SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD

’99 ANNUAL REPORT

Important: The Board of Directors of Shenzhen International Enterprise Co., Ltd. (hereinafter referred to as the Company) hereby confirms that there are no fictitious statements, misleading information or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Ⅰ. About the Company

1. Legal Name of the Company
In Chinese: **深圳市国际企业股份有限公司**
In English: SHEN ZHEN INTERNATIONAL ENTERPRISE CO.,LTD.

2. Legal Representative: Li Jinquan

3. Secretary of the Board of Directors: Zhou Haolin
Stock Certificate Representative: Xie Wei
Liaison Address: 23/F, Development Center Bldg., Renmin S. Rd., Shenzhen City
Tel: (0755) 2285564, 2285565
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4. Registered Address: 23/F, Development Center Bldg., Renmin S. Rd., Shenzhen City
Office Address: 23/F, Development Center Bldg., Renmin S. Rd., Shenzhen City
Post Code: 518001
Internet Web Site of the Company: http://www.china-ia.com/
E-mail: szia@szonline.net

5. Newspapers Chosen for Disclosing the Information:
Securities Times, Hong Kong Commercial Daily
Internet Web Site Designated by China Securities Regulatory Commission for Publishing the Annual Report: http://www.cninfo.com.cn
Place Where the Annual Report is Prepared and Placed: Investment Management Department, 23/F, Development Center Bldg., Renmin S. Rd., Shenzhen City

6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock:	SZIEC – A	SZIEC – B
Stock Code:	0056	2056

Ⅱ. Financial Highlights

1. Profit Data Summary

In RMB

Items	Consolidated statement of the year 1999
Total profit	45,942,865.52
Net profit	30,221,445.83
Net profit after deducting the non-recurring gains and losses	30,221,445.83
Profit from main business lines	98,132,969.85
Profit from other business lines	25,042,428.70
Operating profit	43,147,477.19
Investment income	----
Subsidy income	----
Net amount of non-operating income and expenditure	2,795,388.33
Net cash flows arising from operating activities	48,388,814.39
Net increase of cash and cash equivalents	34,446,298.58

Notice to the Discrepancy in Calculation according to the Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

As audited by Shenzhen Huapeng Certified Public Accountants according to the Rules Governing Independent Auditing of Chinese Certified Public Accountants, the after-tax profit of the Company in the year 1999 was RMB 30,221,445.83; while as audited by MORISON HENJ Certified Public Accountants, the international certified public accountants as engaged by the Company, according to IAS as promulgated by International Accounting Standards Committee, the after-tax profit of the Company in the year 1999 was RMB36,267,000.. The items involved in such discrepancy are adjusted as follows:

In RMB

	1999
After-tax profit as audited by Huapeng Certified Public Accountants	30,221,000
Adjustment as per IAS is as fllows:	
(1) Return of expenses to be apportioned	1,403,0000
(2) Provision for doubtful debts	(4,957,000)
(3) Provision for losses of obsolete inventories and price falling	(4,403,000)
(4) Depreciation increase	(1,432,000)
(5) Return of the assets to be disposed	135,000
(6) Profit from the properties in progress	18,000,000
(7)Deferrde taxation	(270000)
After-tax profit as audited by MORISON HENG (Hong Kong) Certified Public Accountants (香港华利信会计师行)	36,267,000

2.Major accounting data and financial indexes over the past three years ended the report year

In RMB ’000

Items	1999	1998		1997	
		Before Adjustment	After adjustment	Before adjustment	After adjustment
Income from main business lines	314,703.80	332,390.50	332,390.50	214,124.80	214,124.80
Net profit	30,221.40	2,369.80	6,055.80	40,971.80	47,513.90
Total assets	1,233,332.80	1,064,098.90	10,501.30	898,437.90	880,992.20
Shareholders’ equity (excluding minority shareholders’ equity)	416,034.10	410,617.50	396,857.80	408,247.80	390,802.00
Earnings per share (RMB)	0.1368	0.01073	0.0274	0.223	0.258
Earnings per share (weighted) (RMB)	0.1368	0.01153	0.0295	--	---
Net assets per share (RMB)	1.88	1.859	1.797	2.22	2.12
Adjusted net assets per share (RMB)	1.606	1.66	1.48	2.0	1.95
Net cash flows per share arising from operating activities	0.219	0.12	0.12	--	--
Net assets-income ratio (%)	7.26	0.577	1.526	10.04	12.15

Note 1: The main financial data are calculated based on the following formula:
Earnings per share = net profit / total ordinary shares at end of year

Net assets per share = shareholders’ equity at end of year / total ordinary shares at end of year

Net assets per share after adjustment = (shareholders’ equity at end of year - accounts receivable over more than three years – expenses to be apportioned - net losses in the assets (circulating and fixed) in suspense – organization expenses – long-term expenses to be apportioned – negative amount of housing revolving fund) / total ordinary shares at end of year

Net cash flows per share arising from operating activities = Net cash flows arising from operating activities / total ordinary shares at end of year

Net asset–income ratio = net profit / shareholders’ equity at the end of the year × 100%

Note 2. The foregoing data are stated or calculated based on the consolidated accounting statements.

Note 3: There was no change in the share capital of the Company from the last day of the report year to the day when this annual report summary was disclosed.

Note 4: The major accounting data and financial indexes after the adjustment in 1997 and 1998 are from the retroactive adjustment when the accounting policies have been changed according to the relevant provisions as specified in Documents of the State Ministry of Finance FA Zi. (1999) No. 35 and No. 49.

Note 5: The “receivables” include amounts receivable, other receivables, advanced accounts, dividend collectable, interest receivable, and subsidies receivable.

3. About changes in shareholders' equity

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory welfare funds	Undistributed profit	Total shareholders' equity
At beginning of the period	220,901,184	51,109,680.43	85,801,995.87	12,808,133.72	39,044,911.83	396,857,722.13
Increase as of the period			4,533,216.87	1,511,072.29	14,643,169.76	19,176,436.63
Decrease as of the period						
At end of the period	220,901,184	51,109,680.43	90,335,212.74	14,319,206.01	53,688,081.59	416,034,158.76
Reason for change			Allocation	Allocation	Profit as of the year	Profit as of the year

Ⅲ. Changes in Share Capital and Introduction to the Shareholders

1. Changes in share capital

(1) Changes in Shares

in Shares

Type of Shares	Before Change	Increase/ Decrease (+ / -) as of Change						After Change
		Shares allotted	Bonus shares	Public reserve capitalized	Added shares	Others	Sub-total	
Ⅰ. Shares Unlisted								
1. Promoters' shares	42035328							42035328
Including:								
State-owned shares								
Domestic legal person shares	42035328							42035328
Foreign legal person shares								
Others								
2. Legal person shares offered	51643584							51643584
3. Employees' shares	26422272					-26422272	-26422272	
4. Preference shares or others								
Including:								
Shares capitalized/allotted								
Total shares unlisted	1201011184					-26422272	-26422272	93678912
Ⅱ. Shares Listed								
1. Ordinary shares (in RMB)	28800000					26422272	26422272	55222272
2. domestically listed foreign shares	72000000						0	72000000
3. Foreign shares listed abroad								
4. Others								
Total shares listed	100800000					26422272	26422272	127222272
III. Total Shares	220901184						0	220901184

(2) Issuance and Listing

A. Issuing activities over the years

The Company is a joint stock company established through joint stock reorganization. In March, 1993, the Company conducted oriented share offering, and issued 41.7018 shares in a form of internal share certificates at the issuance price of RMB 1.5 per share.

