SHEN ZHEN SEG CO., LTD.

（a joint stock limited company incorporated in Shenzhen, the People's Republic of China）

1999 ANNUAL REPORT

Important: The Board of Directors of SHENZHEN SEG CO., LTD. (hereinafter referred to as the Company) hereby confirms that there are no any important omissions, fictitious statements or serious misleading contents in the information 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. Name of Company in Chinese: **深圳赛格股份有限公司**

   Name of Company in English: SHENZHEN SEG CO., LTD.

2. Legal Representative: Wang Dianfu

3. Secretary of the Board of Director: Zheng Dan

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4. Registered Address and Office Address:

   16/F, Baohua Building, Huaqiang N. Rd., Futian District, Shenzhen

   Post Code: 518031

   Internet Web Site: http://www.segcl.com.cn

   E-mail： segcl@baohua.com.cn

5. Newspapers Chose by the company for Disclosing the Information: Securities Times and Ta Kung Pao

   Internet Web Site Designated by China Securities Regulatory Commission for Publishing the Annual Report of the Company: http://www.cninfo.com.cn

   The Place Where the Annual Report is Prepared and Placed:

   Office at 16/F, Baohua Building, Huaqiang N. Rd., Futian District, Shenzhen

6. Stock Exchange Listed with: Shenzhen Stock Exchange

   Short From of the Stock and Stock Code: Stock A Shen SEG 0058

   Stock B Shen SEG-B 2058

II. Financial Highlights

1. Total Profit and the Composition as of the Year 1999 (in RMB)

Total profit:	219,006,056.33
Including:	
Net profit:	146,453,022.76
Net profit after deducting the nonrecurring gains and loss:	146,453,022.76
Profit from main business lines:	379,453,877.31
Profit from other business lines:	33,699,984.93
Operating profit	197,683,492.37
Investment income:	887,203.67
Subsidy income:	
Net amount of non-operating income and expenditure:	20,435,360.29
Net cash flows arising from operating activities:	53,397,126.01
Net increase of cash and cash equivalents:	(142,843,897.40)

Explanation of the difference in the net profit as audited by Chinese and international certified public accountants:

	Comprehensive Operating Results As Ended Dec. 31		Net Assets Value Settled on Dec. 31	
	1999 in RMB'000	1998 in RMB'000	1999 in RMB'000	1998 in RMB'000
Quoted from the financial statements audited by the Chinese accountants	146,453	140,911	1,413,235	1,351,338
Prior adjustments by Chinese accountants:				
-- Adjustment for additional provision allocation of bad debts	-	(3,783)	-	(6,420)
--Adjustment for additional provision allocation of outdated inventories		(1,193)		(8,523)
-- Provision for losses in other investments				(13,259)
--Adjustment to outstanding achievement of affiliated companies because of the adjustments in previous years				(6,587)
-- Additional provision allocation for income tax	-	(2,594)	-	(2,594)
-- Additional provision allocation for value added tax	-	-	-	(4,398)
After readjustments	146,453	133,341	1,413,235	1,309,557
Adjustment items				
-- Provision for bad debts as arranged according to the relevant years	(26,827)	(7,691)	(25,301)	1,526
-- Provision for outdated inventories as arranged according to the relevant years	(2,382)	(1,811)		2,382
--Provision for losses in investment as arranged according to the relevant years	(12,584)			12,584
-- Surplus profit from the affiliated companies	(15,865)	(68)	(14,732)	1,133
-- Gain from sale of real estate	-	(8,959)	-	-
-- Readjustment of inadequate reserve for income tax	(2,594)	2,594	-	2,594
-- Readjustment of inadequate reserve for value added tax	(4,398)	-	-	4,398
-- Net expenditure reallocated from the reserve		(909)		
-- Consolidated reserves come from purchasing the subsidiary company	23,477		23,477	
-- Others	(410)	(1,131)	6,182	6,592
Summarized amount as audited by the international certified public accountants	104,870	130,748	1,402,861	1,340,766

Note: The main reason which result in the difference is that according to the newly provision of the Ministry of Finance, Chinese accountants use retroactive adjustment to deal with the four previsions for previous years, to adjust losses or gains in previous years, while, foreign accountants put the four previsions for previous years into losses or gains in current term.

2. Financial Highlights (in RMB'000)

Items	**1999**	**1998** Before adjustment	**1998** After adjustment	**1997** Before adjustment	**1997** After adjustment
Income from main business lines	1,882,451	1,732,188	1,732,188	1,697,920	1,697,920
Net profit	146,453	140,911	133,341	226,323	190,129
Total assets	3,922,574	2,977,926	2,940,921	2,401,721	2,356,666
Shareholders' equity (excluding minority shareholders' equity)	1,413,234	1,351,340	1,309,556	1,030,960	994,766

	1999	**1998** Before adjustment	**1998** After adjustment	**1997** Before adjustment	**1997** After adjustment
Earnings per share (RMB/share)	0.239	0.230	0.217	0.562	0.472

Weighted average earnings per share (RMB/share)	0.239	0.281	0.22	0.58	0.487
Earnings per share after deducting the infrequent gains and loss (RMB/share)	0.239	0.281	0.217	0.272	0.182
Net asset per share (RMB/share)	2.304	2.20	2.135	2.562	2.472
Net asset per share after adjustment (RMB/share)	2.14	2.14	2.07	2.49	2.37
Net cash flows per share from operating activities (RMB/share)	0.087	0.368	0.368	-	-
Net asset – income ratio (%)	10.36	10.43	10.18	21.97	19.11

Notes: Formula for Calculating Major Financial Indexes:

(1) Earnings per share = Net profit / Total number of common shares at the end of the year

(2) Net asset per share = Shareholders' equity at the end of the year / Total number of common shares at the end of the year

(3) Net asset per share after adjustment = (Shareholders' equity at the end of the year – Accounts receivable over 3 years – Deferred expenses – Net loss on (current / fixed) assets in suspense – Initial expenses – Long-term deferred expenses – Negative amount of housing revolving fund) / Total number of common shares at the end of the year

(4) Net cash flows per share from operating activities = Net cash flows from operating activities /Total number of common shares at the end of the year

(5) Net asset–income ratio = Net profit / Shareholders' equity at the end of the year × 100%

3. Particulars about changes in shareholders' equity of the Company in 1999

(In RMB'000)

Items	Share capital	Capital reserves	Statutory surplus reserves	Statutory welfare fund	Discretionary surplus reserves	Undistributed profit	Total shareholders' equity
beginning of period	613,427	322,746	46,731	37,634	7,179	281,709	1,309,426
Increase as of the period	--	296	14,645	14,645	150,000	146,453	326,039
Decrease as of the period	--	--	--	--	--	222,231	222,231
At end of period	613,427	323,042	61,376	52,279	157,179	205,931	1,413,234

Reasons for changes:

(1) The capital reserves increased 296 thousand in this term, the mainly reason is that when the foreign currency capitals invested by the foreign shareholder of the company's affiliated shareholding company has been converted into RMB, it result in the capital converting balance, so the capital reserves were increased.

(2) The increasing of surplus reserves was mainly due to the allotment of the 10% statutory surplus reserves, 10% statutory welfare fund and 150,000 thousand Discretionary surplus reserves;

(3) The decreasing of undistributed profit was due to that the profit realized in this year plus the undistributed profit in the beginning of this year were allotted to statutory surplus reserves, statutory welfare fund and discretionary surplus reserves as well as allocated 0.7 every 10 shares in cash.

III. Changes in Share Capital and Shareholders information

1. Changes in share capital

(1) Statement about changes in share   In share

	Before this change	Increase/decrease in this change (+, -)						After this change
		Shares allotted	Bonus shares	Accumulation fund capitalized	Shares newly issued	Others	Sub total	

I. Unlisted shares	360,589,086							360,589,086
1. Promoters' shares	360,589,086							360,589,086
Including:State-owned shares	360,589,086							360,589,086
Domestic legal person shares								
Foreign legal person shares								
Others								
2. Legal person shares placed								
3. Employees' shares								
4. Preference shares and others								
Including: shares capitalized and allotted								
Total unlisted shares	360,589,086							360,589,086
II. Listed Shares								
1.Ordinary RMB shares	44,060,249							44,060,249
(including: senior executive shares)	(299,607)					(-121,605)		(178,002)
2. Domestically listed Foreign shares	208,777,800							208,777,800
3.Abroad listed Foreign shares								
4. Others								
Total listed shares								
III. Total shares	613,427,135							613,427,135

Note: The changes in share capital are explained as follows: The office-term of Pang Datong and Qi Chenglin as directors of the 1st Board of Director, Zheng Peijian and Ma Jiwu as supervisors of the 1st Supervisory Committee, and Wang Junzhao as secretary of the 1st Board of Directors were expired. Since they had left their posts for six months up to Nov. 28, 1999, the 121,605 senior executive shares held by them could be listed for circulation upon the approval by Shenzhen Stock Exchange. At present, there are still 178,002 senior executive shares blocked.

(2) Issuance and listing of shares

① Information about the issuance of shares for the past three years by the end of the report period

Types of shares	Issuance date	Issuance price	Number of shares issued	Date of listing	Number of shares tradable	Expiry Date of Transaction
B Shares	Dec. 31,1997 to Jan. 8,1998	HKD3.66 per share	50 million shares	Jan. 22,1998	50 million shares	

② There were no changes neither in total number nor the structure of the shares during the report period.

② The employees' shares of the Company were listed for circulation on June, 26, 1997, there are no more employees' shares in the Company.

2. Introduction to the Shareholders

(1) Total number of the shareholders at the end of the report period

Ended Dec. 31, 1999, the Company had totally 11,400 shareholders.

(2) Top Ten Shareholders ended Dec. 31, 1999

No.	Name of Shareholders	Changes in shares held			Percentage of total share capital	Nature
		Shares held at beginning of the year (In share' 0000)	Increase/decrease (In share' 0000)	Shares held at end of the year (In share' 0000)		
1	Shenzhen Electronics Group Co., Ltd.	36,058.91	0	36,058.91	58.78%	State-owned legal person shares
2	CREATE INVESTMENTS LTD.	2,459.90	-12.55	2,447.35	4.01%	B Shares
3	MAXFORM ENTERPRISES	1,016.78	0	1,016.78	1.66%	B Shares

	LTD.					
4	SMART HILL INVESTMENT LTD.	935.65	0	935.65	1.53%	B Shares
5	PACIFIC RIM ASSETS LTD.	1,110.85	-251.20	859.65	1.40%	B Shares
6	Zhanjia International Development Co., Ltd.	707.83	-100.20	607.63	0.99%	B Shares
7	KINGFORD ELECTRONICS CO., LTD.	586.86	0	586.86	0.96%	B Shares
8	Minle Investment Co., Ltd.	537.80	0	537.80	0.88%	B Shares
9	SEQUEL COMPANY LTD.	668.27	-206.71	461.56	0.75%	B Shares
10	Baoyong Enterprise Co., Ltd.	311.83	0	311.83	0.51%	B Shares

Note: There is no related company relationship among the above top ten shareholders.

(3) Particulars about Legal Person Shareholders Holding Over 5% (including 5%) of Total Shares

Name of Shareholder	Proportion of Shares Held	Legal Representative	Business Scope	Shares Pledged or Frozen
Shenzhen Electronics Group Co., Ltd.	58.78%	Wang Dianfu	Development, production and sales of electronic information products; Finance, trading and real-estate industries, etc.	None

(4) There were no changes in control shareholder during the report period.

