in March 1993 and resigned at the post in September 1999. Elected Director of the Company in April 1995, and concurrently Chairman and Director of some subsidiaries of the Company. The present term started from May 1999 and ends in May 2002. Holding 28,600 shares of the Company without any change in 1999.

Director, Mr. Han Guimao, 50 years of age. Got Bachelor Degree from Construction Department of Tsing Hua University. Mr. Han has been working in the field of construction and engineering for 24 years. Engaged in the planning and management of big construction projects, Mr. Han took a job in the First Designing Institute of the Railway Ministry in 1976, and was working from 1983 to 1992 as Deputy General Manager in the Shenzhen Branch of the Second Construction and Engineering Bureau of the Railway Ministry (which ranks among the top ten construction and engineering bureaus in China), then took the position of Executive Deputy General Manager in Shenzhen Nanshan Centre-Zone Development Co. Appointed as the Vice President of CND in 1994 in charge of general planning, construction and engineering of CND. Elected Director of the Company in May 1998 with the present term starting from May 1999 and ending in May 2002. Holding nil shares of the Company.

Director, Mr. Yuan Yuhui, 50 years of age, university graduate. Previously, Translator and Assistant Director of Textile Science Research Institute of Hebei Province. Worked in the Business Department of CND in 1989, and then Director of General Manager Office. Now Vice President of CND in charge of the administration, law affairs, research and development issues of CND. Appointed as the Company Secretary in March 1993 and elected Director in April 1995 with the present term starting from May 1999 and ending in May 2002. Holding nil shares of the Company.

Director, Mr. Liu Zhangjun, 46 years of age. Got Bachelor Degree in Mechanics from Tongji University and Ph.D Degree in Mechanics from Cambridge University of the United Kingdom. Previously, Head of the Intelligence Import Office in Shenzhen

Municipal Personnel Bureau, and Manager of the Human Resources Department of CND since 1994. Now Deputy General Manager of the Company in charge of the operation and management of the Company's bulk and general cargo terminal. Elected Director in April 1995, and concurrently Chairman and Director of some subsidiaries of the Company. The present term started from May 1999 and ends in May 2002. Holding nil shares of the Company.

Director, Mr. Zhou Jian, 51 years of age. Got Bachelor Degree from both Wuhan University of Water Transportation Engineering and KASSEL University of West Germany. Previously, Deputy General Manager of Shenzhen Kaifeng Terminal Co., Ltd. (KFT). Now Executive Deputy General Manager of KFT. Appointed as the Deputy General Manger of the Company in January 1997. Elected as Director of the Company in May 1999 with the present term ending in May 2002. Holding nil shares of the Company.

Director, Mr. Zheng Shaoping, 37 years of age. Got Bachelor Degree in Shipping and Master's Degree in Marine Trade Law from Dalian Shipping University. Previously, Manager of Business Section and then Deputy General Manager of Chiwan Harbour Container Co. Now General Manger of that company. Appointed as the Deputy General Manager of the Company in December 1998. Elected as the Company's Director in May 1999 with the present term ending in May 2002. Holding nil shares of the Company.

Supervisory Committee Member, Mr. Li Heihu, 54 years of age, university graduate. Previously, Director of Economy Research Institute of Social Science Academy of Gansu Province, Deputy Chief of the Law Commission of the People's Congress of Gausu Province. Assistant General Manager and concurrently Manager of Research Department of Shenzhen Investment Holding Corporation (SIHC) since 1993. Appointed as the Vice Director of the State Assets Administration Office of Shenzhen and Deputy General Manager of SIHC in June 1994. Director of the State Assets Administration Office of Shenzhen since 1996. Now Chairman of SIHC since August 1998 and Vice Chairman of CND since December 1998. Elected as the Chairman of the Company's Third Supervisory Committee in May 1999 with the present term ending in May 2002. Holding nil shares of the Company.

Supervisory Committee Member, Ms. Mary-Jean Wong, 42 years of age, university graduate. Now Director of Lucliff (Canada) Company and of Max Return Consultancy (HK) Company, Executive Director of HK Clifford Wong Investment Company Ltd., and Director of CND. Elected as member of the Company's Supervisory Committee in May 1996 with the present term starting from May 1999 and ending in May 2002. Holding nil shares of the Company.

Supervisory Committee Member, Mr. Zhang Ning, 40 years of age, Master's Degree. Previously, Deputy Manager, and then Manager of the Operation Department of KFT. Now Assistant General Manager of KFT. Elected as the employees' representative in the Supervisory Committee in May 1999 with the present term ending in May 2002. Holding nil shares of the Company.

Deputy General Manager, Mr. Lu Baodi, 54 years of age. Previously, cargo controller and Deputy General Manager of Shenzhen Chiwan Harbour Company. Appointed as the Deputy General Manager of the Company in March 1993 with the present term commencing in May 1999 and ending in May 2002. Holding nil shares of the Company.

Deputy General Manager, Ms. Chen Yonglian, 57 years of age, university graduate. Previously, Deputy General Manager of Shell Trading (Chiwan) Joint Venture Co., Ltd., and Deputy General Manager of Shenzhen Chiwan Harbour Company. Appointed as the Deputy General Manager of the Company in March 1993 with the present term commencing in May 1999 and ending in May 2002. Holding 28,000 shares of the Company without any change in 1999.

Chief Financial Officer, Mr. Zhang Jianguo, 36 years of age, university graduate. Previously, Financial Manager of Shenzhen Chiwan Petroleum Supply Base Co., Ltd. Appointed as the Financial Manager of the Company in October 1997 and Chief Financial Officer of the Company in September 1999 with the present term ending in May 2002. Holding nil shares of the Company.