Pursuant to the Document of Shenzhen Municipal Government (SMGO [1995] No. 48) and the Official Reply of Shenzhen Securities Regulatory Office (SSROR [1995] No. 98), the Company issued 50 million B-shares to foreign investors at the issuance price of HKD 1.53 per share (in conversion into RMB 1.64 per share) which were listed in Shenzhen Stock Exchange on Oct. 30, 1995 for trading, with the short form of the stock "SZIEC – B" and stock code "2056". Thus the total share capital was expanded to 153.4036 million shares.

Pursuant to the Document of Shenzhen Municipal Government (SMGO [1996] No. 28) and with approval of China Securities Regulatory Commission with the Document CSRCIE Zi [1996] No. 99), the Company issued 20 million A-shares to the domestic public at the issuance price of RMB 4.78 per share on June 231, 1996 which were listed the shares in Shenzhen Stock Exchange for trading on July 8, 1996 with the short form of the stock "SZIEC-A" and stock code "0056". Thus the total share capital was expanded to 153.4036 million shares.

B. Changes in Shares in the Report Year

In the report year, pursuance to the provisions as specified in the Document of China Securities Regulatory Commission (CSRCIE Zi. [1996]No. 99) and with approval of Shenzhen Stock Exchange, the Company listed the employees' shares totaling 26.422272 million which had been distributed as bonus shares over the years on July 8, 1999. However, the shares held by the directors, supervisors and senior executives of the Company were still in blockage during their office term (including less than 6 months upon leaving the posts) in accordance with the relevant provisions. After the employees' shares were listed, the number of the Company's domestically listed RMB ordinary shares (A-shares) increased from 28.8 million to 55.222272 million while the total share capital was still 220.901184 million.

2. About Shareholders

(1) Total number of shareholders ended the report year: 29859

(2) Shares held by top ten shareholders (ended Dec. 31, 1999)

in '000 shares

	Shareholders	Shares at end of year	Proportion in total shares (%)
1	Shenzhen Special Economic Zone Development (Group) Co.	42035.33	19.03
2	Malaysia Foh Chong & Sons SDN.BHD	30264.31	13.70
3	Shenzhen Taitian Industry Development Co.	19075.39	8.64
4	E.C. (ASIA) HOLDINGS SDN.BHD.	9977.70	4.51
5	LETSCON HOLDINGS SDN.BHD.	8640.00	3.91
6	Yongsheng Sock Industry Co., Ltd.	4034.11	1.83
7	PAIRGRAND INDUSTRIAL LIMITED	3744.00	1.69
8	Lee Muk Kwai	3730.76	1.69
9	UCHINO CORPORATION SDN. BHD.	2880.00	1.30
10	Shenzhen Baoan Yiinpeng Investment co., Ltd.	2880.00	1.30
11	Hong Kong Hesheng International Trading Ltd. (香港和盛国际贸易公司)	2880.00	1.30

There is no business relationship among the foregoing shareholders.

Of the above stated shareholders, the state shareholder is Shenzhen Special Economic Zone Development (Group) Company (SSEZD) and the foreign shareholders are Malaysia Foh Chong & Sons SDN.BHD, F.C. (Asia) Holdings SDN. BHD., Letscon Holdings SDN. BHD., PAIRGRAND INDUSTRIAL LIMITED, Lee Muk Kwai, UCHINO CORPORATION SDN. BHD. And Hong Kong Hesheng International Trading Ltd. (香港和盛国际贸易公司).

Note: On Dec. 15, 1999, entrusted by Shaanxi Provincial People's High Court, the Company's shares held by SSEZD but sealed up by Shaanxi Provincial People's High Court were auctioned. The buyer was Shaanxi Provincial International Trust & Investment Co., Ltd. Meanwhile, SSEZD informed in urgent written form the Company about their material disputes in connection with the issues of the procedures of auction and law basis, and submitted appeal to the authority in charge. In the report year, Shaannxi Provincial People's High Court had not yet confirmed by issuing civil judgement on the foregoing auction activity.

The aforesaid information was disclosed in '99 Interim Report and on Times Securities dated December 16, 1999.

(3) Legal person shareholders holding over 10% (including 10%) to the total shares
Shenzhen Special Economic Zone Development (Group) Co., whose legal representative is Zeng Shiquan, is a large group company. Its main business lines are: industrail transportation, tourism range, development of real estate and land range, finance range, commercial and trading range, issuance of portfolio, information consulting, textile, knitted products, general merchandise, grains and oil, other food products, hardware, traffic electrical parts, chemicals, contracting overseas engineering projects, domestic and internal bidding projects, etc.

Malaysia Foh Chong & Sons SDN.BHD, whose legal representative is Xiao Guangsheng (萧光盛), is mainly engaged in the businesses of growing rubber trees, development of real estate, chemicals and hardware, import and export of raw materials, financing and financial services, securities investment.

(4) In the report year, there was no change in control shareholders.

Ⅳ. Shareholders' General Meeting

In the report year, the Company held an annual shareholders' general meeting and an extraordinary shareholders' meeting, with the details as follows:

1. '98 Shareholders' General Meeting. The shareholder's general meeting was held on May 20, 1999. 39 shareholders/authorized shareholders' representatives attended the meeting, representing 137.606916 million shares. The meeting examined and adopted the following resolutions:

(1) '98 Work Report of the Board of Directors;
(2) '98 Work Report of the General Manager;
(3) '98 Work Report of the Supervisory Committee;
(4) '98 Dividends Distribution Plan.

The public notice on holding the shareholders' general meeting was published on Securities Times and Hong Kong Commercial Daily dated May 21, 1999.

2. The first extraordinary shareholders' meeting in the year 1999. The shareholders' general meeting was held on Dec. 30, 1999. 12 shareholders/authorized shareholders' representatives attended the meeting, representing 127.954292 million shares. The meeting examined and adopted the following resolutions:

(1) Election of the members of the 3rd Board of Directors;

(2) Election of supervisors among the shareholders present at the meeting from for the 3rd Supervisory Committee;

(3) Change of the certified public accountants.

The resolutions of the aforesaid shareholders' meeting were published on Securities Times and Hong Kong Commercial Daily respectively dated Dec. 31, 1999.

3. Election and Change of Directors and Supervisors
Since the 2nd Board of Directors and the 2nd Supervisory Committee of the Company were established in 1996, the office term of the directors and supervisors was due. Pursuant to the provisions as specified in the Articles of Association, it was the time to make election for the new Baord of Directors and the Supervisory Committee. The first extraordinary shareholders' general holders' meeting as held on Dec., 30, 1999 examined and adopted the members of the 3rd Board of Directors who were Li Jinquan, Cheng Yuming, Song Shengjun, Xiao Guangsheng and Caizhuan; and the members of the 3rd Supervisory Committee were Zhou Xiaoxing, Zhou Xiaoling and Xu Li.