IV. Brief Introduction to the Shareholders' General Meeting

1. Particulars in notifing, convoking and holding the Shareholders' General Meeting

In the report period, the Company held two shareholders' general meetings, the 4th Shareholders' General Meeting and the 1st Extraordinary Shareholders' General Meeting of the year 1999.

2. Resolutions as adopted by the shareholders' general meeting, information disclosure newspapers for publishing the resolutions and the date of disclosure

The Company held the 4th Shareholders' General Meeting on May 28, 1999. There were totally 33 shareholders and their authorized representatives present at the meeting, representing 386.669 million shares (including 25.68 million B-shares), covering 63% of total share capital of the Company, which complied with the related stipulations as specified in the Company Law of PRC and the Articles of Association of the Company. The meeting examined and adopted the following resolutions by voting:

examined and adopted '98 Work Report of the Board of Directors;

examined and adopted '98 Work Report of the General Manager;

examined and adopted '98 Work Report of the Supervisory Committee;

examined and adopted '98 Financial Settlement Report;

examined and adopted '98 Profit Distribution Proposal;

Elected Wang Dianfu, Jin Haitao, Huang Xuxi, Feng Quanbao, Sun Yulin, Zhang Wanzhang, Deng Xianfu, Sun Shengdian, Zhang Yongcheng as directors of the 2nd Board with office term of 3 years;

Elected Li Yueju, Xu Changhui, Li Lifu as supervisors of the 2nd Supervisory Committee with office term of 3 years (As representatives of employees, Xu Jiqian and Fan Qing were elected as supervisors by the staff's congress with office term of 3 years.)

The Company published the public notice on the resolutions of the aforesaid shareholders' general meeting on the Securities Times, China Securities Daily and Hong Kong Commercial Daily dated May 29, 1999.

The Company held the 1st Extraordinary Shareholders' General Meeting of the year 1999 on Oct. 30, 1999. There were totally 41 shareholders and their authorized representatives present at the meeting, representing 446,662,236 shares, covering 72.81% of the total share capital of the Company, including 80,750,776 domestically listed foreign shares (B-shares). The meeting complied with the relevant provisions as specified in the Company Law and the Articles of Association of the Company. The meeting examined and adopted by voting the following resolutions submitted by the board of directors:

examined and adopted the Proposal on '99 Proposal on Capital Increment and Share Allotment;

examined and adopted the Proposal on '99 Feasibility Study on Using the Proceeds Raised through Share Allotment (Draft);

examined and adopted the Proposal on Using the Proceeds Raised through Share Allotment and the Description of the Resulted Efficiency;

examined and adopted the Proposal on Authorizing the Board of Directors to Amend the Articles of Association upon Completion of the Share Allotment;

examined and adopted the Proposal on Authorizing the Board of Directors to Renew Shenzhen Zhongtian Certified Public Accountants and Deloitte Touche Tohmastu Certified Public Accountants as the Domestic and Foreign Auditors Respectively and the Pays for their Services.

The public notices on the aforesaid the resolutions as adopted at the Extraordinary Shareholders' General Meeting were published on the Securities Times, China Securities Daily as well as Hong Kong Commercial Daily dated Nov. 1, 1999.

3. Election and Replacement of the Directors and Supervisors

The Board of Directors and the Supervisory Committee respectively conducted election for the new Board of Directors and the Supervisory Committee. Pang Datong, Qi Chenglin and Chen Liucheng, directors of the 1st Board of Directors, were replaced by Deng Xianfu, Sun Shengdian and Zhang Yongcheng as directors of the 2nd Board of Directors; Zheng Peijian and Ma Jiwu, supervisors of the 1st Supervisory Committee, were replaced by Li Lifu as supervisor of the 2nd Supervisory Committee. The Staff's Congress elected Xu Jiqian as the staff's supervisor of the 2nd Supervisory Committee.

V. The Report of the Board of Directors

1. The Company's Operation Condition

(1) The industry that the Company is engaged in and its position in the industry

The Company is engaged in electronic information industry, occupying important position in the electronic industry of China. Shenzhen SEG-HITACHI Color Display Devices Co., Ltd. (SEG-HITACHI) held by the Company is the largest manufacturer of 21" CPT in China. In 1999, the output of 21" CPT of SEG-HITACHI ranked the second in China and its sales amount ranked the first. The first production line of 34" super large screen CPT in China that was put into operation on September 25, 1999 has occupied a pivotal position in Chinese CPT industry. The output and sales volume of Shenzhen SEG Samsung Co., Ltd. with the share participation of the Company ranked were at the top of the list among glass shell manufacturers. (Information source: statistical data of CPT Trade Association). SEG Electronic Market run by the Company is a market of electronic products and accessories with the largest scale in Asia.

(2) Scope of the Company's Major Business Lines and its Operation Status:

①. The Company is mainly engaged in the R&D, production and sales of high-tech and electronic information products including CPT, glass shell for CPT and display, electronic system projects, network projects, communication and audiovisual products, etc., provision of information service, operation and management of the market of electronic products and accessories, bonded storage and warehousing, foreign-related transportation, etc. Ended December 31, 1999, the Company's income from the mainly businesses was RMB 1882.45 million, an increase of 8.68% over the same period of the previous year. Its profit from the mainly businesses was RMB 379.45 million, an increase of 12.09 % over the same period of the previous year. The composition of the income and profit from mainly businesses is as follows:

Type of products	Income from mainly businesses	Profit from mainly businesses
Color display device	1,501,536,094.69	271,149,987.08
Income from the operation of SEG Electronic Market and electronic products trading and maintaining	225,069,723.21	55,313,564.74
Communication, software and electronic system projects	136,278,058.71	46,364,064.78
Foreign-related transportation and bonded warehousing and storage	19,567,522.78	6,626,260.71
Total	1,882,451,399.39	379,453,877.31

②. The businesses of the Company that takes over 10% of the income from mainly businesses or profit from mainly businesses are the CPT and the operation of SEG Electronic Market:

A. Shenzhen SEG-HITACHI Color Display Devices Co., Ltd., a Sino-foreign joint venture held by the Company, is mainly engaged in the production and sales of 21” and 34” CPT. In 1999, under the circumstance of increasingly intense competition in the domestic market of 21” CPT and the influences of 8 major CPTs jointly suspended production to decrease storages from June to July, the share-holding subsidiary of the Company – SEG-HITACHI actively opened up domestic and foreign market and realized the synchronous growth of total output and sales volume as well as of export amount through cost control and technical and management innovation without being affected by the above factors. In 1999, its output of 21” CPT was 2.8641 million, an increase of 3% over 1998. The production-sales rate of CPT reached over 99%. The export volume of CPT was 0.86 million, an increase of 1.3% over 1998. The foreign exchange earned through export was USD 42.40 million. The export amount of CPT of the company accounted for around 60% of the total export amount of similar products. The first production line of 34” super large screen CPT was formally put into production on September 25, 1999 after intense construction of 15 months, which was listed by State Economic and Trade Commission as the key technical innovation project of the state and confirmed by State Planning Commission as key construction project in the field of information industry and high-tech project in 1999. The project created three world records of CPT production in respect of production layout design, speed of construction speed and output climbing capacity. By the end of 1999, the company had attained and exceeded the monthly designed production capacity. In 1999, the company has produced and sold totally 95,000 34’’ CPTs. In the same year, the company was appraised by Shenzhen Municipal Government as high-tech enterprise. Besides, 54cm shadow mask type fine and bright CRT independently developed by the company won first prize of technical progress of Shenzhen City and the second prize of technical progress of Guangdong Province. 54-cm fine and bright type-II and III CPT and 54 cm ink bright CPT won new product certificate of the state level. The income from the business of CPT was RMB 1501.54 million in 1999.

B. Shenzhen SEG Co., Ltd., Electronic Market Branch Company is mainly engaged in the operation and management of the market of electronic products and accessories. While maintaining the title of “civilized market of national, provincial and municipal levels, the company successfully carried out the fourth stage of SEG electronic market project. The counter leasing rate of new SEG electronic market with the largest scale in Asia has reached over 95% since the commencement of its trial operation on October 26, 1999. The area, scope, concept, form and environment of operation have undergone qualitative change. The company is actively developing transaction platform of electronic business - “online SEG” that is based on and matched with the existing tangible market. The company is striving to become the largest intermediate party of online trading of electronic products between Asian area and other areas in the world.

There is no big changes of the major businesses of the Company and its business structure took place in the report period.

(3) The operation and performance of the Company’s wholly-owned subsidiaries and share-holding subsidiaries

Apart from the above-mentioned Shenzhen SEG-HITACHI Color Display Devices Co., Ltd. and Shenzhen SEG Co., Ltd., Electronic Market Branch Company, the operation and performance of the Company’s wholly-owned subsidiaries and share-holding subsidiaries are as follows:

1) Shenzhen SEG Communication Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in the design, production and installation of communication products. The business income of the company was RMB 20.37 million in 1999.

2) Shenzhen SEG Sinod Intelligent System Engineering Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in the design and installation of intelligent network system for buildings and the production and operation of intelligent system

integration products for buildings. The projects of installing intelligent system for Chuzhou Electric Power Control Building and SEG Electronic Market(the first term of the project of intelligent system for SEG Electronic Market) that were undertaken by the company in 1999 have smoothly passed inspection. The first set of open-typed integration product for intelligent building Opera 2000 independently developed by the company filled up the gap in this field and was widely applied. In October 1999, the company signed agreement on long-term technical cooperation with Lucent Technologies (the United States), which provided excellent international technical support to its future development. The sales income of this company was RMB 25.64 million in 1999.

3) Shenzhen SEG Telecommunication Equipment Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in the development, production and sales of radio pager, radio mobile communication terminal products and their parts and accessories.

4) Shenzhen SEG Storage & Transportation Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in foreign-related transportation, bonded warehousing, etc. It overcame the impact of the economic crisis of Southeast Asia on the transportation business of Shenzhen and Hong Kong and tried every possible means to open up the market of warehousing and transportation in 1999. The business income of this company was RMB 19.57 million in 1999.

5) Shenzhen SEG Business Machine Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in the business and maintenance of office equipment such as duplicating machine. The company adopted the mode of chain operation through brand agency, having become the designated import wholesaler of office equipment of three famous brands, i.e., Ricoh, Minolta and Sharp. The business income of this company was RMB 61.48 million in 1999.

6) Shenzhen SEG East Industrial Development Co., the wholly-owned subsidiary of the Company, is mainly engaged in domestic commerce, supply and sales of materials and import and export business. The business income of this company was RMB 61.57 million in 1999.

7) Shenzhen SEG Bank Financial System Engineering Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in the production and sales of computer-aided bank seal verification system.

8) Shenzhen SEG Baohua Electronics Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in value-added service of network information, operation and management of property and audiovisual industry. The business income of this company was RMB 38.11 million in 1999.