* The above-listed persons did not get any emolument, social benefits, or any other preferential treatment from the Company as its Directors and Supervisory Committee Members. Dr. Liu Zhangjun, Mr. Lu Baodi, Ms. Chen Yonglian and Mr. Zhang Jianguo get salary from the Company according to their position as the Deputy General Manager or Chief Financial Officer. Total amount of the annual salary for the above four persons is RMB550,000, with each getting an annual salary of about RMB120,000 to RMB140,000.

Mr. Tian Rugeng resigned as Director when his term of office expired. Mr. Xia Deming and Ms. Hou Jianling resigned as Supervisory Committee Member when their terms expired.

Within the reporting period, Mr. Fan Zhaoping was appointed as the Chief Financial Officer by the Third Board of Directors (Mr. Zhang Jianguo took his place later), Mr. Yuan Yuhui as the Company Secretary, Ms. Lydia Chiu as the Authorized Representative. Dr. Liu Zhangjun, Mr. Lu Baodi, Ms. Chen Yong Lian, Mr. Zhou Jian and Mr. Zheng Shaoping were appointed as the Company s Deputy General Manager.

s proposal, retained profit of RMB812,177 at the beginning of 1999 being taken in, the profit to be distributed for 1999 is set as RMB73,258,877 after 10% for the Statutory Surplus Reserve, 5% for the Social Welfare Fund, and 25% for the Discretionary Surplus Reserve being drawn. Cash dividends of RMB0.116 per share (pre-tax) totaling RMB44,255,972 will be paid to shareholders, with the balance of RMB24,225 being retained for the next year. The Company has no plan to convert its reserves into equity for 1999.

The distribution plan is subject to shareholders approval at the 2000 Annual General Meeting.

Committee and to resolve to have the Chairman of the Committee present the report for approval at the 1999 Annual General Meeting, which was to be held later;

- discuss the proposal from the Company's controlling shareholder CND on the members of the Third Supervisory Committee and agreed to nominate Mr. Li Heihu and Ms. Mary-Jean Wong as the candidates for the 1999 Annual General Meeting to elect. Employees' representative in the Supervisory Committee was elected by employees.

The Third Supervisory Committee was elected at the Annual General Meeting on 21 May 1999. The first meeting of the Third Supervisory Committee was held on 21 May 1999 to elect Mr. Li Heihu as the Chairman of the Third Supervisory Committee and authorize the Secretariat of the Company to handle the daily work of the Committee.

The second meeting of the Third Supervisory Committee was held on 18 August 1999 to review and approve the Company s Interim Report for 1999.

The Committee expressed its independent opinions on the following issues:

- By supervising the Company's production and operation, as well as the decision-making and management, the Committee confirmed that during the year 1999 the Company had not, in the above activities, demonstrated any behavior which might have violated the laws and regulations of the country, and that the Company had set up perfect intra-control system. By supervising the behaviors of the Company Directors and senior management personnel as they were exercising their authorities, the Committee confirmed that, during the year 1999, the Company Directors and senior management personnel had not, in their daily business and management activities, demonstrated any behavior which might have violated the laws, regulations, the Company's Articles of Association, or the resolutions passed at the Shareholders Meetings. They had neither abused their authorities, nor infringed upon the interests of the shareholders, the Company or its employees.

- With no reserved opinions contained therein, the Auditor's Statement for 1999 presented by the Company's domestic and overseas accounting firms truly reflected the Company's financial status and business performance.

- No funds were raised during the reporting year. The last proceeds (by issuing 40,000,000 B Shares in December 1995) had been used up by the end of 1996. Actual usage and amount of the proceeds were in conformity with the original plan.

- Related party transactions in 1999 were conducted fairly in conformity with market prices, (see notes to the Financial Statements) and have not impaired the interests of the Company.

PART VII SIGNIFICANT EVENTS

A. Law Suits and Arbitration Cases

The case disclosed in the Company's Annual Report for 1997, in the 1998 Interim Report, as well as in the 1998 Annual Report and in the 1999 Interim Report that Cheerglory Traders Ltd. accused the carriers and their agents as well as the guarantor of "delivering goods without seeing the original copy of the B/L" was judged by the Shenzhen Division of Guangzhou Maritime Court on 12 December 1998 as Defendants (the Company included) winning the case in the first trial. The plaintiff appealed against the verdict to the High Court of Guangdong Province on 11 January 1999. The High Court of Guangdong Province sentenced the final verdict on 9 September 1999 as "rejecting the appeal and maintaining the original verdict".

B. During the reporting year, the Company and its Directors or Senior Management Staff were not punished by the supervising authority.

C. During the reporting year, controlling shareholder, General Manager, and the Company Secretary of the Company were not changed. A new Board of Directors was elected at the 1999 Annual General Meeting (see "Part IV Annual General Meeting" for details).

D. The Company did not conduct any significant acquisition or sale of assets, or any merger and consolidation.

E. Related Party Transactions

1. Land-use fees

The Company and its subsidiaries rented several plots of land and some offices from the controlling shareholder, CND, and Shenzhen Chiwan Petroleum Supply Base Co., Ltd. for the total rental of RMB10,518,261.31. Such rental was settled according to the generally-accepted market price.

2. Guarantee

The Company guaranteed for the controlling shareholder, CND, for the loans of RMB100m and USD5m, while CND guaranteed for the Company for a loan of RMB145m.

F. The Company has basically separated its staff from its controlling shareholder. Chairman, Dr. Fu Yuning was promoted in 1999 to be the Chairman of CND due to working needs. Senior management personnel of the Company did not take positions at its ultimate shareholding company. No financial clerks took corresponding jobs at the associated companies. The Company's work in human resources and salary management is absolutely independent.