Ⅴ. Report of the Board of Directors

1. Operation

(1) Chain retail business is the main business line of the Company
The Company has actively conducted the retail business of high-grade and middle-grade commodities of high quality or famous brand, been devoted to the construction of sales network and obtained excellent economic and social results. At present, the Company has set up Shenzhen Jiabin Road International Arcade, Shenzhen Shangbu International Arcade, Shenzhen Longgang International Arcade, Shenzhen International Arcade Meilin Supermarket, Harbin (Shenzhen) International Arcade.

The Company is the only local listed company engaged in retail business and the only one that issued both A shares and B shares among listed companies engaged in retail business.

The Company's other businesses cover real estate development, international trade and medicine business, etc.

(2) Main business line and operation
The Company is mainly engaged in the establishment and operation of retail shops.

Business scope: articles of daily use, cultural products, textile products, garments, labor protection articles, household electronic products, transportation equipment, hardware and tools, household electrical appliances, artistic ceramics for daily use, furniture, candies and cakes, beverages, dry and fresh fruits, import and export business, local products, decoration materials, sugar, handicrafts, by non-staple foods, sundries, etc.

Under the circumstance that the market continued to be depressed and many retailers suffered loss in 1999 and great pressure of competition from domestic and foreign large retailers, the Company satisfactorily fulfilled the operation target for the whole year through carrying forward the SIE spirit of being dauntless, indomitable and innovative under the great support of all shareholders and all social circles. Its income of the main business line, total profit and net profit were respectively RMB 314.70 million, RMB 45.94 million and RMB 30.22 million.

(3) Operation and Performances of the Company’s Main Wholly-Owned Enterprises and Holding Subsidiaries

Names	Holding Proportion (%)	Sales (In RMB)	Total Profit (In RMB)
Shenzhen International Arcade Chain Stores Co., Ltd.	100	248,218,639.27	66,769,392.37
Shenzhen Rongfa Investment Co., Ltd.	50	58,290,465.25	32,223,901.99

(4) Difficulties occurred in the operation and the solutions

The difficulties occurred in the operation: The effective demand continued to be weak and it was difficult to enlarge the consumption while the focal point of investment was transferred to the west and the traditional industrial structure and commodity structure of the Company was still restricted by traditional mode, which hindered the Company from integrating itself into the world economy and enhancing the level of foreign cooperation. The Company lacked excellent operating and managing personnel and did not give fully play to the function of incentive mechanism, which restricted the development of the Company.

To cope with the above problems, the Company will further give play to its advantages of having high-quality assets and excellent reputation, actively adjust commodity structure and make effort to enlarge market share while focusing on the main business line on the one hand. On the other, the Company will strengthen the development of human resources, optimize the management of talent resources, attracted excellent talent by various means and methods and reserve various talents for its sustained development.

2. Financial Status

Description	1999 (In RMB)	1998 (In RMB)	Proportion of increase / decrease (%)	Reason
Total assets	1,233,332,764.08	1,050,130,080.62	17.4	Increase of current assets
Long-term liabilities	255,611.20	303,179.39	-15.7	Decrease of revolving funds for housings
Shareholders' equity	416,034,158.76	396,857,772.13	4.83	Increase of annual profit
Profit from main business lines	98,132,969.85	91,500,670.11	7.2	Reduction of cost on mains business lines
Net profit	30,221,445.83	6,055,774.07	399	Increase of total profit

3. Investment

The amount of foreign investment of the Company did not increase in the report period. No funds raised through share offering were utilized in the report period and no funds previously raised were carried forward to be utilized in the report period.

4. Influence from China's Joint in WTO on the Company

After China and America signed the bilateral agreement on Chinese admission to WTO, the pace of China's joint in WTO has been quickened. After China joins WTO, the development of the fields covering service trade and commodity circulation will be strengthened in Shenzhen that is the frontline of China's reform and opening, Shenzhen will face keener competition. However, the implementation of the strategy of "being driven by export-oriented business" will provide new development opportunities to the Company. Its concrete strategy is to further change conception, maintain steady development, build up its comprehensive strength, improve its ability of resisting market risks, center on the improvement of economic results, quicken the pace of reform, adjust industrial structure, realize programmed, standardized and computerized management through first improving internal management, improve operating results through improving management. Through the above measures, the Company will strive to attain new achievements and bravely meet the challenges of the 21st century.

5. Business Plan of the New Year

(1) To implement the principle of "refraining from doing some things in order to be able to do other things" and adjust retail business. (1) To focus on commodities with edges and eliminate the commodities lacking competing ability and occupying large amount of funds with little profit; (2) To increase the technical content of commodities and new variety; (3) To adjust the proportion of retail to wholesale and strengthen the wholesale of commodities; (4) To realize the change from traditional commercial mode to modern commercial mode and carry out electronic business step by step. Through these adjustment, the Company will gradually realize the change from being adapted to the market to occupying the market and really build SIE into a shopping paradise gathering domestic and foreign products of high quality and famous brands.

(2) As for real estate business, the Company will completed the construction and sales of the key project of Gangyi Court ahead of schedule with quality guaranteed. Meanwhile, it will strive to commence the construction of one or two projects. It will

ensure the commencement of the construction of phase-II Xieli Garden and make it become the new channel for profit growth. Property management company will further establish famous brand, enlarge scale and strive to obtain the title of "excellent property management company of provincial level".

(3) As for medicine business, the Company will pass GSP certification, establish medicine distribution center, increase retail shops and develop wholesale and agency business. As for the international trade, the Company will seize the favorable opportunity brought by Chinese admission to WTO, replenish personnel and open up trading channels, striving to make the total amount of import and export business in the whole year exceed USD 5 million.

(4) To strengthen capital operation. The Company will fully make use of the advantages owned by a listed company and strengthen financing and capital operation by various means such as union with large enterprise, acquisition, merger, etc.

6. Routine Work of the Board of Directors

(1) Board meetings and the resolutions in the report period

A. The 1st meeting of the second Board of Directors was held on April 16, 1999. The meeting examined and adopted 98' Working Report of the Board of Directors, 98' Working Report of General Manager, 98' Profit Distribution Preplan, 98' Annual Report and Annual Report Summary, the resolution concerning applying to Shenzhen Stock Exchange for the listing of staff shares, the resolution concerning holding 98' Shareholder's General Meeting, etc. The announcement of the resolutions adopted at this meeting was published on Securities Times and Hong Kong Commercial Daily on April 17, 1999.

B. The 2nd meeting of the second Board of Directors was held on August 17, 1999. The meeting examined and adopted 99' Interim Report, 99' Interim Profit Distribution Plan, the resolution concerning the resignation of Zhou Meng from the post of the secretary of Board of Directors and the engagement of Zhou Haolin as the secretary of the Board of Directors, etc. The announcement of the resolutions adopted at this meeting was published on Securities Times and Hong Kong Commercial Daily on August 18, 1999.

C. The 3rd meeting of the second Board of Directors was held on November 29, 1999. The meeting examined and adopted the resolution concerning electing the candidates of directors for the third Board of Directors, the resolution concerning replacing the Certified Public Accountants inside and outside China, the resolution concerning holding 99' First Provisional Shareholders' General Meeting, etc. The announcement of the resolutions adopted at this meeting was published on Securities Times and Hong Kong Commercial Daily on November 30, 1999.