9) Shenzhen SEG Dasheng Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in the production and sales of electronic products including high-class combined hi-fis, home cinemas and laser disc players, concurrently dealing in the tertiary industry including the business of real estate, hotel and beer city. Recommended by Guangdong Provincial Electronic Machinery Industry Office, SEG Dasheng has become the designated manufacturer of the key board of DVD. The production base of SEG digital audiovisual products and technical renovation of key board of DVD were listed by Shenzhen City among the second batch of key industrial construction projects in 1999. The construction of the main-body works of the Window of the Modern building in which the company invested was completed. The building sold well, which will be a new channel for profit growth.

10) Shenzhen SEG Shengying Telecommunication Guide Co., Ltd., the share-holding subsidiary of the Company, is mainly engaged in the production and sales of GPS global satellite positioning and guide system and products. The company mainly conducted the construction of the network of digital mobile communication safety and service information through urban global satellite positioning and provided to the network overall software development and hardware product, i.e., vehicle-mounted digital mobile telephone – SEG Chesheng. The model project of this network "Shenzhen Motor Vehicle Anti-theft Center" has been successfully established in Shenzhen, whose prospect of application is promising. The company has signed agreement on the network construction and the provision of software and hardware products with 14 cities including Shanghai and Tianjin and realized lot export. The GPS project of the company passed the ministry-level test of the Ministry of Information Industry and was listed by the State Economic and Trade Commission as key technical innovation project, which won key support from the Ministry of Information Industry. It was also a key project of Shenzhen City and one actively popularized by Shenzhen Public Security Bureau.

(4) Problems and difficulties occurred in operation and the solutions

The greatest problem and difficulty met in operation by the Company is price lowering caused by keen competition in color TV industry. To solve the problem, the Company adopted the following measures:

1) The Company made full use of the time when 8 major CPTs jointly suspended production to complete the renovation and overhaul of 21" production lines so that the enhancement of the product quality and daily output after the resumption of production was ensured;

2) The Company continued to strengthen cost control and open up new channel for cost reduction through management innovation and technical progress so that the unit cost was further reduced;

3) The Company continued to open up foreign markets and enlarged the export proportion of CPT;

4) The Company satisfactorily completed the market development of high-definition 21'' CPT and made it become the Company's new channel for profit growth;

5) The Company fully completed the construction of the project of 34" super large screen CPT by the end of September and ensured production commencement by the end of the year. Meanwhile, the Company stepped up the marketing of 34" CPT, the development of series new product and the progress of replacement of imports with domestic raw materials.

2. Financial Status

The total assets of the Company were RMB 3,922.57 million by the end of 1999, an increase of RMB 981.65 million and 33.38% over the previous year. The increment mainly because:

①. The construction work in process was greatly increased over the previous year. The project of super large screen CPT production line of the SEG-HITACHI Company, which shares were indirectly held by the Company, has increased by 725.32 million and 703.58% over than the end of previous year;

②. The loan not returned in time and the current fund of account not settled in time resulted in accounts receivable and other accounts receivable increasing over the end of previous year.

③. Inventories including raw materials, work-in-process and finished products increased to certain extent due to the production of SEG-HITACHI Company's 34" super large screen CPT in the year.

The total long-term liabilities of the Company were RMB 335.33 million by the end of 1999, an increase of RMB 320.27 million and 2126% over the previous year, the mainly reason of increasing is that this term SEG-HITACHI obtained many long-term loans from National Development Bank for the construction of super large screen project.

The shareholders' equity of the Company was RMB 1,413.23 million by the end of 1999, an increase of RMB 103.67 million and 7.92% over the previous year mainly because the profit earned by the Company in the year increased its shareholders' equity.

The profit from the mainly businesses of the Company was RMB 379.45 million by the end of 1999, an increase of RMB 40.92 million and 12.09% over the previous year mainly because the profit from communication network products and electronic market was increased a bit over the previous year.

The Company earned total profit of RMB 219.01 million in 1999 and hit the 1999 profit target. The total profit increased a bit over the previous year mainly because:

①. CPT hold its well tendency on sell under the circumstance of keen market competition, which ensured the increase of the profit of 1999 over the previous year;

②. The profit from communication products and electronic market increased a bit over the previous year;

③. The Company successfully controlled cost, strengthened management and actively opened up market.

3. Investment

According to the planning and the need of industrial development of the Company, its investment amount increased a bit in the report period over the previous year. The particulars of the major investments are as follows:

(1) In the report period, there is no raise funds through public offer and the proceeds raised through the previous public offer that were carried over to be utilized in the report period.

(2) In the report period, major projects of investment by non-raised funds and their progress as well as yields:

1) The Company completed the project of the production line of SEG-HITACHI 34" super large screen CPT that was rated as the key construction project of the state in the field of electronic information industry, high-tech project and national key technical innovation project. The total investment was around RMB 0.85 billion. The line was officially put into production on September 25, 1999, which has now reached and exceeded the designed monthly production capacity. By the end of 1999, the accumulated output of 34" CPT was

95,000. This project was not inspected in the report period.

2) The Company added investment of RMB 60.55 million in Shenzhen SEG Storage and Transportation Co., Ltd. in the report year for enlarging the scale of this company's warehousing business. The company earned profit of RMB 3.96 million in the year.

3) The Company invested RMB 50 million in the decoration of 2-7 floors of podium of SEG Plaza – New SEG Electronic Market. The electronic market was put into trial operation on October 26, 1999 and counter lease rate reached over 95%. The market earned profit of RMB 29.75 million in the year.

4) The Company invested RMB 3.672 million in the capital extension of Shenzhen SEG Sinod Electronic Co., Ltd. (According to the original resolution of the board of directors, the Company planned to invest RMB 3.825 million. Later, the board of directors, after careful study, agreed to the proposal that capital of RMB 153,000 would be contributed by staff. So the actual investment of the Company was RMB3.672 million). The registered capital of this company increased to RMB 10 million from RMB 2.5 million. The share-holding proportion of the Company decreased from 51% to 49.47%. The Company was still in the control position. That company is mainly engaged in the design and installation of intelligent system for buildings. It earned profit of RMB 2.97 million in the year.

5) The Company newly established Shenzhen SEG Shengying Telecommunication Guide Co., Ltd. in the report period. The Company invested RMB 2.45 million, taking 46.67% of the equity of the new company. Shenzhen SEG Communication Co., Ltd. held by the Company invested RMB 1.74 million, owning 33.33% equity of the new company. The investment of the above two companies was RMB 4.19 million and the proportion of the share participation was 80%. The new company is engaged in the development, production and sales of GPS products, being able to provide GPS integration vehicle-mounted unit and set up GPS network monitoring center.

4. Influences on the Operation of the Company after China Joins WTO

After China joins WTO, the Company mainly engaged in the production and sales of CPT will have more opportunities than challenges due to the following reasons:

(1) The Company has formed large production scale of 21" CPT which is its leading product, being a manufacturing and sales enterprise of CPT with the largest output of single kind of product. With low cost and high quality, 21" CPT produced by the Company have great competing advantages at home and abroad, whose domestic sales price has been equivalent to the international price. However, the Company still needs to import electron gun - the accessory of CPT. After China joins WTO, the reduction of customs duties helps the Company further lower cost. The export rate of 21" CPT produced by the Company has been kept over 30% for years, which have been exported to many countries. The export volume of such kind of product accounts for over 60% of the total export volume of the same kind of product of China. After China joins WTO, the tariff barriers of other countries against China will be reduced so that the competing ability of the Company's products in the international market will be further enhanced.

(2) The Company is striving to increase the output capacity of 34" CPT - the import-replacing product by 50% in 2000 after it exceeded the designed monthly production capacity in December 1999. It is setting about the development of 100HZ, Southern Hemisphere system, middle/high-definition and whole screen CPT. It will constantly increase the technical content of products, actively promote the industrial upgrading and quicken the progress of making parts and accessories home-made. Meanwhile, the cost of imported parts will be lowered due to the reduction of import duties so that the competing ability of the Company's products will be enhanced.

(3) Influence arising from China's joint in WTO on other businesses of the Company is not great due to the smaller share.

5. Business Development Plan for the New Year

(1) The Company will quicken the progress of making the raw materials of 34" CPT home-made and diversified, make efforts to reduce cost and enhance economic benefit. It will step up the research and development of 100HZ and middle/high-definition 34" CPT, actively plan and promote the phase-III extension project of SEG-HITACHI and carry out the construction step by step. While striving to build the first color display device R&D Center and the first production line of high-definition color projecting tube, the Company will conduct all-round technical renovation to 21" CPT production line.

(2) The Company will attach great importance to the development of network projects. Firstly, it will establish Asell network electronic transaction market("online SEG"), based on SEG Electronic Market, which is the No.1 market of Asia. The market will have six functions as: inquiring and releasing of profession information, electronic counter and releasing of product information,

releasing of advertisement, transaction maker, corresponding service, etc. and gradually merge information flow, capital flow and material flow together. The marker will become the most effective electronic transaction platform of electronic component, computer accessories. Secondly, it will take effective measures to enhance the service function of Shenzhen Motor Vehicle GPS/GSM Safety and Information Service Network and improve the qualification level of network application product — SEG Chesheng which will be popularized to other cities in home and abroad. Thirdly, the Company will make great efforts to extend the service scope of SEG Baohua network as ISP and ICP. It also will increase covered building, develop special customers and terminal customers, and raise service items. Fourthly, the Company will continue to make research and plan new network investment items.

(3) The Company will fully complete the 4h and 5th extension of SEG Electronic Market, initiate the operation of the SEG market information network in a all-round manner, provide overall supporting services to the market. It will open up SEG specialized market of electronic publications.

(4) The Company will greatly support the GPS project and make it attain large scale and high technical level as soon as possible. It will actively open up domestic and foreign markets and strive for the success of the installation of vehicle-mounted mobile telephone based on GMS network – SEG Chesheng on the new-model automobiles of foreign large automobile manufacturers. The Company will also build R&D and production base in Shenzhen High-tech Park to form great industrial scale.

(5) SEG Samsung will actively open up the market of glass shell products and make efforts to enhance its economic benefit through strengthening management, improving quality and reducing cost after it had completed the capacity expansion and renovation project of screen and cone furnace cold repairing.

(6) The Company will organize special personnel to set up special work group and study, plan and promote the development of the project of mobile communication of the third generation (CDMA) on the basis of continuing to develop the business of railway communication and trunk communications.

(7) The Company will complete the installation of intelligent systems of SEG Plaza, Jiangxi Press Building, Beijing Hongan Plaza, etc., strengthen the promotion of Opera 2000 intelligent system for buildings and quicken the construction of SEG Sinod Application Software Development Center.

(8) The Company will give full play to the comprehensive advantages of Shenzhen SEG Storage and Transportation Co., Ltd. in respect of foreign-related transportation and bonded warehousing and actively develop the business of material distribution, sub-contracting, goods circulation and processing, etc. Besides, it will provide entry-and-exit EDI customs clearance service to customers and gradually build a material flow and distribution center that provides supporting services of all kinds to customers' products.

(9) Shenzhen SEG Business Machine Co. will make efforts to enhance the level of agency for machines of famous brand, quicken the sales and maintain network construction. It will establish supply and sales center for parts and accessories and consumption materials and produce duplicating paper of SEG Brand and strive to become the King of Duplicator with high popularity and strong economic strength as soon as possible.