The Company possesses its own self-governed assets and independent operation system. Assets of the controlling shareholder in the Company (fixed assets such as land-use rights, property and large equipment, etc. being included) was converted through assets evaluation into stock of shares, which the Company has full rights to hold, use and dispose whatsoever. Controlling shareholder has handed its wharf-related business thoroughly to the Company to operate and does not engage in the same market as the Company thus has no competition with the Company.

The Company has set up its own financial department as well as the independent normative accounting system and the financial management system on its subsidiary companies. The Company has its own bank accounts and does not share the same bank account with its controlling shareholder. The Company has been paying tax according to the law on its own behalf.

G. The Company did not hold in trust, contract or lease the assets from other companies in 1999, nor did it put in trust, contract or lease its assets to other companies.

H. The Company appointed Tianqin Certified Public Accountants (former name being Zhong-Hua (Shekou) Certified Public Accountants) and Price Waterhouse Coopers to conduct auditing for the Company in 1999.

I. The Company did not change its name or its stock short name in 1999.

J. Execution of the "Notice on the issue of 'Supplementary Regulation on the accounting handling in the limited stock company'", which was drawn up by the Finance Ministry, brought about no influence on the financial and business results of the Company.

PART VIII FINANCIAL STATEMENTS

REPORT OF THE INTERNATIONAL AUDITORS TO THE MEMBERS OF SHENZHEN CHIWAN WHARF HOLDINGS LIMITED

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

We have audited the accompanying consolidated balance sheet of Shenzhen Chiwan Wharf Holdings Limited (the "Company") and its subsidiaries (the "Group") as of 31st December 1999 and the related consolidated income and cash flow statements for the year then ended. These consolidated financial statements set out on pages 2 to 29 are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31st December 1999, and of the profits of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong,

SHENZHEN CHIWAN WHARF HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1999

	Note	1999 RMB	1998 RMB
Sales	3	431,566,147	334,769,356
Cost of sales		(263,344,996)	(213,556,648)
Gross profit		168,221,151	121,212,708
Administrative expenses		(53,668,855)	(46,286,629)
Other operating income, net		6,009,155	3,986,137
Operating profit	4	120,561,451	78,912,216
Finance costs, net	6	(12,486,349)	(10,453,447)
Share of result of associates		(1,074,904)	74,315
Profit before tax		107,000,198	68,533,084
Tax	7	(2,956,673)	(3,767,082)
Group profit		104,043,525	64,766,002
Minority interests		(31,596,825)	(9,354,807)
Net profit		72,446,700	55,411,195
Earnings per share	8	0.190	0.145

The notes on pages 6 to 29 form an integral part of these consolidated financial statements.

SHENZHEN CHIWAN WHARF HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 1999

	Note	1999		1998	
		RMB	RMB	RMB	RMB
ASSETS					
Non-current assets					
Property, plant and equipment	10	1,368,325,946		1,324,741,263	
Construction-in-progress	11	51,324,777		42,210,607	
Intangible assets	12	7,561,507		8,980,468	
Investments in associates	13	18,680,738		19,761,548	
Other investments	14	4,664,000		4,667,300	
			1,450,556,968		1,400,361,186
Current assets					
Inventories	15	12,020,326		14,640,860	
Trade receivables		102,503,271		72,877,430	
Other receivables and prepayments		62,287,653		37,669,795	
Cash and cash equivalents	16	118,893,678		157,031,329	
			295,704,928		282,219,414
Total assets			1,746,261,896		1,682,580,600
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	22	381,517,000		381,517,000	
Reserves	24	667,104,110		638,916,169	
			1,048,621,110		1,020,433,169
Minority interests	23		303,491,390		293,353,356
Non-current liabilities					
Long-term bank borrowings	17	99,355,920		124,194,900	
Prepaid rental		322,215		712,623	
			99,678,135		124,907,523
Current liabilities					
Trade payables		29,676,528		35,993,612	
Other payables and accrued expenses		34,268,442		26,796,471	
Amount due to holding company	27(b)	239,609		6,800,195	
Short-term bank borrowings	17	182,838,980		139,840,000	
Taxation	7	3,191,730		1,264,295	
Proposed dividend		44,255,972		33,191,979	
			294,471,261		243,886,552
Total equity and liabilities			1,746,261,896		1,682,580,600

The notes on pages 6 to 29 form an integral part of these consolidated financial statements.

SHENZHEN CHIWAN WHARF HOLDINGS LIMITED

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

	Share capital (note 22) RMB	Reserves (note 24) RMB	Retained earnings (note 24) RMB	Total RMB
Balance at 1st January 1998	381,517,000	616,641,767	757,440	998,916,207
Profit for the year	-	-	55,411,195	55,411,195
Transfer from retained profits to reserves	-	22,164,479	(22,164,479)	-
Consolidation reserves on acquisition of subsidiaries	-	316,428	-	316,428
Dividend proposed for the year	-	-	(33,191,979)	(33,191,979)
Currency translation differences	-	(1,018,682)	-	(1,018,682)
Balance at 31st December 1998	381,517,000	638,103,992	812,177	1,020,433,169
Balance at 1st January 1999	381,517,000	638,103,992	812,177	1,020,433,169
Profit for the year	-	-	72,446,700	72,446,700
Transfer from retained profits to reserves	-	28,978,680	(28,978,680)	-
Dividend proposed for the year	-	-	(44,255,972)	(44,255,972)
Currency translation differences	-	(2,787)	-	(2,787)
Balance at 31st December 1999	381,517,000	667,079,885	24,225	1,048,621,110

The notes on pages 6 to 29 form an integral part of these consolidated financial statements.