D. The 1st meeting of the second Board of Directors was held on December 30, 1999. The meeting examined and adopted the resolution concerning electing the Chairman of the Board of Directors, the resolution concerning engaging general manager and the secretary of the Board of Directors, deputy general manager and financial control, the Report on the Provision of Asset Depreciation Reserve, etc. The announcement of the resolutions adopted at this meeting was published on Securities Times and Hong Kong Commercial Daily on December 31, 1999.

(2) Implementation of the resolutions of the Shareholders' General Meeting.
The Board of Directors actively and earnestly implemented every resolution adopted by Shareholders' General Meeting, timely arranged personnel and smoothly fulfilled all tasks assigned by Shareholders' General Meeting so that the rights and interests of shareholders were satisfactorily safeguarded.

7. Directors, Supervisors and Senior Executives

(1) Directors, Supervisors and Senior Executives

Names	Sex	Age	Title	Office Term	Shares Held at Year Beginning	Shares Held at Year End	Total Annual Remuneration (In RMB'000)
1. Li Jinquan	Male	54	Chairman of the Board	Dec.1999-Dec.2002	144,000	144,000	
2. Song Shengjun	Female	46	Director, General Manager	Dec.1999-Dec.2002	172,800	172,800	100
3. Chen Yuming	Male	51	Director	Dec.1999-Dec.2002	0	0	
4. Cai Zhuan	Male	35	Director	Dec.1999-Dec.2002	0	0	
5. Xiao Guangsheng	Male	52	Director	Dec.1999-Dec.2002	0	0	
6. Zhou Xiaoxing	Female	44	Chairman of Supervisory Committee	Dec.1999-Dec.2002	0	0	65
7. Zhou Xiaoling	Female	38	Supervisors	Dec.1999-Dec.2002	0	0	50
8. Xu Li	Female	31	Supervisors	Dec.1999-Dec.2002	0	0	55
9. Huang Guizhen	Female	50	Deputy General Manager	Dec.1999-Dec.2002	0	0	75
10. Ding Jingjia	Male	51	Chief Financial Supervisor	Dec.1999-Dec.2002	144,000	144,000	65
11. Zhou Haolin	Male	30	Secretary of the Board of Director	Dec.1999-Dec.2002	0	0	55

1) In the annual salary interval: the total salaries enjoyed by the aforesaid directors, supervisors and senior executives was RMB 465,000, including 1 enjoying RMB 100,000, 3 enjoying RMB 65,000 to 75,000 and 3 enjoying RMB 50,000 to 55,000. The four directors, Li Jinquan, Chen Yuming, Cai Zhuan and Xiao Guangsheng enjoyed no pay from the Company.

2) In the report year, Mr. Yuan Lilan, the former Chairman of the Supervisory

Committee left his office due to the expiry of the office term.

3) In the report year, due to the job change, Zhou Meng no longer held the post of Secretary of the Board of Directors and instead, Zhou Haolin was engaged as Secretary of the Board of Directors.

(2) Employees: number of employees: 1200
Professional/occupational constitution: salespersons: 1027, technical personnel: 68, financial personnel: 45 and managerial/administrative personnel: 60.

Educational background: 3 holding master's degree, 63 holding college diploma, 117 holding junior college diploma, 306 graduated from special secondary school.

Retired staff: 6.

8. Profit Distribution Plan or Plan for Capitalization of the Capital Public Reserve:
Ended Dec. 31, 1999, the annual profit as confirmed by Shenzhen Huapeng Certified Public Accountants according to CAS was RMB 30,221,445.83; while the annual after-tax profit as confirmed by Hong Kong Hualixin Certified Public Accountants according to IAS was RMB 36,267,000.

In accordance with the principle of adopting the lower for profit distribution, the after-tax profit in the year 1999 was RMB 30,221,445.83 as calculated according to CAS. After allotment of the statutory surplus public reserve by 10% of the net profit amounting to RMB 3,022,144.58 and allotment of the public welfare fund by 5% of the same amounting to RMB 1,511,072.29 and plus the undistributed profit totaling RMB 39,044,911.83 as carried down from the end of 1998, the total profit available for distribution to the shareholders was RMB 64,733,140.79. Given the aforesaid financial data and the actual operation situation of the Company, '99 Profit Distribution Preplan is proposed based on the rate of RMB 0.5 cash for every 10 shares (including tax) and the total dividends to be distributed would be RMB 11,045,059.20.

9. Other Matters Necessary to be Covered in the Report
The Company has chosen Securities Times as the medium for disclosing the Company's information to the domestic investors and Hong Kong Commercial Daily to the foreign investors.

Ⅵ. Report of the Supervisory Committee
(1) Particulars about the meetings of the Supervisory Committee in the report year:

In the report year, the Supervisory Committee held three meetings:
A. '99 1st meeting of the 2nd Supervisory Committee was held on April 16, 1999. The

meeting examined and adopted ’98 Work Report of the Supervisory Committee. The public notice on holding the meeting was published on Securities Times and Hong Kong Commercial Daily respectively dated April 17, 1999.

B. ’99 2nd meeting of the 2nd Supervisory Committee was held on Nov. 29, 1999. The meeting examined and adopted the resolution on electing Zhou Xiaoxing, Zhou Xiaoling and Xu Li candidate supervisors of the 3d Supervisory Committee. The resolution of the meeting was published on Securities Times and Hong Kong Commercial Daily respectively on Nov. 30, 1999.

C. ’99 1st meeting of the 3rd Supervisory Committee was held on Dec. 30, 1999. The meeting examined and adopted the resolution on electing Zhou Xiaoxing Chairman of the Supervisory Committee. The resolution of the meeting was published respectively on Securities Times and Hong Kong Commercial Daily dated Dec. 31, 1999.

(2) Operation according to the law
In the year 1999, the Supervisory Committee performed supervision according to the relevant laws, rules and regulations of the state over the procedures of holding shareholders’ general meeting and board meetings, issues covered in the resolutions, implementation of the resolutions of the shareholders’ general meeting by the Board of Directors, duty performances of the senior executives. In the Supervisory Committee’s opinion, the directors were working earnestly and with responsibility, actually implemented various resolutions of the shareholders’ general meeting and their decision making procedures were in conformity with the relevant provisions as specified in the Company Law of PRC and the Articles of Association of the Company, they had effectively prevented the operation and financial risks. Directors and senior executives of the management had never been found in performing any action against the law, rules and regulations, the Articles of Association or harmful to the interest of the Company in dong their duties.

(3) About the inspection over the financial affairs of the Company: in the report year, the auditors’ reports without qualified opinion or explanatory comments as produced by Shenzhen Huapeng Certified Public Accountants and MORISON HENJ Certified Public Accountants have truly reflected the financial status and operation achievements of the Company.

(4) In the report year, the Supervisory Committee conducted supervision over the internal control system of the Company and implementation of the same. In the Supervisory Committee’s opinion, the Board of Directors applied the legal procedures and had sufficient basis in forming the resolution on writing off and providing the reserve for the devaluation of the assets.

(5) In the report year, the Company raised no proceeds through share offering.

(6) In the report year, the Company had never been involved in the activities of acquisition and/or sales of assets.

(7) In the report year, the Company had never been involved in the activities of related transaction.