Under the leadership of the Board of Directors, the Company will earnestly implement all resolutions of the General Meeting and continue to persist in the operation policy of "reform, adjustment, development and innovation". It will actively make great efforts to develop high-tech industries and strive to fulfil or over-fulfill all tasks of the year 2000. The Board of Directors is confident in fulfilling the business plan of this year and firmly believes that the Company will give satisfactory return to all shareholders.

6. Routine Work of the Board of Directors

(1) Directorate Meeting and Important Resolutions

In the report period, the board of directors has held four meetings with the detail as follows:

① The 11th meeting of the 1st Board of Directors was held on April 23, 1999. The meeting formed the resolutions as follows: examined and adopted '98 Annual Report and the Summary; examined and adopted '98 Financial Settlement Report and '98 Profit Distribution Proposal; the meeting recommended Wang Dianfu, Jin Haitao, Huang Xuxi, Feng Quanbao, Sun Yulin, Zhang Wanzhang, Deng Xianfu, Sun Shengdian, Zhang Yongcheng as the director candidates of the 2nd Board of Directors; examined and adopted the proposal on holding the 4th Shareholders' General Meeting. The resolutions of the meeting were published on the Securities Times, China Securities and Hong Kong Commercial Daily dated April 27, 1999.

② The 1st meeting of the 2nd Board of Directors was held on May 28, 1999. The meeting formed the following resolutions:

unanimously elected Mr. Wang Dianfu Chairman of the 2nd Board of Directors, Mr. Jin Haitao Vice-Chairman and General Manager with office term of three years; based on the nomination by the General Manager, it was decided to engage Mr. Zhang Wanzhang and Mr. Deng Xianfu as Deputy General Managers with office term of three years; based on the nomination by Chairman of the Board, it was decided to engage Ms Zheng Dan as Secretary of the Board with office term of three years, engage Mr. Wang Zheng as the Authorized Securities Affairs Representative of the Company. The resolutions of the meeting were published on the Securities Times, China Securities and Hong Kong Commercial Daily dated May 29, 1999.

③ The 2nd meeting of the 2nd Board of Directors was held on Aug. 23, 1999. The meeting formed the following resolutions: examined and adopted '99 Interim Report; examined and adopted '99 Interim Profit Distribution Proposal; approved to increase the registered capital of Shenzhen SEG Sinod Intelligent System Engineering Co., Ltd. (shares held by the Company amounts to 51%). from the original RMB 2.5 million to RMB 10 million. Of the increased part totaling RMB 7.5 million, RMB 3.825 million was contributed by Shenzhen SEG Co., Ltd. The resolution of the meeting was published on Securities Times, China Securities and Hong Kong Commercial Daily dated Aug 25, 1999.

④ The 3rd meeting of the 2nd Board of Directors was held on Sep. 28, 1999. The meeting formed the following resolutions: the Board of Directors checked the concerned provisions as specified in the Circular of China Securities Regulatory Commission concerning the Issues in Connection with the Share Allotment of the Listed Companies (Doc. SRI [1999] No. 12) and confirmed that the Company was in conformity with the provisions of the prevailing share allotment policy and had qualifications to allot shares to the original shareholders. All the directors involved in the resolution on the share allotment duly expressed to undertake the responsibility for the share allotment resolution of the Board of Directors according to the law. The meeting also approved '99 Share Allotment Proposal by voting one item after another; examined and approved the feasibility study report on application of the proceeds to be raised through the share allotment activities; examined and approved the statement about the application and the efficiency of the proceeds raised in the previous share allotment; approved the proposal on renewing Zhong Tian (Shenzhen) Certified Public Accountants and Deloitte Touche Tohmastu Certified Public Accountants as the domestic and international auditors respectively with the engagement term of one year and authorized the Board of Directors to decide the payments to the certified public accountants; examined and approved the proposal on holding '99 Extraordinary Shareholders' Meeting. The resolutions of the meeting were published on Securities Times, China Securities and Hong Kong Commercial Daily dated Sep. 29, 1999.

(2) Implementation the Resolutions of the Shareholders' General Meeting by the Board of Directors

The Board of Directors implemented legally all the resolutions formed at the 4h Shareholders' General Meeting and '99 First Extraordinary Shareholders' Meeting as well as all the matters authorized by the shareholders' meeting with sincerity, trustworthiness and responsibility. In the report year, the Company has not conducted capitalization of the reserves or issued new shares. '99 Share Allotment Plan at the rate of 8-for-10 as examined and approved at '99 First Extraordinary Shareholders' Meeting is in the process for approval according to the legal procedures.

7. About the Executives and Staff Members of the Company

(1) Directors, Supervisors and Senior Executives

No.	Name	Sex	Age	Office – term	Titles	Number of shares held at the beginning of the year(share)	Number of shares held at the end of the year(share)	Increase / Decrease	Reason for change	Annual salaries
1	Wang Dianfu	male	65	1999.05 -2002.05	Chairman of the Board of Director	28,198	28,198	0		*
2	Jin Haitao	male	46	Ditto	Vice Chairman of the Board of Directors, General Manager	26,436	26,436	0		111,120

3	Huang Xuxi	male	56	Ditto	Director	0	0	0		*
4	Feng Quanbao	male	54	Ditto	Director	26,436	26,436	0		*
5	Sun Yulin	male	43	Ditto	director	0	0	0		*
6	Zhang Wanzhang	male	57	Ditto	Director, Vice General Manager	26,436	26,436	0		93,190
7	Deng Xianfu	male	59	Ditto	Director, Vice General Manager	26,436	26,436	0		90,000
8	Sun Shengdian	male	44	ditto	director	0	0	0		*
9	Zhang Yongcheng	male	47	ditto	director	0	0	0		*
10	Li Yueju	male	57	Ditto	Chairman of Supervisory Committee	26,436	26,436	0		*
11	Xu Changhui	male	51	Ditto	supervisor	0	0	0		*
12	Li Lifu	male	44	Ditto	supervisor	0	0	0		*
13	Xu Jiqian	male	51	Ditto	supervisor	0	0	0		*
14	Fan Qing	female	45	Ditto	Supervisor, Secretary of the Discipline Committee	17,624	17,624	0		70,400
15	Zheng Dan	female	35	Ditto	Secretary of the Board of Directors	0	0	0		68,000

Note: The persons with "*" on the table receive no annual salaries from the Company.

Names of the Directors, Supervisors and Senior Executives Who Left their Posts in the Report Period and the Reasons

During the report period, due to the change of the session of the Board of Directors and the Supervisory Committee, through examination and approval of the 4th Shareholders' Meeting, three of the nine directors, namely Pang Datong, Qi Chenglin and Chen Liucheng left their posts as directors in the 1st Board of Directors. Wang Junzhao no longer held the post of secretary of the Board of Directors. Two of the five supervisors of the 1st Supervisory Committee, namely Zheng Peijian and Ma Jiwu no longer held the posts as supervisors.

During the report period, the General Manager and Vice General Manager of the Company have been renewed; Ms. Zheng Dan has been engaged as the Secretary of the 2nd Board of Directors of the Company with office term of three years.

(2) Number of Employees, Composition of Professionals, Education Background and Number of Retired Employees:

Number of Employees:		5779
Composition of Professionals:	Production:	3895
	Sales:	221
	Technical:	380
	Financial:	95
	Administrative:	415
Education background:	Postgraduate:	104
	Undergraduate:	602
	Junior college graduate:	684
	Polytechnic school graduate:	575
	Graduates from senior middle school or lower:	3710
Retired staff:		42

8. The preplan of 1999 profit distribution: Based on the audit by Zhong Tian (Shenzhen) Certified Public Accountants according to Chinese accounting system and the audit by Deloitte Touche Tohmatsu Certified Public Accountants according to international accounting standards, the net profit of the Company in 1999 was respectively RMB 146.45 million and RMB 104.87

million. In accordance with relevant provisions of the Company Law and the Articles of Association of the Company, the net profit audited by Zhong Tian (Shenzhen) Certified Public Accountants is taken as the base for profit distribution. 10% of the net profit, i.e., RMB 14.65 million, shall be set aside as statutory reserves and 10% of the same, i.e., RMB 14.65 million shall be set aside as statutory welfare funds. Undistributed profit of RMB 281.71 million was carried forward from the previous year. The distributable profit for the year 1999 is RMB 398.87 million.

After study by the board of directors, the preplan of 1999 profit distribution is:
1) With the total share capital at the end of 1999, i.e., 613,427, 135 shares, as the base, one bonus share for each ten shares will be paid to all shareholders as dividend.
2) With the total share capital at the end of 1999, i.e., 613,427, 135 shares, as the base, cash RMB 0.7 for each ten shares will be paid to all shareholders as dividend.
3) RMB 150 million will be set aside as discretionary reserves.
The remaining undistributed profit will be carried forward for distribution in the following year.

9. Other matters to be reported: The newspapers for disclosure of the Company's information are Securities Times, China Securities and Hong Kong Commercial Daily, which remained unchanged in the report period.

VI. Work Report of the Supervisory Committee

The Supervisory Committee of the Company held 3 meetings in the year 1999. The meetings examined the following issues:
(1) The 1st meeting of the 2nd Supervisory Committee was held on May 28, 1999 at which Mr. Li Yueju was elected the chairman of the Supervisory Committee.
(2) The 2nd meeting of the 2nd Supervisory Committee was held on Aug. 20, 1999. The meeting examined and adopted the '99 Interim Report of the Company.
(3) The 3rd meeting of the 2nd Supervisory Committee was held on March, 2000 at which the supervisors studied the document of "Some Suggestions on Improving and Standardizing the Duties of Supervisory Committee of State-owned Enterprise under the Administration of the Municipal Government" issued by Shenzhen Municipal State-owned Asset Management Committee, and examined and adopted '99 Annual Report of the Company and the summary as well as the '99 Work Report of the Supervisory Committee.

Members of the Supervisory Committee attended all meetings of the Board of Directors as nonvoting delegates.

The Supervisory Committee has presented the opinions on the following matters as the year 1999:
(1) Operation according to Law:
The Company has established a quite perfect internal control system. In the past year, directors and executives had been working diligently. No action has been found against laws, regulations and the articles of association of the Company or harming the interest of the Company.
(2) Financial Status of the Company:
After examination, we've found that the certified public accountants have produced Auditor's Report with neither reservations nor explanatory notes. In the year 1999, the Company has achieved a good business operation result and keeps favorable financial status.
(3) Purchasing Assets Status of the Company:
The Company has purchased the 16.8% equity of Shenzhen SEG CEIEC Co., Ltd. which was held by Shenzhen Electronics Group on Dec 28,1999. The transaction was carried out in a fair way with no inside transaction found, has brought about no harm to other shareholders' interest and has not caused any loss of the assets of the Company.

VII. Important Matters

1. There were no material lawsuits and arbitration concerning the Company in the year.

2. No directors and senior executives were punished by supervising department in the report period.

3. The control shareholders of the Company remained unchanged in the report period. New board of directors was elected. Three directors left their post. Deng Xianfu, Sun Shengdian and Zhang Yongcheng were elected as the directors of the second board of directors. The general manager of the Company remained unchanged. Mr. Wang Junzhao was dismissed from the post of secretary of the Board of Directors. Ms Zheng Dan was engaged as the secretary of the second Board of Directors.