SHENZHEN CHIWAN WHARF HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1999

	Note	1999 RMB	1998 RMB
Operating activities			
Cash generated from operations	25	136,975,851	134,990,466
Interest received		3,370,952	3,736,412
Interest paid		(15,405,947)	(14,138,290)
Income tax paid		(3,048,148)	(3,114,670)
Net cash from operating activities		121,892,708	121,473,918
Investing activities			
Acquisition of a subsidiary, net of cash acquired		-	1,049,792
Acquisition of a subsidiary by conversion from an associate, net of cash disposed		-	(519,793)
Purchase of property, plant and equipment	10	(25,200,860)	(101,380,592)
Payments for construction of properties under development for sale		-	(1,500,707)
Payments for construction-in-progress	11	(98,919,299)	(63,592,285)
Repayment from associates		-	2,172,525
Deemed disposal of a subsidiary	26	(186,990)	-
Disposals of property, plant and equipment		770,347	4,693,761
Disposals of properties under development for sale		-	15,737,178
Net cash used in investing activities		(123,536,802)	(143,340,121)
Financing activities			
Proceeds from short-term borrowings		317,840,000	306,160,000
Payments of short-term borrowings		(299,680,000)	(252,580,000)
(Repayment to)/cash advance from minority shareholders of a subsidiary	23	(10,763,558)	71,425,093
Dividend paid to minority shareholders of a subsidiary	23	(10,695,233)	-
Dividends paid		(33,191,979)	(55,701,482)
Net cash (used in)/from financing activities		(36,490,770)	69,303,611
(Decrease)/increase in cash and cash equivalents		(38,134,864)	47,437,408

Movement in cash and cash equivalents:

	Note	1999 RMB	1998 RMB
Cash and cash equivalents at 1st January		157,031,329	110,609,870
(Decrease)/increase		(38,134,864)	47,437,408
Effect of exchange rate changes		(2,787)	(1,015,949)
Less : pledged bank deposits		(5,010,333)	-
Cash and cash equivalents at 31st December	16	113,883,345	157,031,329

The notes on pages 6 to 29 form an integral part of these consolidated financial statements.

PRC consolidated financial statements of the Company and its subsidiaries comprising the Group have been prepared in accordance with the accounting principles and regulations as applicable in the PRC. Restatements have been made as are appropriate to these PRC consolidated financial statements to conform with IAS. Differences arising from the restatement are not incorporated in the accounting records of the Company and its subsidiaries. The consolidated financial statements are prepared under the historical cost convention.

2 Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Consolidation

(i) The consolidated financial statements comprise the consolidation of financial statements of the Company and its subsidiaries as at 31st December 1999 and of the results for the year then ended.

(ii) Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interests.

A listing of the Group’s principal subsidiaries is set out in note 28.

s reporting currency at average exchange rates for the year and the balance sheets are translated at the year end exchange rates ruling on 31st December. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries and associated undertakings and of borrowings which hedge such investments, are taken to ' translation reserve' in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Such balances are translated at year-end exchange rates.

(d) Financial assets and liabilities

Financial assets and liabilities carried on the consolidated balance sheet include cash and bank balances, trade receivables, other receivables and prepayments, trade payables, other payables and accrued expenses and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group share of net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisition is reported in the consolidated balance sheet as an intangible asset and is amortised using the straight-line method over its estimated useful life of 10 years.

2 Principal accounting policies (continued)

(f) Long-term investments

Investment held for long-term are shown at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated income statement.

(g) Property, plant and equipment

All property, plant and equipment is recorded at cost less depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

Land use rights	Over the lease terms
Buildings	5-40 years
Harbour facilities	50 years
Plant, machinery and equipment	5-15 years
Motor vehicles, cargo ships and tugboats	5-20 years
Furniture and fixtures	5 years

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

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

(h) Construction-in-progress

Construction-in-progress represents fixed assets under construction and is stated at cost. This includes the cost of construction as well as interest charges and exchange differences, if any, arising from borrowings used to finance the construction during the construction period. Depreciation is not provided on construction-in-progress until the related asset is completed and transferred for intended use.

(i) Accounting for operating leases - where a group company is the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2 Principal accounting policies (continued)

(j) Accounting for operating leases - where a group company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognised on a straight-line basis over the lease term.

(k) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(l) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and net of bank overdrafts.

(n) Prepaid rental

Prepaid rental represents income received in advance from third parties for the rental of the Group’ s stacking yard and certain equipment and is amortised on a straight-line basis over the lease terms.

(o) Pension obligations

The Group’ s contributions to a defined contribution pension plan are charged to the consolidated income statement in the year to which they relate.

(p) Taxation

PRC income tax is provided at the rates applicable to foreign investment enterprises in the Shenzhen Special Economic Zone of the PRC, based on the income for financial reporting purposes, adjusted for income and expenses items which are not assessable or not deductible for income tax purposes.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Principal accounting policies (continued)

(q) Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts and after eliminating sales within the Group.

Other revenues earned by the Group are recognised on the following bases:
Interest income - on an accrual basis.
Dividend income - when the shareholder s right to receive payment is established.

3 Segment information

(a) Primary reporting format - business segments

The Group is organised into three main business segments in the PRC:

(i) Harbour related services - provides loading and unloading services, storage services, port management services and habour agency services;
(ii) Transportation services - provides trucking and shipping services; and
(iii) Manufacturing - produces plastic woven bags.

On 30th April 1998 the manufacturing segment ceased operation.