Ⅶ. Important Events

1. Material lawsuits and arbitration

(1) Heilongjiang Township Enterprise Associated Company brought an action against the Company in respect of the lease contract, demanding the Company to compensate it for the economic loss of RMB 3,246,229.80. The Company brought a cross action in respect of this dispute, demanding the compensation of RMB 2,050,000.00. Harbin Intermediate People's Court made the judgement of the first instance on April 18, 1997, ordering the Company to compensate the plaintiff for RMB 2,549,113.92. The Company did not agree with the judgement and appealed to Heilongjiang High People's Court on May 30, 1997. Heilongjiang High People's Court made (1997) HJZZ No.210 Civil Decision on April 22, 1998, deciding to reverse the judgement of the first instance and return the case to Harbin Intermediate People's Court for review. Haerbin Intermediate People's Court made (1998) HJCZ No. 325 Civil Decision on August 23, 1999, ordering the Company to compensate the plaintiff for RMB 2,549,113.92. The Company did not agree with the judgement and appealed to Heilongjiang Higher People's Court on September 1, 1999. The case is now under examination.

(2) Shenzhen Economic Special Zone Development (Group) Co. brought an action against the Company in respect of a debt dispute, demanding the Company to liquidate the debt of RMB 49,974,548.90, USD 1,312, 906.46 and the fund occupation fee accrued from April 20, 1998. Shenzhen Intermediate People's Court made (1998) SZFJYCZ No.168 Civil Decision on September 4, 1999, ordering the Company to repay to the plaintiff RMB 7,112,950.00 and interests accrued, HKD 5,560,000.00 and interests accrued, USD 1,000,000.00 and interests accrued and interest of RMB 9,382,950.00 payable before loan repayment. The Company did not agree with the judgement and appealed to Guangdong Higher People's Court on September 20, 1999. The case is now under examination.

(3) The Company brought an action against Panyu Fumao Window Curtain Co., Ltd. in respect of the dispute over the agreement on processing, producing and exporting window curtains with imported materials. According to the judgement of the first instance made by Shenzhen Luohu People's Court and the judgement of the second instance made by Shenzhen Intermediate People's Court, the defendant was ordered to repay USD 198,699.59 and RMB 89,957.67 to the Company within 15 days after the judgement came into force. As the defendant failed to perform the judgement of the court, the Company applied to the court for enforcement according to laws. RMB 0.4 million has been recovered. The balance has still not been recovered.

(4) The Company brought an action against Shenfa Enterprise Co., Ltd. in respect of a debt dispute. Shenzhen Luohu People's Court made (1997) SLFJTZ No. 34 Civil Mediation Decision and confirmed Shenfa Enterprise Co., Ltd. owed HKD 5 million and interest of RMB 3 million to the Company as at January 13, 1997. The Company has applied for enforcement according to law. According to (1997) SLFZZ No. 842 Civil Decision made by Shenzhen Luohu People's Court on April 13, 1999, the real estate (the whole block) owned by Shenzhen Shenfa Enterprise Co., Ltd. that is located at Block 2 of Nanyuan Residential Quarters, Taoyuan East Road, Nanshan District was to be auctioned. The proceeds from the auction were to be used to repay the debt owed by it to the Company.

(5) The Company brought an action against Hong Kong Weiyi Enterprise Co., Ltd., Shenzhen Huayuan Meiye Investment Co., Ltd. and Jiangyin Huayuan Heat Power Co., Ltd. in respect of the dispute over equity transfer, demanding the defendants to make repayment of RMB 7,300,000.00 and HKD 7,100,000.00 for the equity transfer and pay interests at the bank interests rate of the same period. Shenzhen Intermediate People's Court made (1998) SZFJTCZ No. 03 Civil Mediation Decision on August 24, 1999, demanding the defendants to refund RMB 7,300,000.00, HKD 7,100,000.00 and the interests accrued to the Company. The mediation decision has come into force and is being enforced.

(6) The Company applied for the enforcement of the court's judgement in respect of the case related to Changsha Teenagers' Articles Store & Garments Building, demanding the object of the enforcement to liquidate the debt of RMB 4,700,000.00. The Company recovered RMB 130,000.00 through enforcement on November 4, 1999. The case was under further enforcement.

2. There was no punishment imposed by supervision and administrative departments on the directors or senior executives of the Company in the report year.

3. As the term of office of the second Board of Directors expired in the report period, the directors were reelected. Li Jingquan, Song Shengjun, Chen Yuming, Xiao Guangsheng and Cai Zhuan were elected as the directors of the third Board of Directors. The Board of Directors continued to engage Song Shengjun as the general manager of the Company. This matter was disclosed on Securities Times and Hong Kong Commercial Daily on December 31, 1999. In the report year, Mr. Zhou Meng resigned from the post of secretary of the Board of Directors and Mr. Zhou Haolin was engaged as the secretary of the Board of Directors. This matter was disclosed on Securities Times and Hong Kong Commercial Daily on August 18, 1999.

4. There were no such events as acquisition or sale of the assets, assets absorption or merger in connection with the Company during the report period.

5. The Company did not get involved in related transactions in the report period.

6. The separation of the Company from the control shareholder in personnel, assets and finances

The Company is separated from Shenzhen Economic Special Zone Development (Group) Co. (the Group) that is the promoter and the control shareholder of the Company in personnel, assets and finances: (1) Personnel: The legal representatives of the Company and the Group are not the same person. General manager, deputy general managers and other senior executives of the Company do not concurrently hold posts in shareholders' companies. Financial personnel of the Company do not concurrently hold posts at related companies. The Company's management of labor, personnel and wage is completely independent; (2) Assets: The Company was listed as a whole and all of its assets belong to the Company itself. The Company owns independent production, supply and sales system. The Company and the Group neither deal in the same products nor compete with each other in the same business line; (3) Finances: The Company owns independent Financial Management Dept and has established independent financial accounting system. It has standardized and independent financial and accounting system and the financial management system applicable to its subsidiaries. It independently opens account at banks and does not use the same bank account with the Group. It independently pays tax.

7. The Company engaged Huapeng Certified Public Accountants as the domestic auditor and MORISON HENJ Certified Public Accountants as the international auditor in the report period.

8. The important contract and matters concerning guarantee: The Company provided unconditional irrevocable guarantee to Shenzhen Rongfa Investment Co., Ltd. for issuing 50 million corporate bonds. This matter was disclosed on Securities Times on November 13, 1999.

9. The Company did not change its name or the abbreviation of the stock name in the report year.

10. For the impact from the implementation of the document of the State Ministry of Finance titled "Additional Provisions concerning Accounting Treatment in the Accounting Standards for Joint Stock Limited Companies (SMF FA Zi. [1999] No. 35) upon the Company's financial status and the operation results, please refer to Note 10 to the accounting states: Change in accounting policy.

11. Subsequent matters: The Company received the notice from Shaanxi International Trust & Investment Co., Ltd. (SITIC) on March 23, 2000 that it reached an agreement of composition with Shenzhen Economic Special Zone Development (Group) Co. on January 21, 2000. SITIC no longer required the transfer of the ownership of 23,834,756 corporate shares of the Company (accounting for around 10.79% of the

total share capital of the Company). The ownership of the above corporate shares still belongs to the Group. So far, there has been no change in the equity structure of the Company

Ⅶ. Financial Report (attached hereafter)

REPORT OF THE AUDITORS

TO THE MEMBER OF

SHENZHEN INTERNATIONAL ENTERPRISE CO., LTD

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

We have audited the financial statements of Shenzhen International Enterprise Co., Ltd on pages 2 to 19 which have been prepared in accordance with Statements of International Accounting Standards issued by International Accounting Standards Committee.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view, in all material respects, of the state of the Group as of December 31, 1999 and of its profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with International Accounting Standards.