4. Particulars about Purchase and Sales of the Assets of the Company in the Report Period

After the approval by relevant superintending department of the state and Shenzhen City, the Company signed Equity Transfer Contract with Shenzhen Electronics Group Co., LTD. (hereinafter referred to as SEG Group) in respect of the acquisition of 16.8% equity of Shenzhen SEG-CEIEC Color Display Devices Co., Ltd. (hereinafter referred to SEG-CEIEC) held by SEG Group on December 28, 1999. This acquisition was conducted in the manner of negotiated equity transfer. According to the asset appraisal report of Shenzhen Weiming Asset Appraisal Office, the net assets of SEG-CEIEC at June 30, 1999 was RMB 590.2373 million. The negotiated transfer price was RMB 96 million. The payment for this acquisition will be paid by installments in accordance with the provisions of Equity Transfer Contract. After the completion of the equity acquisition, the Company owned 76.8% (originally 60%) equity of SEG-CEIEC. Thus the Company has more power in control over SEG-HITACHI and may achieve more profit.

5. Important Related Transactions

(1) Shenzhen SEG-HITACHI Purchasing Glass Shells from Shenzhen SEG Samsung Co., Ltd.

Based on the fair principle, the share-holding subsidiary of the Company Shenzhen SEG-HITACHI Color Display Devices Co., Ltd. purchased 1.2 million sets of glass shells (occupied 40% of total demand of glass shell) from Shenzhen SEG Samsung Co., Ltd. that is the associated enterprise of the Company in 1999 with the amount of purchase reaching around RMB 0.1436 billion. This kind of association of color glass shell industry and CPT industry enhanced the Company's ability of providing auxiliary parts to its leading products internally, enlarged the comprehensive advantages of the industry, providing reliable guarantee to its specialized development in larger scale and helped the Company realize greater scale economic results.

(2) The Company purchased 16.8% equity of Shenzhen SEG-CEIEC Color Display Devices Co., Ltd. (hereinafter referred to SEG-CEIEC) held by Shenzhen Electronics Group Co., Ltd. This was an important related transaction conducted by the Company in the report period. (Refer to 4. Particulars about Purchase and Sales of the Assets of the Company in the Report Period). The relevant contents of this related transaction were disclosed on designated newspapers including Securities Times, China Securities and Hong Kong Commercial Daily on December 30, 1999, which complied with the requirement of relevant laws and regulations. This acquisition was examined and adopted by the third meeting of the second Board of Directors of the Company and unanimously passed by all present shareholders of A shares and B shares except the related party Shenzhen Electronics Group at the first 1999 Extraordinary General Meeting held on October 30, 1999. The related party SEG Group avoided voting at the meeting. The board of directors of Shenzhen Electronic Group Co., Ltd. and the Company respectively issued letter of promise in respect of the fairness of the Purchasing and the protection of the interests of non-related shareholders.

6. Separation of the Company's Personnel, Assets and Financial Affairs from those of Control Shareholders

The Company and the control shareholder, Shenzhen Electronics Group Co., Ltd., respectively have independent and complete personnel, financial and assets system. After more than 3 years' operation, the Company has set up sound and standardized legal person management structure. As for personnel, no personnel of the general manager and senior executives of the Company held posts of the control shareholder concurrently. The Company has complete labor, personnel and wage management systems and maintains the independence of its personnel. As to the assets, the equities held by the 8 participants including Shenzhen Electronics Group Co., Ltd. have been audited and appraised by both domestic and international certified public accounts and approved by the state-owned assets management departments of the state and Shenzhen City. The shareholders of the 8 share-participants had changed the original Shenzhen Electronics Group Co., Ltd. to Shenzhen SEG Co., Ltd. at the industrial and commercial management department. Shenzhen SEG Co., Ltd. faces the market independently, avoids competition with the Group Co. in the same trade and maintains the completeness of assets in the operation. As for financial affairs, the Company, as a legal person entity that conducts independent business and accounting and is responsible for its own profit and loss, has set up independent financial and accounting system, owns independent bank account and independently pay tax according to law. The financial work of the Company is very independent and not affected by control shareholder.

In short, the Company realized personnel independence, asset completeness and financial independence, being independent of its control shareholder SEG Group.

7. The certified public accountants engaged by the Company, i.e., Zhong Tian (Shenzhen) Certified Public Accountant and Deloitte Touche Tohmatsu Certified Public Accountants, remained unchanged in the report period.

8. Important guarantee contracts and the particulars of its implementation

1) The Company and Shenzhen Nanguang Co., Ltd. provided guarantee to each other for the bank loan of RMB 0.15 billion. Among which, the loan of RMB 0.15 billion used by Shenzhen Nanguang Co., Ltd as circulating funds guaranteed by the Company will respectively mature from February 2000 to January 2001.

2) The Company provided guarantee to Shenzhen SEG Dasheng Co., Ltd. for the loans of RMB 60 million and USD 1 million. These loans will respectively mature from January 2000 to November 2000.

3) The Company provided guarantee to Shenzhen SEG Samsung Co., Ltd. for the loan of RMB 80 million which will mature respectively in September 1995 and May 2004. The loan of RMB 30 million granted by Industrial and Commercial Bank that matured in September 1995 has been transferred to Agricultural Development Bank after the approval by People's Bank. The debt is now under reorganization.

4) The Company provided guarantee to Shenzhen SEG Samsung Industrial Co., Ltd. for the loan of RMB 30 million and USD 6.51 million which will mature respectively in October 1995 and June 2000. The loan of RMB 30 million granted by Industrial and Commercial Bank that matured in October 1995 has been transferred to Agricultural Development Bank after the approval by People's Bank. The debt is now under reorganization.

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

10. The influence of four internal control systems on the Company

In accordance with the Circular Concerning the Matter that Listed Companies Should Allocate Reserve for Assets Depreciation issued by China Securities Regulatory Commission and the Supplementary Provisions concerning the Handling of the Problems under Accounting System of Joint Stock Company Limited issued by the Ministry of Finance (CKZ [1999] No.35 document), the Company formulated the internal control systems for providing various reserves for depreciation to standardize the Company's operation and implement the relevant documents of China Securities Regulatory Commission and the Ministry of Finance. Based on this system and the auditing result, the influence of the provision of various asset depreciation reserves on the financial status and operation results of the Company of the past years is as follows:

(1) After the change of the method in allocating provision for bad debts and based on the auditing result of Zhong Tian (Shenzhen) Certified Public Accountants, RMB 4.16 million in total was allocated as the provision for bad debts for the year 1997. With deduction of RMB 1.52 million as originally allocated, the profit of the year 1997 was decreased by RMB 2.64 million. RMB 9.64 million in total was allocated as provision for bad debt for the year 1998. With the deduction of RMB 4.16 million as allocated in 1997, the profit of the year 1998 was decreased by RMB 5.48 million. RMB 7.82 million in total was allocated as provision for bad debts for the year 1999. With deduction of the provision for bad debts as allocated in 1998, the profit of the report year was increased by RMB 1.82 million.

(2) According to internal control system concerning asset depreciation reserve formulated by the Company, RMB 11.46 million was allocated as the provision for the inventories depreciation for the year 1997. With deduction of RMB 2.94 million as originally allocated, the profit of the year 1997 was decreased by RMB 8.52 million. Additional RMB 1.25 million was allocated as the provision for inventories depreciation for the year 1998. As the provision for the inventories depreciation was allocated previously, the profit of the year 1998 was not affected. Additional RMB 0.56 million was allocated as the provision for the inventories depreciation for the year 1999. The profit of the year 1999 was decreased by RMB 0.56 million.

(3) RMB 13,259,217.32 in total was allocated as the provision for the devaluation of long-term investment in the report year.

As the above-adjusted long-term investments have existed in or before 1997, the profit of 1997 was adjusted on retroactive basis according to relevant stipulations of the Ministry of Finance. So RMB 13.26 million was allocated as the provision for the devaluation of long-term investment in the report year. The profit of 1997 was thus decreased by RMB 13.26 million. The profit of 1998 and 1999 were not affected.

To sum up, due to the provisions for various assets depreciation, the profit of 1997 and 1998 were respectively decreased by RMB 24.42 million and RMB 5.48 million. The profit of 1999 was increased by RMB 1.26 million.

11. With the approval of the state, the first production line of 34" super large screen CPT independently designed and constructed by share-holding subsidiary of the Company – Shenzhen SEG-HITACHI Color Display Devices Co. Ltd. through the adoption of the advanced technology of Hitachi was put into production on September 25, 1999.

12. The Company signed the formal contract and joined the Intelligent Property Right Union for the R&D project of China' s mobile communication system of the third generation (3G project for short). The concerned information was published on Securities Times, China Securities and Hong Kong Commercial Daily dated November 16, 1999.

13. The Company was appraised by Shenzhen State-owned Assets Management Committee as the Enterprise of Class-I of Category-A on December 27, 1999.

14. Domestic and overseas newspapers selected by Company for information disclosure in 2000 are respectively Securities Times and Ta Kung Pao.

VIII. Financial Report

1. Report of the Auditors

The 1999 Financial Statements of the Company has been audited by the CPA auditors of Deloitte Touche Tohmatsu Certified Public Accountants and the Auditor' s Report has been produced with neither reservations nor explanatory notes.

TO THE MEMBERS OF SHENZHEN SEG CO., LIMITED
(incorporated in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of Shenzhen SEG Co., Limited as of 31 December 1999 and the related consolidated statements of income, cash flows and recognised gains and losses for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 1999 and the results of its operation and its cash flows for the year then ended, in accordance with International Accounting Standards.

13 March 2000

2. Financial Statements

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

	NOTES	1999 RMB'000	1998 RMB'000
Revenue	5	1,882,451	1,721,800
Cost of sales		(1,495,723)	(1,387,933)
Gross profit		386,728	333,867
Other operating income	6	123,059	129,649
Distribution costs		(84,429)	(84,222)
Administrative expenses		(192,069)	(116,478)
Other operating expenses		(4,827)	(6,339)
Profit from operations	9	228,462	256,477
Finance costs	10	(48,257)	(47,224)
Share of results of associates		(15,006)	(7,620)
Profit before taxation		165,199	201,633
Taxation charge	11	(20,662)	(26,734)
Profit after taxation		144,537	174,899
Minority interests		(39,667)	(44,151)
Profit attributable to shareholders		104,870	130,748
Dividend proposed			
– RMB0.07 per share (1998: nil)		(42,940)	-
Profit for the year, retained		61,930	130,748
Earnings per share	12	RMB0.171	RMB0.214

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 1999

	NOTES	1999 RMB'000	1998 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	804,970	691,209
Construction in progress	14	828,406	103,092
Interests in associates	15	401,139	416,370
Other investments	16	11,085	23,370
Pre-operating expenses	17	2,912	4,336
		2,048,512	1,238,377
Current assets			
Inventories	18	303,535	153,372
Accounts receivable, deposits and prepayments		734,711	481,586
Amounts due from fellow subsidiaries	24	159,309	242,427
Amount due from an associate	24	36,227	32,344
Amounts due from minority shareholders or their related companies	24	6,347	-
Bank balances and cash		602,521	698,954
		1,842,650	1,608,683
Total assets		3,891,162	2,847,060
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	613,427	613,427
Reserves	20	789,434	727,339
Shareholders' funds		1,402,861	1,340,766
Minority interests		544,632	525,253
		1,947,493	1,866,019
Non-current liabilities			
Long-term borrowings	21	332,000	12,000
Negative goodwill	22	23,476	-
		355,476	12,000
Current liabilities			
Accounts payable, customers' deposits and accruals		494,909	349,288
Amounts due to fellow subsidiaries	24	96,000	33,797
Amount due to an associate	24	145,960	38,973
Amounts due to minority shareholders or their related companies	24	1,099	44,204
Taxation payable		12,285	18,079
Borrowings due for settlement within one year	21	795,000	484,700
Dividend payable		42,940	-