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, construction-in-progress, intangible assets, inventories, receivables and operating cash, and mainly exclude investments. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Segment information (continued)

(a) Primary reporting format - business segments (continued)

Year ended 31st December 1999	Habour related services RMB	Transportation services RMB	Manufacturing RMB	Total RMB
Revenue	365,359,290	66,206,857	-	431,566,147
Segment result	111,851,751	8,709,700	-	120,561,451
Unallocated costs				-
Operating profit				120,561,451
Finance cost				(12,486,349)
Share of results of associates	(1,074,904)			(1,074,904)
Profit before tax				107,000,198
Tax				(2,956,673)
Group profit				104,043,525
Minority interest				(31,596,825)
Net profit				72,446,700
Segment assets	1,617,835,626	105,081,532	-	1,722,917,158
Associates	18,680,738	-	-	18,680,738
Unallocated assets				4,664,000
Consolidated total assets				1,746,261,896
Segment liabilities	(167,989,904)	(8,633,201)	-	(176,623,105)
Unallocated liabilities				(217,526,291)
Consolidated total liabilities				(394,149,396)
Capital expenditure	115,761,476	8,358,683	-	124,120,159
Depreciation and amortisation	59,044,058	9,704,598	-	68,748,656

3 Segment information (continued)

(a) Primary reporting format - business segments (continued)

Year ended 31st December 1998	Habour related services RMB	Transportation services RMB	Manufacturing RMB	Total RMB
Revenue	272,327,701	58,448,914	3,992,741	334,769,356
Segment result	77,231,195	6,424,997	(4,743,976)	78,912,216
Unallocated costs				-
Operating profit				78,912,216
Finance cost				(10,453,447)
Share of results of associates	74,315			74,315
Profit before tax				68,533,084
Tax				(3,767,082)
Group profit				64,766,002
Minority interest				(9,354,807)
Net profit				55,411,195
Segment assets	1,551,073,650	101,914,581	5,163,521	1,658,151,752
Associates	19,761,548			19,761,548
Unallocated assets				4,667,300
Consolidated total assets				1,682,580,600
Segment liabilities	(200,527,311)	(6,764,582)	(405,713)	(207,697,606)
Unallocated liabilities				(161,096,469)
Consolidated total liabilities				(368,794,075)
Capital expenditure	142,998,640	21,750,237	224,000	164,972,877
Depreciation and amortisation	60,519,727	8,557,805	382,940	69,460,472

(b) Secondary reporting format - geographical segments

The Group provides the above services in the PRC, its country of incorporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Segment information (continued)

(c) Analysis of sales

	1999 RMB	1998 RMB
Revenue from services	431,566,147	330,776,615
Sale of goods	-	3,992,741
	431,566,147	334,769,356

Revenue arising from interest is disclosed in note 6. Revenue arising from operating lease rental is disclosed in note 4.

4 Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	1999 RMB	1998 RMB
Depreciation on owned property, plant and equipment (note 10)	68,748,656	69,460,472
Amortisation of intangible assets - goodwill (note 12)	1,418,961	1,418,961
Operating lease rentals		
- land and buildings	13,793,363	7,283,877
- machinery and equipment	142,510	1,204,418
- cargo ships and tugboats	1,469,653	3,100,167
Loss on disposals of property, plant and equipment	1,461,212	232,116
Inventory - costs of inventories recognised as expenses	21,404,878	21,096,602
Staff costs (note 5)	46,840,240	45,227,186
Deferred income - amortisation of rental received in advance	(390,408)	(446,260)

5 Staff costs

	1999 RMB	1998 RMB
Wages and salaries	44,475,091	43,468,586
Pension costs - defined contribution plan (note 18)	2,365,149	1,758,600
	46,840,240	45,227,186

6 Finance costs, net

	1999 RMB	1998 RMB
Interest income	3,370,952	3,736,412
Net foreign exchange transaction (losses)/gains	(3,256)	460,151
Interest expenses on bank borrowings	(17,527,892)	(14,948,752)
Less: Interest expenses capitalised in construction--in-progress (note 11)	2,121,945	810,462
	(15,405,947)	(14,138,290)
Others	(448,098)	(511,720)
	(12,486,349)	(10,453,447)

7 Tax

	1999 RMB	1998 RMB
PRC income tax (note a)		
Company and subsidiaries	2,892,314	3,741,304
Share of tax of associates	5,906	11,147
Hong Kong profits tax (note b)	58,453	14,631
	2,956,673	3,767,082

(a) In accordance with the relevant income tax laws applicable to foreign investment enterprises operating in the Shenzhen Special Economic Zone of the PRC, the profits of the Group companies are fully exempted from income tax for five years commencing with the first profitable year of operation followed by a 50% exemption for the immediate next five years ("tax preferential period"), after which the profits of the companies are taxable at the full rate which is currently 15%. As at 31st December 1999, the Group companies with remaining tax preferential period status and the tax reductions involved were as follows:

	Remaining tax preferential years	1999 tax rate
Shenzhen Chiwan Harbour Container Corporation	2	7.5%
Shenzhen Chiwan Terminal Company Limited	5	-
Shenzhen Kaifeng Terminal Company Limited	5	-
Shenzhen Chiwan Grains Terminal Company Limited	8	-

Business taxes are levied at 3.03% to 5.05% on the Group s service income.

Deferred taxation has not been provided as there are no significant temporary differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Tax (continued)

(b) Hong Kong taxation represents the amount provided at the rate of 16% (1998: 16%) on the estimated assessable profits for the year.

(c) The tax on the Group' s profit before tax differs from the theoretical amount that would arise using the basis tax rate of the home country of the Company as follows:-

	1999 RMB	1998 RMB
Profit before tax	107,000,198	68,533,084
Income tax provision calculated at the effective tax rate of 15% (1998 - 15%)	16,050,030	10,279,963
Effect of different tax rate in other country	17,529	914
Tax effect on tax losses of subsidiaries	-	880,893
Effect of tax preferential period	(13,494,915)	(8,122,714)
Expenses not deductible for tax purposes	378,123	716,879
Share of tax of associates	5,906	11,147
Tax charge	2,956,673	3,767,082

(d) The tax liabilities in the consolidated balance sheet are :

	1999 RMB	1998 RMB
Income tax	1,691,413	1,782,888
Business taxes, value-added tax recoverable and other surcharges	1,500,317	(518,593)
	3,191,730	1,264,295

8 Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to shareholders by the number of ordinary shares in issue during the year.