Morison Heng
Chartered Accountants
Certified Public Accountants
Hong Kong:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1999

	Notes	1999 RMB'000	1998 RMB'000
Turnover	4	374,803	332,390
Cost of sales		(258,671)	(237,324)
Gross profit		116,132	95,066
Other revenue less other expenses		(51,088)	(81,423)
		65,044	13,643
Finance costs		(10,346)	(20,393)
Share of losses of associated companies and contractual joint ventures		-	(713)
Profit/(Loss) before taxation	5	54,698	(7,463)
Taxation	8	(9,369)	(2,108)
Profit/(Loss) after taxation		45,329	(9,571)
Minority interests		(9,062)	(1,116)
Profit/(Loss) attributable to shareholders		36,267	(10,687)
Transferred to statutory reserve		(4,533)	-
Dividend	9	(11,045)	-
		20,689	(10,687)
Earnings/(loss) per share	9		
Basic		RMB0.16	(RMB0.05)
Diluted		RMB0.16	(RMB0.05)

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 1999

	Notes	1999 RMB'000	1998 RMB'000
ASSETS			
Non-current assets			
Fixed assets	10	387,508	401,085
Construction in progress	11	32,594	30,727
Long term investments	12	10,414	10,000
Intangible assets	13	7,019	10,210
		437,535	452,022
Current assets	14	703,161	557,347
Current liabilities	16	(734,788)	(638,473)
Net current liabilities		(31,627)	(81,126)
Total assets less current liabilities		405,908	370,896
Non-current liabilities		(2,955)	(303)
Minority interests		(23,682)	(14,480)
Net assets		379,271	356,113
CAPITAL AND RESERVES			
Issued capital	20	220,901	220,901
Reserves	21	158,370	135,212
		379,271	356,113

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1999

	1999 RMB'000	1998 RMB'000
Net cash inflow/(outflow) from operating activities	50,095	(33,295)
Returns on investments and servicing of finance		
Interest on loan paid	(16,630)	(32,511)
Interest income	6,996	12,988
Dividend paid	(5,066)	(730)
Net cash outflow from returns on investment and servicing of finance	(14,700)	(20,253)
Taxation		
Tax paid	(6,636)	(1,595)
Investment activities		
Profit realised on fixed assets, intangible assets and other long term investments	218	240
Purchase of fixed assets, intangible assets and other long term investments	(747)	(7,237)
Increase in long term and short term investments	(1,414)	-
Net cash outflow from investment activities	(1,943)	(6,997)
Financing		
Increase in loans	407,413	72,257
Repayment of loans	(399,741)	(93)
Finance charges	(270)	-
Net cash inflow from financing activities	7,402	72,164
Increase in cash and cash equivalents	34,218	10,024
Cash and cash equivalents at January 1, 1999	122,478	112,454
Effect of foreign exchange rate changes	229	-
Cash and cash equivalents at December 31, 1999	156,925	122,478
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	156,925	122,478

NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1999

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES

	1999	1998
	RMB'000	RMB'000
Profit/(Loss) before taxation	54,697	(7,463)
Minority interests	9,051	(1,116)
Interest expenses	16,630	32,511
Interest income	(6,996)	(12,988)
Depreciation	17,708	17,658
Amortisation	5,198	1,994
Share of (profit)/loss of associated companies	-	713
(Gain)/Loss on disposal of fixed assets	(2,687)	148
Profit on disposal of long-term investment	-	(99)
Increase in inventories	(20,913)	(53,796)
(Increase)/Decrease in accounts receivable	(724)	15,233
Decrease in prepayments and other receivables	(89,607)	(53,538)
Increase in deferred expenses and other current assets	(8,700)	-
Increase in customers' deposits	29,490	-
Increase in accounts payable	32,648	7,837
Increase in bills payable	20,000	-
Decrease in tax payable, welfare payable and other payable	(5,700)	(59,752)
Increase in amount due from related companies	-	77,131
Net cash inflow/(outflow) from operating activities	50,095	(35,527)

1、CORPORATE INFORMATION

Shenzhen International Enterprise Co., Ltd. (“the Group”) was incorporated in 1983 under the Companies Ordinance of The People’s of Public China and was restructured as a stock limited Company in 1993. The Group has issued A and B shares in 1994 and 1995 respectively at Shenzhen Stock Exchange. The Group’s principal activities are those of chain commence, property, development and trading.

2、BASIS OF PREPARATION

The financial statements of the Group companies have been prepared in accordance with International Accounting Standards (“IAS”) issued by the International Accounting Standard Committee. This basis of accounting differs from that used in the management accounts of the Group companies which were prepared in accordance with generally accepted accounting principles and relevant financial regulations in the PRC (“PRC GAAP). Adjustments have been made for compliance with IAS but will not be taken up in the accounting books of the companies in the Group.

3、PRINCIPAL ACCOUNTING POLICIES

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

（a）Basis of consolidation

The group accounts comprise the accounts of the Company and all its subsidiaries made up to December 31, 1999. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interest represent the interests of outside shareholders in the operation results and net assets of subsidiaries.

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

The group accounts also include the Group’s share of post acquisition profits less losses, and reserves, of its associated companies.

(b)Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

(c)Subsidiaries not consolidated

Investment in associated companies and subsidiaries excluded from consolidation are stated at cost less provision for permanent diminution in value.

The results of the subsidiaries and the associated companies are accounted for by the

Company on the basis of dividends received and receivable.

(d)Associated companies

Associated companies are those, other than subsidiaries, in which the Group has a long term equity interest and has the ability to exercise significant influence in their management.

The consolidated profit and loss account includes the Group's share of the post acquisition profits or losses of its associated company, and the consolidated balance sheet includes the Group's share the net assets of the associated company, after adjusted for post acquisition changes, plus any goodwill not yet written off or amortised.

Investment in associated companies are stated at cost less provision for permanent diminution in value and their results of the associated companies are accounted for by the Company on the basis of dividends received and receivable.

(e)Contractual joint ventures

A contractual joint venture is a venture between two or more ventures whose rights and obligations with respect to the venture are specified in a contractual joint venture agreement which gives the venturers joint control over the venture and no single venturer is in a position to control unilaterally the activity of the venture.

Group's share of profits of the contractual joint ventures are included in income statement on proportionate consolidation basis.

(f)Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight line basis. Estimated useful lives are summarized as follows:-

Buildings and land use rights	30 years
Office equipment	5 years
Motor vehicles	8 years
Others	10 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the Group.

Construction-in-progress represents plant and properties under construction and includes the costs of construction plus interest charges arising from borrowings used to finance the construction during the construction period.

(g)Properties for sale

Properties held for sale are stated at the lower of the cost and net realisable value. Cost includes property cost, commission to agent and other expenses incidental to the acquisition of the properties. Net realisable value is the estimated price at which a property can be realised less related expenses in the normal course of business.

(h)Inventories

Inventories are stated the lower of cost and net realisable value. Cost is calculated using the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of activity. Net realisable value is based on the estimated selling prices less any further costs to be incurred to completion and disposal.