		1,588,193	969,041
Total equity and liabilities	3,891,162	2,847,060	

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 RMB'000	1998 RMB'000
Exchange differences arising on translation of overseas operations	165	3
Net gains not recognised in the income statement	165	3
Profit attributable to shareholders	104,870	130,748
Total recognised gains	105,035	130,751

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 RMB'000	1998 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	165,199	201,633
Adjustments for:		
Share of results of associates	15,006	7,620
Depreciation of property, plant and equipment	89,577	89,687
Interest income	(35,165)	(76,981)
Interest expenses	48,257	47,224
Amortisation of pre-operating expenses	1,497	1,683
Loss on disposal of property, plant and equipment	2,037	3,362
Provision for loss in other investments	12,584	-
Amortisation of negative goodwill	(23,477)	-
Operating cash flows before movements in working capital	275,515	274,228
(Increase) decrease in inventories	(150,163)	12,318

(Increase) decrease in accounts receivable, deposits and prepayments	(253,125)	100,867
Increase (decrease) in accounts payable, customers' deposits and accruals	145,621	(8,609)
Changes in current accounts with fellow subsidiaries	145,321	(178,935)
Changes in current accounts with associates	95,409	(59,768)
Changes in current accounts with minority shareholders or its related companies	(41,757)	40,804
Cash generated by operations	216,821	180,905
Income tax paid	(26,231)	(13,873)
NET CASH INFLOW FROM OPERATING ACTIVITIES	190,590	167,032
INVESTING ACTIVITIES		
Interest received	35,165	48,184
Acquisition of property, plant and equipment	(217,320)	(48,260)
Expenditure on construction in progress	(726,009)	(103,514)
Proceeds from disposal of property, plant and equipment	12,640	19,690
Consideration paid for acquisition of additional equity interest in subsidiaries from minority shareholders	(96,000)	-
Purchase of other investments	(299)	(8,311)
Payment of pre-operating expenses	(73)	-
Placement of pledged deposits	(15,478)	(4,772)
NET CASH USED IN INVESTING ACTIVITIES	(1,007,374)	(96,983)
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING	(816,784)	70,049
FINANCING ACTIVITIES		
Interest paid	(48,257)	(47,675)
Finance lease charges	-	(128)
Proceeds from issue of shares	-	195,001
Shares issued to minority shareholders of subsidiaries	3,145	101,312
Repayment from minority shareholders	119,520	-
New bank loans obtained	1,218,204	239,229
Repayment of bank and other loans	(587,904)	(199,917)
Share issuing expenses	-	(14,628)
Repayment of obligations under finance leases	-	(1,259)
NET CASH INFLOW FROM FINANCING ACTIVITIES	704,708	271,935

(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(112,076)	341,984
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	165	3
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	688,832	346,845
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	576,921	688,832
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	602,521	698,954
Less: Pledged deposits	(25,600)	(10,122)
	576,921	688,832

3. Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 1999

1. CORPORATE INFORMATION

The Company, which was approved by the Shenzhen Municipal Government, the People's Republic of China (the "PRC") on 10 April 1996, was established in the name of Shenzhen SEG Co., Limited. The Company obtained a business certificate licence on 16 July 1996. The Company's shares were listed and have been traded on the Shenzhen Stock Exchange since July 1996.

The Company's ultimate holding company is Shenzhen Electronics Group (the "SEG Group"), a state-owned enterprise registered in the PRC and under the direct supervision of the Shenzhen Municipal Government.

The Company, its subsidiaries (see note 31) and its associates (see note 15) are engaged primarily in the production and sale of electronic products of which cathode tubes are the major product.

2. PRESENTATION OF FINANCIAL STATEMENTS

These financial statements are presented in Renminbi ("RMB") since that is the currency in which the majority of the Group's transactions are denominated.

The financial statements have been prepared in accordance with International Accounting Standards (the "IAS"). This basis of accounting differs from that used in the management accounts of the Group which are prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC. Adjustments have been made to the financial statements to ensure that they comply with the IAS. A summary of the IAS adjustments is shown in note 30.

3. ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS

In the current year, the Group has adopted the following International Accounting Standards for the first time:

IAS 1 (Revised 1997)	Presentation of Financial Statements
IAS 14 (Revised 1997)	Segment Reporting
IAS 19 (Revised 1998)	Employee Benefits
IAS 33	Earnings Per Share
IAS 35	Discontinuing Operations

IAS 1 (Revised 1997), IAS 14 (Revised 1997) and IAS 35 are concerned with the presentation and disclosure of financial information. The presentation in the current year's financial statements has been modified in order to conform with the requirements of those standards. Comparative amounts have been restated in order to achieve a consistent presentation.

IAS 19 (Revised 1998) specifies the accounting treatment for employee benefits, including retirement benefits plans. The principal effect of the implementation of IAS 19 (Revised 1998) is in connection with the recognition of costs for the Group's defined benefit retirement benefit plan. Under IAS 19 (Revised 1998), the cost of providing retirement benefits under the Group's defined retirement benefit plan is determined as incurred.

The adoption of IAS 33 has resulted in some modifications to the basis of calculation of earnings per share amounts and to the disclosures presented for earnings per share (see note 12).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern its financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Interest in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such interest is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a systematic basis following an assessment of the foreseeable life of the asset, subject to a maximum of 20 years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill, which represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of acquisition, is eliminated proportionately against the fair values of the non-monetary assets acquired. Any amount in excess of the fair values of the non-monetary assets acquired is treated as deferred income and recognised as income on a straight-line basis over a period generally not exceeding 5 years.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill or negative goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment, other than investment properties and construction in progress, are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

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

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

Properties which are intended to be held for long-term rental income generating purposes are classified as investment properties. In view of the insignificant amount of investment properties compared to the total amount of property, plant and equipment of the Group, the directors are of the opinion that annual valuation would have no significance to the shareholders. Investment properties are therefore stated at cost. No depreciation is provided on investment properties

Depreciation of other property, plant and equipment is provided, using the straight-line method, to write off the cost of property, plant and equipment less their estimated residual values over the following estimated useful lives:

Leasehold land	Over the remaining lease term
Buildings	5-50 years
Machinery and equipment	5-10 years
Motor vehicles and trucks	5-10 years

Construction in progress

Construction in progress represents properties under construction and equipment purchased prior to installation and is stated at cost.

Cost comprises direct costs, attributable overheads and borrowing costs capitalised in accordance with the Group's accounting policy.

Other investments

Listed and unlisted investments held for long-term purposes are stated at cost or carrying value less provision for permanent diminution in value, where appropriate.

Income from these investments is accounted for to the extent of dividends income received and receivable during the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net reaslisable value is determined by reference to the sale proceeds of items sold in the ordinary course of business subsequent to the balance sheet date or estimated selling prices less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Pre-operating expenses

Pre-operating expenses represent expenses incurred prior to the commencement of business or production operations and are amortised over a period of five to ten years on a straight-line basis from the date of commencement of business or production operations.

Translation of foreign currencies

The Company and its PRC subsidiaries maintain their books and records in RMB. Transactions denominated in currencies other than RMB are translated into RMB at the applicable rates of exchange, quoted by the People's Bank of China (the "PBOC") prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies are translated into RMB at the applicable PBOC rates ruling at the balance sheet date; non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange differences are included in the determination of the current year's results, except to the extent that they are regarded as an adjustment to borrowing costs qualifying for capitalisation.

On consolidation, the assets and liabilities of overseas subsidiaries are translated into RMB at the applicable PBOC rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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.

Taxation

The charge for current taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recongised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred taxation is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred taxation assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating leases

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

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

Retirement benefit scheme

The Group participates in retirement funds scheme managed by the local social security bureau in accordance with government regulations. The contributions are charged to the income statement as incurred at rates specified in the rules of the scheme.

Cash equivalents

Cash equivalents represent short-term highly liquid investments that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, net of bank overdraft repayable on demand.

Capitalisation of borrowing cost

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

All other borrowing costs are expensed in the period in which they are incurred.

Financial instruments

(i) Financial assets

Financial assets are generally stated at cost less provision for impairment where necessary.

Long-term investments, where the Group is not in a position to exercise significant influence, are stated at cost less provision, where necessary, for any permanent diminution in value.

(ii) Financial liabilities and equity instruments

Other financial instruments are classified as liabilities or equity instruments according to the substance of the contractual arrangements entered into.

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

Trade and other payables are stated at their nominal value.

Revenue recognition

Sales of goods are recognised as revenue when the significant risks and rewards of ownership of the goods have been transferred to customers.

Rentals receivable under operating lease are credited to the profit and loss account, on a straight-line basis, over the term of the relevant lease.

Transportation and warehousing service income and maintenance fee income are recognised over the relevant period in which the services are rendered.

Income from provision of system integration services and handling fee income are recognised when the services are rendered.

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

Commission income is based on an agreed rate based on trading volume made to customers and is recognised over the period in which the services are rendered.

5. REVENUE

	1999	1998
	RMB'000	RMB'000

Sales of goods	1,764,425	1,594,281
Rental income	82,591	71,628
Transportation and warehousing service income	19,284	17,544
System integration services	15,867	36,848
Others	284	1,499
	1,882,451	1,721,800

OTHER OPERATING INCOME

	1999 RMB'000	1998 RMB'000
Interest income	35,165	76,981
Retention of value-added tax ("VAT") on products manufactured and sold in Shenzhen (see note below)	18,318	18,170
Handling fee income	15,387	6,288
Maintenance fee income	8,179	5,819
Commission income	6,000	-
Net exchange gain	4,587	11,014
Penalty imposed on customers for late payments	4,079	946
Amortisation of negative goodwill (see note 22)	23,477	-
Others	7,867	10,431
	123,059	129,649

Note:

The Group is subject to assessment of VAT in respect of the sales of its products pursuant to the "Provisional Value-added Tax Regulations of the PRC" and the "Implementation Rules of the Provisional Value-added Tax Regulations of the PRC". VAT payable on sales is borne by purchasers. VAT is levied at the rate of 17% on the invoiced value of goods sold. VAT payable by the Group on its purchases can be offset against VAT receivable on its sales.

In Shenzhen, however, the Group is given special treatment and allowed to keep the amount of VAT received from purchases in excess of their payments of VAT to suppliers for those products manufactured and sold to local manufacturers in Shenzhen by the Group. The Group therefore had net gains in VAT which are included in the item “Retention of VAT on products manufactured and sold in Shenzhen”.

BUSINESS AND GEOGRAPHICAL SEGMENTS

The segment information set out below is based on the requirements of IAS 14 (Revised 1997) Segment Reporting which has been adopted for the first time in these financial statements. Segment disclosures for 1998 have been amended so that they are presented on a consistent basis.