	1999	1998
Net profit attributable to shareholders	RMB72,446,700	RMB55,411,195
Number of ordinary shares in issue	381,517,000	381,517,000
Earnings per share	RMB 0.190	RMB 0.145

document in respect of the land mentioned above. Nanshan had agreed on 9th December 1992 to indemnify the Group from any losses arising out of or in connection with the land use right issues. On expiry of the lease terms, the Company will negotiate with Nanshan to extend the lease terms of the land use rights up to a total maximum of 50 years. The Directors expect that the lease terms can be extended.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Construction-in-progress

	1999 RMB	1998 RMB
At 1st January	42,210,607	83,104,795
Additions	96,797,354	62,781,823
Interest expenses capitalised (note 6)	2,121,945	810,462
Transferred to fixed assets (note 10)	(89,805,129)	(104,486,473)
At 31st December	51,324,777	42,210,607

12 Intangible assets

	Goodwill RMB
Cost	
At 1st January 1999 and 31st December 1999	14,728,112
Accumulated amortisation	
At 1st January 1999	5,747,644
Charge for the year	1,418,961
At 31st December 1999	7,166,605
Net book value	
At 31st December 1999	7,561,507
At 31st December 1998	8,980,468

13 Investments in associates

	1999 RMB	1998 RMB
Share of net assets, other than goodwill	20,312,549	21,393,359
Amounts due to associates	(1,631,811)	(1,631,811)
	18,680,738	19,761,548

The amounts due to associates are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Investments in associates (continued)

The principal associates, all of which are unlisted, are:

Name	Country of establishment/ incorporation	Percentage of interest held
Guanzhou Xinkang Real Estate Development Company Limited	PRC	22.57%
Shenzhen (Shekou) Xinwan Shipping Company	PRC	49%
Shenzhen Huapengda Trading Company Limited	PRC	33.33%

There were no changes in the percentage ownership interests in the associates during the two years ended 31st December 1999.

14 Other investments

	1999 RMB	1998 RMB
Unlisted investments, at cost	4,895,000	4,895,000
Less: Provision for diminution in value	(231,000)	(227,700)
	4,664,000	4,667,300

15 Inventories

	1999 RMB	1998 RMB
Raw materials (at cost)	5,928,560	4,176,098
Spare parts (at cost)	6,091,766	9,723,505
Work in progress (at cost)	-	605,864
Finished goods (at cost)	-	135,393
	12,020,326	14,640,860

16 Cash and cash equivalents

	1999 RMB	1998 RMB
Cash at bank and in hand	104,454,678	150,856,002
Short-term bank deposits	14,439,000	6,175,327
	118,893,678	157,031,329

The weighted average effective interest rate on short-term bank deposits was 4.13% per annum (1998: 3.33% per annum).

For the purposes of the consolidated cash flow statement, the year-end cash and cash equivalents comprised the following:

	1999 RMB	1998 RMB
Cash at bank and in hand	118,893,678	157,031,329
Pledged bank deposits	(5,010,333)	-
	113,883,345	157,031,329

17 Borrowings

	1999 RMB	1998 RMB
Current		
Bank borrowings (note a)	158,000,000	139,840,000
Short-term portion of long-term bank borrowings (note b)	24,838,980	-
	182,838,980	139,840,000
Non-current		
Bank borrowings (note b)	99,355,920	124,194,900
	99,355,920	124,194,900
Total borrowings	282,194,900	264,034,900

(a) Short-term bank loans, which bear interest at rates ranging from 5.85% to 7.623% per annum (1998: 7.029% to 7.623% per annum), are repayable within one year. Short-term bank loans of RMB 145,000,000 (1998: RMB 119,840,000) are guaranteed by Nanshan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Borrowings (continued)

(b) The long-term bank loan of US$15,000,000 bears interest at a rate of London LIBOR plus 0.98% per annum and is repayable by half-yearly instalments from 27th June 2000 with the last instalment falling due on 27th June 2002. This loan was obtained by a subsidiary and is guaranteed by the Company and other minority investors in accordance with the respective percentage of equity interest in the subsidiary.

Maturity of long-term borrowings:

	1999 RMB	1998 RMB
Between 1 and 2 years	62,097,450	24,838,980
Between 2 and 5 years	37,258,470	99,355,920
	99,355,920	124,194,900

Borrowing facilities

The Group has the following undrawn committed borrowing facilities:

	1999 RMB	1998 RMB
Floating rate		
- expiring within one year	-	16,560,000
Fixed rate		
- expiring within one year	10,000,000	64,680,000
	10,000,000	81,240,000

The facilities expiring within one year are annual facilities subject to review at various dates during 2000. The other facilities have been arranged to help finance the capital investments of the Group.

18 Pension schemes

In accordance with certain regulations of the Shenzhen Municipal Government, all enterprises established in Shenzhen are required to contribute to a retirement insurance fund administered by the Shenzhen Municipal Government at rates ranging from 7% to 12% (1998: 14% to 15%) of the basic salaries of the Group existing PRC staff.

The retirement insurance fund is fully responsible for payments to retired staff.

19 Financial assets and liabilities

(a) Interest rate risk

The interest rates and terms of repayment of loans are disclosed in note 17. Other financial assets and liabilities do not have material interest rate risk.

(b) Credit risk

Cash and bank balances

Substantial amounts of the Group s cash balances are deposited with the China Merchants Bank, Everbright Bank of China, Bank of China, the Industrial and Commercial Bank of China and the Construction Bank of China.