(i)Other investments

Long term investments are stated at cost less provision for permanent diminution in value, if any.

(j)Retirement benefit cost

The Group makes contributions to retirement funds managed by local social security bureaux in accordance with government regulations. The contributions are expensed as incurred.

(k)Revenue recognition

Revenue from sale of property is recognised when legal title passed to the buyers.

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

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

When a property under development is sold in advance of completion, profit is recognised over the course of the development and is computed each year as a proportion of the total estimated profit to completion; the proportion used being the proportion of construction costs incurred at the balance sheet date to estimated total construction costs. Profit recognised on this basis is limited to the amount of sale deposits received.

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

Service income is recognised when services are rendered.

Dividend income from investments is recognised when the right to receive payment has been established.

(l)Taxation

The charge for taxation is based on the result for the year as adjusted for items which are non-assessable or disallowable. Timing difference arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed using the liability method, is recognised in accounts to the extent it is probable a liability or an asset will crystallise in the foreseeable future.

(m)Pre-operating expenses

Pre-operating expenses representing expenses incurred in relation to the establishment of department store prior to commencement of business are capitalised and amortised over a period of five years by equal annual instalments calculated from the commencement of operation.

Vehicle operating licences acquired by the Group are stated at cost less accumulated amortisation. Amortisation is made by equal instalments over the period of the licences.

(n)Foreign currency translation

Foreign currency transactions are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries maintained in foreign currencies are translated exchange rates ruling on the balance sheet date. Exchange difference arising on consolidation, if any, are dealt with in reserves.

(0)Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

(p)Operating leases

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

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

(q)Cash equivalents

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

(r)Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.

4、SEGMENTED INFORMATION

An analysis of the Group's turnover and contribution to operating profit before exceptional items by principal activity and geographical area of operations for the year ended December 31, 1999 is as follows:

	1999		1998	
	Turnover	Contribution	Turnover	Contribution
	RMB' 000	RMB'000	RMB' 000	RMB'000
By activity:				
Property sales	118,665	50,224	44,231	16,899
Department store sales	250,829	67,433	280,171	65,123
Trading	2	-	1,476	352
Rental	-	-	1,449	8,344
Rendering of services	5,307	2,479	5,063	5,064
	374,803	120,136	332,390	95,782
By geographical area:				
The People's Republic of China	374,803	120,136	332,390	95,782

5、PROFIT/(LOSS) BEFORE TAXATION

Profit before taxation has been arrived at:

	1999	1998
	RMB' 000	RMB'000

After charging:		
Depreciation	16,194	17,658
Amortisation	5,198	1,994
Rental under operating leases	-	4,625
Interest expense	16,630	32,511
Loss on disposal of fixed assets	2,687	148
Provision for bad debt	5,241	632
Provision for diminution in value of inventories	4,747	838
And after crediting:		
Interest income	6,996	12,988
Rental income	-	1,449
Profit on disposal of long-term investments	-	99

6、STAFF COST

	1999	
		RMB'000
Salaries and bonus		14,759
Pension expenses and provision for other welfare		679
		15,438

7、FINANCE COSTS/(INCOME)

	1999	1998
	RMB' 000	RMB'000
Interest income	(6,996)	(12,99) 8
Net foreign exchange transaction losses	712	20
Interest expenses		
- bank borrowings	15,610	32,511
Others	1,020	850
	10,346	20,393

8、TAXATION

	1999	1998
	RMB' 000	RMB'000
Current taxation	6,669	2,108
Deferred taxation	2,700	-
	9,369	2,108

The Group provided for income tax on the estimated assessable profit for the year at the following tax rates:

Income Tax Rate

	1999 RMB' 000	1998 RMB'000
PRC enterprises income tax		
- enterprises in Shenzhen	15%	15%
- enterprises outside Shenzhen	33%	33%

9、DIVIDEND AND EARNINGS PER SHARE

The calculation of basic and diluted earnings/(loss) per shares is based on the consolidated profit for the year of RMB36,267,000 (1998: consolidated loss of RMB10,687,000) and 220,901,184 shares on issue.

During the year, the board of directors has recommended a dividend of RMB0.50 per 10 shares, which amount to RMB11,045,050.

10、FIXED ASSETS

	Buildings RMB' 000	Motor vehicles RMB' 000	Office equipment RMB' 000	Others RMB' 000	Total RMB' 000
Cost					
At January 1, 1999	442,955	8,229	7,773	3,979	462,936
Additions	3,538	186	263	765	4,752
Disposals	-	(566)	(1,205)	(364)	(2,135)
At December 31, 1999	446,493	7,849	6,831	4,380	465,553
Accumulated depreciation					
At January 1, 1999	52,593	3,271	4,858	1,129	61,851
Charge for the year	14,883	1,098	935	791	17,707
Written back	-	(260)	(953)	(300)	(1,513)
At December 31, 1999	67,476	4,109	4,840	1,620	78,045
NET BOOK VALUE					
At December 31, 1999	379,017	3,740	1,991	2,760	387,508
At December 31, 1998	390,362	4,958	2,915	2,850	401,085

11、CONSTRUCTION IN PROGRESS

Project	1.1.1999	Additions	12.31.1999
	RMB'000	RMB'000	RMB'000
Weizhou International Enterprise	30,437	-	30,437
IBM Mainframe System	-	1,577	1,577
Others	290	290	580
	30,727	1,867	32,594

12、LONG TERM INVESTMENTS

	1999	1998
	RMB' 000	RMB'000
Unlisted shares in PRC	10,000	10,000
Investment in construction project	414	-
	10,414	10,000

According to the board of directors, above long term investments with their book values as at December 31, 1999.

13、INTANGIBLE ASSETS

	1999	1998
	RMB' 000	RMB'000
Pre-operating expenses		
At January 1, 1999	10,210	9,614
Additions	587	2,590
Amortisation for the year	(3,778)	(1,994)
At December 31, 1999	7,019	10,210

14、CURRENT ASSETS

	1999	1998
	RMB' 000	RMB'000
Inventories	267,012	48,425
Properties under development	103,911	301,663
Accounts receivable	24,584	9,366
Prepayments, other receivables and current assets	150,519	75,415
Deferred expenses	210	-
Cash and bank balances	156,925	122,478
	703,161	557,347

15、 INVENTORIES

	1999 RMB' 000	1998 RMB'000
Inventories of department store	42,880	32,709
Completed properties fore sale	224,132	15,716
	267,012	48,425

16、 CURRENT LIABILITIES

	1999 RMB' 000	1998 RMB'000
Bank loans	445,370	437,69 8
Bills payable	20,000	-
Accounts payable	95,287	55,807
Receipts in advance and other payables	109,332	86,789
Dividend payable	20,144	9,863
Tax payable	38,710	43,878
Accruals	5,945	4,438
	734,788	638,473

17、 BANK LOANS

	1999 RMB' 000	1998 RMB'000
Mortgaged loans	352,977	359,397
Guaranteed loans	81,893	78,301
Credit loans	10,500	-
	445,370	437,698

18、 NON-CURRENT LIABILITIES

	1999 RMB' 000	1998 RMB'000
Deferred tax	2,700	-
Residential fund	255	303
	2,955	303

19、DEFERRED TAXATION

	1999 RMB' 000	1998 RMB'000
Deferred taxation have been provided for:		
Timing difference arising from sale of property under development	2,700	-

20、SHARE CAPITAL

	1999 RMB' 000	1998 RMB'000
Registered, issued and paid-up:		
148,901,184 A shares	148,901	148,901
72,000,000 B shares	72,000	72,000
	220,901	220,901

'A' shares are issued to Chinese national investors resident in the PRC and 'B' shares are issued to foreign investors. 'A' and 'B' shares have a par value of RMB 1 per share and rank pari passu.