Business segments

For management purposes, the Group is currently organised into four major operating divisions, namely sales of goods, leasing, transportation and warehousing and system integration services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Sales of goods - Manufacture and distribution of color picture tubes or other electronic consumer goods.

Leasing - Property and counter rental income.

Transportation and warehousing - Provision of transportation and warehousing services.

System integration services – Design and development of radio trunking and other networking services.

Segment information about these business is presented below:

	Sales of goods	Leasing	Transportation and warehousing	System integration services	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FOR THE YEAR ENDED 31 DECEMBER 1999						
REVENUE	1,764,425	82,591	19,284	15,867	284	1,882,451
RESULT						
Segment result	298,215	66,170	6,929	15,175	239	386,728
Unallocated corporate expenses						(158,266)
Profit from operations						228,462
Finance costs						(48,257)
Share of results of associates						(15,006)

Profit before taxation	165,199
Taxation charge	(20,662)
Profit after taxation	144,537

7. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

	Sales of goods	Leasing	Transportation and warehousing	System integration services	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
OTHER INFORMATION						
Capital additions	937,551	4,214	-	1,564	-	943,329
Depreciation and amortisation	81,394	6,639	1,836	1,205	-	91,074
Other non-cash expenses	15,296	-	-	-	-	15,296

AS AT 31 DECEMBER 1999

BALANCE SHEET

	Sales of goods	Leasing	Transportation and warehousing	System integration services	Others	Consolidated
ASSETS						
Segment assets	2,587,981	247,329	100,731	35,552	-	2,971,593
Interests in associates	401,139	-	-	-	-	401,139
Unallocated corporate assets						518,880
Consolidated total assets						3,891,612
LIABILITIES						
Segment liabilities	1,298,770	134,336	27,733	18,284	-	1,479,123
Unallocated corporate liabilities						1,009,178
Consolidated total liabilities						2,488,301

	Sales of goods	Leasing	Transportation and warehousing	System integration services	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

FOR THE YEAR ENDED 31 DECEMBER1998

REVENUE	1,594,281	71,628	17,544	36,848	1,499	1,721,800
RESULT						
Segment result	243,861	64,247	7,667	19,262	(1,170)	333,867
Unallocated corporate expenses						(77,390)
Profit from operations						256,477
Finance costs						(47,224)
Share of results of associates						(7,620)
Profit before taxation						201,633
Taxation charge						(26,734)
Profit after taxation						174,899

7. BUSINESS AND GEOGRAPHICAL SEGMENTS - continued

	Sales of goods	Leasing	Transportation and warehousing	System integration services	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
OTHER INFORMATION						
Capital additions	143,465	7,593	963	-	53	152,074
Depreciation and amortisation	85,809	2,235	3,228	-	98	91,370
Other non-cash expenses	3,362	-	-	-	-	3,362

AS AT 31 DECEMBER 1998

BALANCE SHEET

ASSETS						
Segment assets	1,779,803	133,922	92,326	20,480	7,889	2,034,420
Interests in associates	416,370	-	-	-	-	416,370
Unallocated corporate assets						396,270

Consolidated total assets						2,847,060
LIABILITIES						
Segment liabilities	1,118,935	74,398	67,991	7,346	5,809	1,274,479
Unallocated corporate liabilities						231,815
Consolidated total liabilities						1,506,294

The average number of employees for the year for each of the Group's principal divisions was as follows:

	1999	1998
Sales of goods	3,430	2,959
Leasing	184	189
Transportation and warehousing	56	49
System integration services	25	20
Head office and administration	20	20
	3,715	3,237

Geographical segments

Over 90% of the Group's operations and markets are located in the PRC.

OPERATING EXPENSES

	1999	1998
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	73,333	(3,295)
Raw materials and consumables used	1,250,952	1,307,069
Staff costs	131,205	145,495
Depreciation and amortisation	91,074	91,370
Other operating expenses	230,484	54,333
	1,777,048	1,594,972

PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	1999 RMB'000	1998 RMB'000
Retirement benefits incurred	7,715	4,163
Loss on disposal of property, plant and machinery	2,037	3,362
Provision for loss in other investments	12,584	-
Under-provision of VAT	4,398	-
Operating lease rentals	14,103	534

FINANCE COSTS

	1999 RMB'000	1998 RMB'000
Interest paid on bank loans, overdrafts and other loans wholly repayable within five years	(63,514)	(47,096)
Finance lease charges	-	(128)
Less: Amount included in the cost of qualifying assets	15,257	-
	(48,257)	(47,224)

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.03% to expenditure on such assets.

TAXATION CHARGE

	1999 RMB'000	1998 RMB'000
The charge comprises:		
PRC income tax	(17,843)	(24,517)
An associate	(225)	(1,561)
Taxation charge for the year	(18,068)	(26,078)
Under-provision of previous years	(2,594)	(656)
	(20,662)	(26,734)

PRC income tax has been provided for at the prescribed rates based on the estimated assessable profit for the respective years.

In accordance with the relevant tax laws in the Shenzhen Special Economic Zone, the PRC, certain companies in the Group have been granted full exemption for two years from the first assessable year after deduction of tax relief for losses brought forward and a 50% exemption for the next three years or eight years, after which the taxable profits of the companies are taxed at the full rate, currently 15%.

The consolidated effective income tax rate for the year ended 31 December 1999 was 10.9% (1998: 12.9%). The charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	1999		1998	
	RMB'000	%	RMB'000	%
Profit before taxation	165,199		201,633	
Tax at statutory domestic income tax rate of 15%	24,780	15.0	30,245	15.0
Difference in income tax rate for exempted subsidiaries and an associate	(7,431)	(4.5)	(4,173)	(2.1)
Permanent differences	719	0.4	6	-
Tax expense and effective income tax rate for the year	18,068	10.9	26,078	12.9

Permanent differences are those differences between taxable and accounting profits which will not reverse in future periods and thus give rise to no tax effect in other periods.

Provision for deferred taxation has not been made as the effect of all temporary differences is not material.

EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of approximately RMB104,870,000 (1998: RMB130,748,000) and 613,427,135 shares (1998: weighted average of 610,641,451 shares) in issue during the year.

PROPERTY, PLANT AND EQUIPMENT

	Investment properties	Leasehold land and buildings	Machinery and equipment	Motor vehicles and trucks	Total

	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
AT COST					
At 1 January 1999	57,362	544,197	691,576	36,567	1,329,702
Additions	-	194,088	19,217	4,015	217,320
Transferred from construction in progress	-	695	-	-	695
Disposals/written off	-	(11,146)	(7,892)	(407)	(19,445)
At 31 December 1999	57,362	727,834	702,901	40,175	1,528,272
DEPRECIATION					
At 1 January 1999	-	207,368	407,463	23,662	638,493
Charge for the year	-	23,109	62,956	3,512	89,577
Written back on disposals/written off	-	(478)	(3,895)	(395)	(4,768)
At 31 December 1999	-	229,999	466,524	26,779	723,302
NET BOOK VALUES					
At 31 December 1999	57,362	497,835	236,377	13,396	804,970
At 31 December 1998	57,362	336,829	284,113	12,905	691,209

The gross rental income derived from the investment properties during the year amounted to approximately RMB28,648,000 (1998: RMB24,951,000).

The Group has pledged land and buildings having a net book value of approximately HK$30,006,000 (1998: HK$30,619,000) and investment properties having a net book value of approximately HK$57,362,000 (1998: HK$57,362,000) to secure general banking facilities granted to the Group.

CONSTRUCTION IN PROGRESS

	1999	1998
	RMB'000	RMB'000
AT COST		
At 1 January	103,092	55,190
Additions	726,009	103,514
Transfer to property, plant and equipment	(695)	(55,612)
At 31 December	828,406	103,092

INTERESTS IN ASSOCIATES

	1999 RMB'000	1998 RMB'000
Listed shares, at cost	309,559	309,559
Share of post-acquisition reserves	91,580	106,811
Share of net assets	401,139	416,370
Market value of listed shares of associates	1,546,401	1,066,163

Particulars of the associates which are listed in the PRC are as follows:

Name of associate	Date of registration/ incorporation	Effective percentage of interest held	Principal activities
Shenzhen SEG Dasheng Joint Stock Co., Ltd. ("Dasheng")	19 July 1989	32.97%	Manufacture of audio and visual systems, hotel and resort operations
Shenzhen SEG Samsung Glass Co., Ltd. ("SEG Samsung")	31 March 1997	21.44%	Sale and manufacture of cathode tubes, glass shells and relevant moulds and tools

15. INTERESTS IN ASSOCIATES - continued

In view of the significance of the results of Dasheng and SEG Samsung to the Group, set out below is the summary of the aggregate results during the year ended 31 December 1999 and 1998, and aggregate net assets as at 31 December 1999 of Dasheng and SEG Samsung, the significant associates of the Group.

	1999 RMB'000	1998 RMB'000
Turnover	1,009,778	540,205
Loss before taxation	(55,227)	(57,298)
Taxation	(683)	(4,735)

Loss after taxation	(55,910)	(62,033)
Loss attributable to the Group	(15,231)	(9,181)
Depreciation charge for the year	142,268	84,259

The aggregate net assets of associates as at 31 December 1999 are as follows:

	RMB'000
Property, plant and equipment	1,839,789
Investments	42,978
Current assets	2,095,357
Current liabilities	(1,415,024)
Net current assets	680,333
Total assets less current liabilities	2,563,100
Long-term liabilities	(805,021)
Minority interests	(42,724)
Net assets	1,715,355

OTHER INVESTMENTS

	1999 RMB'000	1998 RMB'000
Unlisted investments, at cost	12,202	11,903
Unlisted investment, at equity carrying value	12,142	12,142
Less: Provision for permanent diminution in value	(13,259)	(675)

	11,085	23,370

Other investments represent three strategic investments in unlisted companies which are held primarily for long-term growth potential. The fair value of these investments at the balance sheet date is estimated by the directors, based on the anticipated future cash flows, at approximately RMB 11 million (1998: RMB 23 million).

Unlisted investment, at equity carrying value, represents the Group's interest in the net assets of the investee company at the date of loss of significant influence over that company, as reduced by the impairment loss recognised on the basis of the investment's estimated recoverable amount of nil.

PRE-OPERATING EXPENSES

	1999	1998
	RMB'000	RMB'000
At cost	85,159	85,086
Less: Accumulated amortisation	(82,247)	(80,750)
	2,912	4,336

INVENTORIES

	1999	1998
	RMB'000	RMB'000
Raw materials and spare parts	180,487	103,657
Work in progress	35,406	22,093
Finished goods	87,642	27,622
	303,535	153,372

Included above are raw materials of approximately RMB 10 million (1998: RMB 6 million), work in progress of approximately RMB 11 million (1998: RMB 3 million) and finished goods of approximately RMB 31 million (1998: RMB 13 million) which are stated at net realisable value.