Trade receivables

The Group does not have a significant exposure to any individual customer or counterparty. The major concentration of credit risk arises from exposures to a substantial number of trade receivables mainly in the PRC.

(c) Fair values

Financial assets of the Group include cash and bank balances, trade receivables, other receivables and prepayments, amount due from the holding company. Their fair values are not materially different from their carrying amounts.

Financial liabilities of the Group include bank loans, trade payables, other payables and accrued expenses and amount due to holding company. The carrying amounts of short-term loans are estimated to approximate their fair values based on the nature or short-term maturity of these instruments.

The fair value of long-term bank loan is estimated by applying a discounted cash flow approach using current market interest rates for similar indebtedness. The fair value is not materially different from the carrying amount.

20 Contingent liabilities

As at 31st December 1999, the Group has given guarantees amounting to RMB 141,400,000 (1998: RMB 105,000,000) in respect of banking facilities to Nanshan.

and profits and rank pari passu in all other respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Minority interests

	1999 RMB	1998 RMB
At 1st January	293,353,356	210,090,325
Acquisition of a subsidiary	-	2,483,131
Share of net profit of subsidiaries	31,596,825	9,354,807
Payments of dividend	(10,695,233)	-
Repayment of cash advance from minority investors of a subsidiary	(10,763,558)	-
Cash advanced from minority investors to a subsidiary	-	71,425,093
At 31st December	303,491,390	293,353,356

24 Reserves

	Share premium account (note (b)) RMB	Capital reserves (note (b)) RMB	Surplus reserves (note (c)) RMB	Statutory public welfare fund (note (d)) RMB	Translation reserve RMB	Retained earnings (note (e)) RMB	Total RMB
At 1st January 1998	250,956,191	155,076,622	180,322,515	31,982,530	(1,696,091)	757,440	617,399,207
Profit for the year	-	-	-	-	-	55,411,195	55,411,195
Transfer to reserves:							
Statutory surplus reserve	-	-	5,541,120	-	-	(5,541,120)	-
Statutory public welfare fund	-	-	-	2,770,560	-	(2,770,560)	-
Discretionary surplus reserve	-	-	13,852,799	-	-	(13,852,799)	-
Capital reserve arising from acquisition of subsidiaries	-	307,661	8,767	-	-	-	316,428
Dividend for the year	-	-	-	-	-	(33,191,979)	(33,191,979)
Currency translation differences	-	-	-	-	(1,018,682)	-	(1,018,682)
At 31st December 1998	250,956,191	155,384,283	199,725,201	34,753,090	(2,714,773)	812,177	638,916,169
At 1st January 1999	250,956,191	155,384,283	199,725,201	34,753,090	(2,714,773)	812,177	638,916,169
Profit for the year	-	-	-	-	-	72,446,700	72,446,700
Transfer to reserves:							
Statutory surplus reserve	-	-	7,244,670	-	-	(7,244,670)	-
Statutory public welfare fund	-	-	-	3,622,335	-	(3,622,335)	-
Discretionary surplus reserve	-	-	18,111,675	-	-	(18,111,675)	-
Dividend for the year	-	-	-	-	-	(44,255,972)	(44,255,972)
Currency translation differences	-	-	-	-	(2,787)	-	(2,787)
At 31st December 1999	250,956,191	155,384,283	225,081,546	38,375,425	(2,717,560)	24,225	667,104,110

24 Reserves (continued)

(a) Pursuant to the relevant PRC regulations and the articles of association of the Company, profit after taxation shall be appropriated in the following sequence:

(1) make up accumulated losses;

(2) transfer 10% of the profit after tax to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the paid up share capital, such transfer needs not be made.

(3) transfer 5% to 10% of the profit after tax to the statutory public welfare fund. For the year ended 31st December 1999, a 5% of the profit after tax is recommended.

(4) transfer to the discretionary surplus reserve on amount approved by the shareholders in general meetings.

(5) distribute dividends to shareholders.

The amounts of transfers to the statutory surplus reserve and statutory public welfare fund shall be based on profit after tax in the statutory accounts prepared in accordance with PRC accounting standards.

(b) Share premium and capital reserves

According to the relevant PRC regulations, share premium and capital reserves can only be used to increase share capital.

(c) Statutory surplus reserve and discretionary surplus reserve

According to the relevant PRC regulations, statutory surplus reserve and discretionary surplus reserve can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

(d) Statutory public welfare fund

According to the relevant PRC regulations, the use of statutory public welfare fund is restricted to capital expenditure for employees collective welfare facilities. Staff welfare facilities are owned by the Group. The statutory public welfare fund is not normally available for distribution to shareholders except in liquidation. Once the capital expenditure on staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare fund to discretionary surplus reserve.

(e) Profit distribution

Pursuant to the relevant PRC regulations and the articles of association of the Company, profit distributable to shareholders shall be the lower of the accumulated profit distributable to shareholders determined according to the PRC accounting standards as stated in the statutory accounts and the accumulated profit distributable to shareholders adjusted according to International Accounting Standards. In the PRC consolidated financial statements as at 31st December 1999, profit distributable to shareholders (after the proposed dividend) amounted to RMB 24,225 (1998: RMB 812,177).