21、RESERVES

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Surplus reserve RMB'000	Discretionary public welfare fund RMB'000	Statutory earnings/ (loss) RMB'000	Total RMB'000
At January 1, 1999	51,110	39,225	35,144	13,496	(3,763)	135,212
Prior year adjustments			(1,376)	(688)		(2,064)
Profit for the year					36,267	36,267
Transferred			3,022	1,511	(4,533)	-
Dividend					(11,045)	(11,045)
At December 31, 1999	51,110	39,225	36,790	14,319	16,926	158,370

According to the Company's Articles of Association and the PRC's relevant laws and policies, the Company is required to retain a statutory reserve which approximate the profits after tax. The actual figure will be determined by the board of directors. The statutory surplus reserve, which includes basic reserve fund and staff welfare funds may be applied only for its specific purpose and cannot be used to distributed dividend.

Due to the newly adopted accounting standards, adjustment has been made to the surplus reserve and discretionary public welfare fund.

22、SUBSIDIARIES AND CONTRACTUAL JOINT VENTURES

Subsidiaries	Place of equity establishment/ incorporation	Registered capital RMB'000	Principal activities	Interest held
Shenzhen Rongfa Property Management Co., Ltd.	Shenzhen	7,000	Property Management	57.50%
Shenzhen Longgang Rongfa Investment Co., Ltd.	Shenzhen	30,000	Property construction and trading	62.50%
Shenzhen Chunhua Pharmaceutical Co., Ltd.	Shenzhen	3,000	Manufacture and sale of medical drugs and equipment	75.00%
Shenzhen International Enterprise Trading Co., Ltd.	Shenzhen	5,000	International trading	98.75%
Shenzhen Xi Wei Te Pharmaceutical Co., Ltd.	Shenzhen	3,000	Medical drugs and equipment	95.50%
Harbin (Shenzhen) International Arcade	Harbin	5,000	Department store operation	100.00%
Shenzhen International Arcade Chain Store	Shenzhen	10,000	Department store operation	100.00%
Shenzhen Longgang International Arcade Enterprise Co., Ltd.	Shenzhen	5,000	Department store operation	100.00%

Contractual Joint Venture	Place of equity establishment/ incorporation	Registered capital USD'000	Principal activities	Interest held
Shenzhen Rongfa Investment Co., Ltd.	Shenzhen	5,000	Property construction and trading	50.00%

23、MAJOR LITIGATIONS

(1) The Company was named as a defendant in a court action by a former joint venture partner of the Company for alleged damages of RMB2,050,000. The Company lodged a counter-claim for RMB2,050,000 and the Court had ordered the Company to pay damages of RMB2,549,113.92. The Company had lodged

an appeal to the High Court of Heilongjiang and the process of litigation is still in progress and the directors are of the opinion that no provision is required in respect of this claim.

(2) An action was commenced by Shenzhen Special Economic Zone Development (Group) Limited for repayment of loans including RMB49,974,548.90, USD1,312,906.46 and relevant interest. The Intermediate Court had on September 4, 1999 held that the Company should settle RMB7,112,950, HK$5,560,000, USD1,000,000 and relevant loan interest. The Company had lodged an appeal to the High Court of Guangdong Province and the appeal is still under processing. The loans have been included under other receivables.

(3) The Company filed a lawsuit against three parties for the repayment of RMB7,300,000 and HKD7,100,000 totally in respect of a share transfer transaction. The litigation is now settled between the parties and directors considered that the amount can be recovered in full.

(4) An action was commenced by the Company for recovery of loan amounting to RMB4,700,000 and an amount of RMB130,000 was received by the Company on November 4, 1999. The directors are of the view that the amount can be recovered in full..

24、PLEDGE OF ASSETS

As at December 31, 1999, the bank disposal of RMB93,934,000 (1998: RMB68,168,000) and the land and buildings of the Group at book value RMB454,739,278 were pledged for general banking facilities available for the Group.

25、IMPACT OF IAS ADJUSTMENTS ON PROFIT/LOSS

	Profit/Loss for the year ended 1999 RMB'000	1998 RMB'000
As reported in financial statements prepared in accordance with GAAP of PRC	30,221	2,370
Adjustment to conform with IAS:		
Interest in associated companies	-	(13,412)
Amortisation for deferred expenses	-	(232)
Provision for bad and doubtful debts	(4,957)	(949)
Provision for obsolete stock	(4,403)	179
Provision for staff welfare	-	8
Provision for depreciation	(1,432)	964
Reversal of deferred assets	1,403	-
Disposal of assets	135	-
Sales of property under development	18,000	-
Deferred taxation	(2,700)	-
	36,267	10,687

26、IAS IMPACT ON CONSOLIDATED NET ASSETS

	12.31 Consolidated net assets	
	1999	1998
	RMB'000	RMB'000
As reported in financial statement prepared in accordance with GAAP of PRC	416,034	410,618
Adjustments to conform to IAS:		
Interests in associated companies	-	(13,412)
Amortisation of deferred expenses	-	(1,231)
Provision for bad debt	(4,957)	(9,554)
Provision for obsolete stock	(4,403)	(41)
Adjustment on current assets	1,547	(2,303)
Elimination on inter-company unrealised profit	-	(27,964)
Adjustment on fixed assets	(1,432)	-
Adjustment on non-current liabilities	(2,700)	-
Adjustment on profit from sale of properties under development	18,000	-
Prior year adjustments	(42,818)	-
	379,271	356,113

27COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Ⅸ. Other Related Materials of the Company

(Ⅰ) The first registration date: March 1993

Registration address: Shenzhen, Guangdong Province

The changed registration date: Oct. 1998

Registration address: Shenzhen, Guangdong Province

(Ⅱ) The entity business license registration number: SS Zi N23388

(Ⅲ) The tax registration number: 440301520200039

(Ⅳ) Custodian for shares not in circulation: Merchants Securities Co., Ltd.

(Ⅴ).Certified public accountants engaged by the Company:
Domestic: Shenzhen Huapeng Certified Public Accountants
International: MORISON HENJ Certified Public Accountants

Ⅹ. Documents Available for Inspection

(Ⅰ) Accounting statements carried with the personal signatures and seals of legal representative, person in charge of the financial affairs and person in charge of handling accounting affairs.

(Ⅱ) Original of auditors' report carried with seal of the Certified Public Accountants as well as personal signatures and seals of certified public accountants.

(Ⅲ) Originals of all documents disclosed in public on Securities Times and the original manuscripts of the public notices published in the report period.

(Ⅳ) Originals of all documents disclosed in public on Hong Kong Commercial Daily and the original manuscripts of the public notices published in the report period.

This report is written both in Chinese and English. Should there be any difference in interpretation of the text of the two versions, the Chinese version shall prevail.

Board of Directors
of Shenzhen International Enterprise Co., Ltd.
April 21, 2000