25 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	1999 RMB	1998 RMB
Profit before tax	107,000,198	68,533,084
Adjustments for:		
Depreciation (Note 10)	68,748,656	69,460,472
Amortisation of intangible assets (Note 12)	1,418,961	1,418,961
Provision for diminution in value of other investments (Note 14)	3,300	227,700
Amortisation of deferred revenue (Note 4)	(390,408)	(446,260)
Loss on disposals of property, plant and equipment (Note 4)	690,865	232,116
Loss on deemed disposal of a subsidiary (note 26)	1,001,025	-
Profit on disposal of properties under development for sale	-	(1,000,000)
Interest expenses (Note 6)	15,405,947	14,138,290
Interest income (Note 6)	(3,370,952)	(3,736,412)
Share of result before tax of associates	1,074,904	(74,315)
Changes in working capital (excluding the effect of deemed disposal of a subsidiary)		
(increase)/decrease in inventories	(784,155)	5,230,384
decrease in amount due from holding company	-	1,268
(increase)/decrease in trade receivables, other receivables and prepayments	(54,602,826)	1,650,934
increase/(decrease) in trade payables, other payables and accrued expenses	7,159,733	(27,445,951)
(decrease)/increase in amount due to a holding company	(6,379,397)	6,800,195
Cash generated from operations	136,975,851	134,990,466

) is deemed to be disposed of as at 1st January 1999 since the company is in the course of liquidation.

The assets and liabilities of Zhennan as at 1st January 1999 are as follows:-

	RMB
Property, plant and equipment	1,211,438
Cash and cash equivalents	186,990
Trade receivables	218,086
Other receivables and prepayments	142,318
Inventories	3,404,688
Trade payables	(1,391,419)
Other payables and accrued expenses	(264,387)
Tax recoverable	1,250,092
Net amount due to group companies	(3,756,781)
Fair value of net assets	1,001,025
Cash outflow from deemed disposal of a subsidiary	(186,990)

27 Related party transactions

The Company is controlled by Nanshan (incorporated in the PRC) which owns 58.84% of the Company' s shares. Nanshan is the ultimate parent of the Company.

(a) (i) In the normal course of business, the Group had the following material transactions with related companies during the year:

	1999 RMB	1998 RMB
Payment to Nanshan, the holding company		
- land use rights	-	91,823,520
- lease of docking sites and stacking yards	5,726,000	6,511,794
- development of residential properties	-	1,500,707
Received from Nanshan, the holding company		
- transfer of the properties under development for sales	-	15,737,178
- sales proceeds from disposals of property, plant and equipment	-	3,238,689
Payment to Shenzhen Chiwan Petroleum Supply Base Co., Ltd., a fellow subsidiary		
- rental of office buildings	290,717	2,067,375
Payment to Shenzhen Huapengda Trading Company Limited, an associate		
- sale of goods	-	1,840,520
Guarantees made to Nanshan, the holding company		
- in respect of banking facilities of Nanshan	141,400,000	105,000,000

(ii) On 5th March 1997, the Group entered into an agreement with Nanshan to build a 12-storey "Haiyun Building". Under the terms of the agreement, the total cost of construction, which is estimated to be approximately RMB 60,000,000, is shared equally by the Group and Nanshan. The actual cost incurred by the Group for the year is RMB29,919,050. The construction work is nearly completed at the end of 1999.

(b) Amounts due to holding company

The amount due to holding company is unsecured, interest-free and repayable within one year.

(c) Directors' remuneration

During the years ended 31st December 1998 and 1999, no amounts have been paid to the Directors of the Company.

28 Principal subsidiary undertakings

Name	Place/country of incorporation/ establishment	Percentage of interest held
Direct subsidiaries		
Chiwan Wharf Holdings (H.K.) Company Limited	Hong Kong	100%
Shenzhan Chiwan Grains Terminal Company Limited	PRC	100%
Shenzhen Chiwan Harbour Container Corporation	PRC	100%
Shenzhen Chiwan International Freight Agency Company Limited	PRC	100%
Shenzhen Chiwan Shipping and Transportation Company	PRC	100%
Shenzhen Chiwan Terminal Company Limited	PRC	100%
Shenzhen Chiwan Transportation Company	PRC	100%
Shenzhen Joint Favour International Marine Shipping Agency	PRC	51%
Shenzhen Kaifeng Terminal Company Limited *	PRC	50% *
Shenzhen Zhennan Packaging Company Limited	PRC	100%
Indirect subsidiary		
Chiwan Shipping (H.K.) Company Limited	Hong Kong	100%

* As the Group controls over 50% of the voting power of the board of this company, it is treated as a subsidiary.

There were no change in the percentage ownership interests in the subsidiary undertakings during the two years ended 31st December 1999.

29 Approval of the consolidated financial statements

The consolidated financial statements were approved by the board of directors on

PART IX OTHER INFORMATION OF THE COMPANY

Date of Original Registration	19 July 1990
Place of Registration	Chiwan, Shenzhen
Business Registration Number	Qi-Gu-Yue-Shen-Zong-Zi No. 102793
Tax Registration Number	Guo-Shui-Shen-Zi No. 440301618832968 Di-Shui-Deng-Zi No. 440305618832968
Trustee Organization for the Company's Untradable Shares	Shenzhen Securities Registration Co., Ltd.
Accounting Firm (Domestic)	Tianqin Certified Public Accountants 103-203, CMSN Building Shekou, Shenzhen
Accounting Firm (Overseas)	Price Waterhouse Coopers 23rd Floor Sunning Plaza 10 Hysan Avenue Hong Kong
Solicitors	Mr. He Fei & Mr. Zhou Weiping Haiwen & Partners 1016, Beijing Silver Tower, 2# North Rd Dong San Huan, Chao Yang District, Beijing

PART X DOCUMENTS FOR REFERENCE

1. Financial Statements carrying the signatures of the Company's legal representative, the Chief Financial Controller and the person in charge of accounting;
2. Original copy of Auditor's Statement sealed by CPA and signed by registered accountants;
3. Original copy and press release of all the documents disclosed in 1999 on the newspapers specified by the China Securities Regulatory Commission; and
4. Original copy of Annual Report signed by the Chairman

Dr. Fu Yuning

Chairman

Shenzhen Chiwan Wharf Holdings Limited