SHARE CAPITAL

	Number of shares	Amount RMB'000
Registered, issued and fully paid:		
RMB denominated ordinary shares of RMB1 each		
Balance at 1 January 1998	265,980,000	265,980
Bonus issue	94,609,086	94,609
Balance at 31 December 1998 and 31 December 1999	360,589,086	360,589
RMB denominated listed foreign shares of RMB1 each		
Balance at 1 January 1998	104,000,000	104,000
Placement of RMB denominated listed foreign shares	50,000,000	50,000
Bonus issue	54,777,800	54,778
Balance at 31 December 1998 and 31 December 1999	208,777,800	208,778
RMB denominated listed ordinary shares of RMB1 each		
Balance at 1 January 1998	32,500,000	32,500
Bonus issue	11,560,249	11,560
Balance at 31 December 1998 and 31 December 1999	44,060,249	44,060
Balance at 31 December 1998 and 31 December 1999	613,427,135	613,427

There were no movements in the share capital of the Company in the year ended 31 December 1999.

All the shares rank pari passu with each other for dividends and voting rights.

RESERVES

	Capital reserves RMB'000	Statutory public welfare fund RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 1998	367,495	34,586	44,195	180,759	127	627,162
Profit for the year, retained	-	-	-	130,748	-	130,748

Placing of RMB denominated listed foreign shares	145,001	-	-	-	-	145,001
Share issuing expenses	(14,628)	-	-	-	-	(14,628)
Bonus issue	(160,947)	-	-	-	-	(160,947)
Translation of financial statements of overseas subsidiaries	-	-	-	-	3	3
Transfer from (to) reserves	-	7,046	14,091	(21,137)	-	-
Balance at 31 December 1998	336,921	41,632	58,286	290,370	130	727,339
Profit for the year, retained	-	-	-	61,930	-	61,930
Translation of financial statements of overseas subsidiaries	-	-	-	-	165	165
Transfer from (to) reserves	-	10,647	160,269	(170,916)	-	-
Balance at 31 December 1999	336,921	52,279	218,555	181,384	295	789,434
Retained by the associates						
At 31 December 1999	-	-	-	91,580	-	91,580
At 31 December 1998	-	-	-	106,811	-	106,811

Loss for the year retained by the associates amounted to approximately RMB15,231,000 (1998: RMB9,181,000).

Under the relevant law, regulations and policies in the PRC, the Company is required to make an appropriation of the profit after taxation of the Company to the statutory surplus reserve account until the reserve amount has reached 50% of the registered capital of the Company. The Company is also required to make an appropriation to the statutory public welfare fund. The directors have proposed to allocate a sum of RMB 150,000,000 together with 10% out of the profit after taxation for the year of the Company, as determined in accordance with the PRC accounting standards and regulations applicable to the Company and audited by Zhong Tian (Shenzhen) Certified Public Accountants, to statutory surplus reserve and 10% to statutory public welfare fund. The above appropriations have been incorporated in the financial statements for the year.

Any premium received on the issue of shares (net of issue costs) are treated as capital reserve.
The statutory surplus reserve and capital reserve may be applied only for the following purposes:

(i) The statutory surplus reserve may be used to make up losses; and

(ii) The reserves may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, but when reserves are converted into share capital, the amount remaining in the reserves shall not be less than 25% of the enlarged registered capital.

The statutory public welfare fund shall be applied only for the collective welfare of the Company's employees.

Prior to making up the Company's losses and making the relevant appropriations to the statutory surplus reserve and the statutory public welfare fund, no dividends may be paid.

BORROWINGS

	1999 RMB'000	1998 RMB'000
Bank loans	1,120,500	472,600
Other loans	6,500	24,100
	1,127,000	496,700

Analysis of other loans are as follows:

	1999 RMB'000	1998 RMB'000
Amount due to SEG Group (note 24)	4,500	14,960
Amount due to China Electronics Corporation Group (note 24)	-	6,640
Others	2,000	2,500
	6,500	24,100

	1999 RMB'000	1998 RMB'000
The borrowings are all denominated in RMB and repayable as follows:		
On demand or within one year	795,000	484,700
In the second to third year	102,000	12,000
In the fourth to fifth year	230,000	-
	1,127,000	496,700
Less: Amount due for settlement within one year shown under current liabilities	(795,000)	(484,700)
Amount due for settlement after one year	332,000	12,000

The average interest rates paid were as follows:

		1999	1998
Bank loans			
- short-term	6.54%	7.69%	
- long-term	7.22%	10.66%	
Other loans		8.85%	4.62%

At 31 December 1999, bank loans of approximately RMB1,071 million (1998: RMB445 million) and other loans of

approximately RMB7 million (1998: RMB24 million) were arranged at fixed interest rates, and other borrowings were arranged at floating rates.

The directors estimate the fair value of the Group’s borrowings as follows:

	1999 RMB'000	1998 RMB'000
Bank loans	1,200,796	429,753
Other loans	5,825	13,108
	1,206,621	442,861

21. BORROWINGS - continued

The other principal features of the Group’s borrowings are as follows:

(i) Bank loans of approximately RMB69 million (1998: RMB45 million) and no other loans (1998: other loans of RMB1 million) were secured by a charge over certain of the Group’s properties and deposits.

(ii) Bank loans of approximately RMB120 million (1998: RMB105 million) were guaranteed by a third party.

NEGATIVE GOODWILL

	1999 RMB'000	1998 RMB'000
Cost	46,953	-
Amortisation to date	23,477	-
	23,476	-

FINANCIAL INSTRUMENTS

The Group's principal financial assets are bank balances and cash and accounts and other receivable. Significant financial liabilities include bank borrowings, accounts and other payable. The accounting policies adopted for these categories of financial instruments are disclosed in note 4. Terms and conditions of such instruments are outlined in the relevant explanatory notes cross-referenced from the primary statements.

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

RELATED PARTY TRANSACTIONS

The directors of the Company consider that the following transactions of the Group were undertaken in the normal course of business:

		1999 RMB'000	1998 RMB'000
a)	Ultimate holding company and fellow subsidiaries		
	SEG Group and its subsidiaries		
	- Interest received	5,982	28,850
	- Interest paid 949	656	
	- Amount due therefrom	159,309	242,427
	- Amount due thereto	(96,000)	(33,797)
	- Other loan thereto	(4,500)	(14,960)
b)	Associates		
	SEG Samsung		
	- Purchase of raw materials	143,638	65,860
	- Amount due thereto	(145,960)	(38,973)
	Dasheng		
	- Interest received	15,061	5,936
	- Amount due therefrom	36,227	32,344
c)	Minority shareholders or their related companies		
	China Electronics Corporation Group		
	- Interest paid	-	438
	- Other loan thereto	-	(6,640)
	Hitachi, Ltd. (Japan)		
	- Interest paid	-	3,393
	- Technology royalties paid	13,516	-
	- Purchase of property, plant and equipment	255,309	-
	Hitachi Asia (Hong Kong) Ltd.		
	- Purchase of raw materials	2,100	120,153
	- Sales of colour picture tubes	18,843	9,618
	- Amount due therefrom	6,347	-

During the year, the Group acquired further equity interest of 16.8% in Shenzhen SEG•CNEDC Color Display Devices Corp. which held 75% equity interest in Shenzhen SEG Hitachi Color Display Devices Co., Ltd., a subsidiary of the Group from the SEG Group for a total consideration of RMB 96 million.

China Electronics Corporation Group, Hitachi, Ltd. (Japan) and Hitachi Asia (Hong Kong) Ltd. are minority shareholders or its related companies of a subsidiary of the Group.

In the opinion of the directors, the above transactions undertaken in the normal course of business were conducted at a price agreed by each party.

DEFERRED TAXATION

At 31 December 1999, an associate of the Group had unutilised tax losses of approximately RMB96,172,000 (1998: RMB97,747,000) available for offset against future profits, which have not been recognised as deferred taxation assets due to the unpredictability of future profit streams. The whole amount of approximately RMB96,172,000 (1998: RMB97,747,000) will expire in 2003.

PLEDGE OF ASSETS

At 31 December 1999, certain of the Group's properties and bank deposits with an aggregate net book value of approximately RMB112,968,000 (1998: RMB98,103,000) have been pledged to secure banking facilities made available to the Group.

COMMITMENTS

	1999 RMB'000	1998 RMB'000
Capital commitments in respect of:		
Construction in progress		
- contracted for but not provided in the financial statements	-	378,740
- authorised but not contracted for	-	374,083
Capital contribution to other investment		
- contracted for but not provided in the financial statements	-	31,500
	-	784,323

CONTINGENT LIABILITIES

	1999 RMB'000	1998 RMB'000
Guarantees given to bankers, in respect of banking facilities utilised by:		
- associates	232,410	58,300
- a third party	150,000	91,600
Bills discounted with recourse	26,640	78,218

	409,050	228,118

RETIREMENT BENEFIT PLANS

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefit scheme are included in the amount disclosed in note 9 for contribution to defined retirement benefit plans.

IMPACT OF THE DIFFERENCE BETWEEN THE IAS AND THE PRC ACCOUNTING STANDARDS ON THE FINANCIAL STATEMENTS

	Consolidated operating results Year ended 31 December		Net assets At 31 December	
	1999	1998	1999	1998
	RMB'000	RMB'000	RMB'000	RMB'000
As reported in the financial statements audited by the PRC auditors	146,453	140,911	1,413,235	1,351,338
Adjustments made for prior years by the PRC auditors (see note below):				
- Adjustment for provision for doubtful debts	-	(3,783)	-	(6,420)
- Adjustment for provision for obsolete inventories	-	(1,193)	-	(8,523)
- Provision for loss in other investments	-	-	-	(13,259)
- Adjustments for results of associates due to prior year adjustments	-	-	-	(6,587)
- Under-provided income tax	-	(2,594)	-	(2,594)
- Under-provided value added tax	-	-	-	(4,398)
As restated	146,453	133,341	1,413,235	1,309,557
Adjustments:				
- Re-alignment of provision for doubtful debts	(26,827)	7,691	(25,301)	1,526
- Re-alignment of provision for obsolete inventories	(2,382)	(1,811)	-	2,382
- Re-alignment of provision for loss of other investments	(12,584)	-	-	12,584
- Share of results of associates	(15,865)	(68)	(14,732)	1,133
- Gain on disposal of properties	-	(8,959)	-	-
- Re-alignment of under-provided				

income tax	(2,594)	2,594	-	2,594
- Re-alignment of under-provided value added tax	(4,398)	-	-	4,398
- Reallocation of net expenses from reserve -	(909)	-	-	
- Reserve on consolidation arising from acquisition of equity interests in a subsidiary	23,477	-	23,477	-
- Others	(410)	(1,131)	6,182	6,592
As adjusted in conformity with the IAS	104,870	130,748	1,402,861	1,340,766

Note:

Pursuant to the approval of Shenzhen Securities Bureau, the PRC auditors made prior year adjustments to restate figures for enhancing the comparability with the IAS. The PRC auditors are allowed to restate the figures in 1997 through 1999 to reflect such change in the accounting policies approved by the Shenzhen Securities Bureau. However, no prior period adjustments were made in the IAS financial statements and all discrepancies resulting therefrom have been adjusted to current year results.

LIST OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 1999 are as follows:

Name of subsidiary	Date of registration	Effective proportion of equity interest held	Principal activities
Shenzhen SEG Communication Co. Ltd.	30 June 1989	100.00%	Manufacture and installation of communication equipment
Shenzhen SEG Store and Transport Enterprise Co.	7 August 1989	100.00%	Cargo transportation and storage
Shenzhen Baohua Electronic Joint Stock Co., Ltd.	17 November 1981	66.58%	Manufacture of electronic consumer products and property investment
Shenzhen SEG•CNEDC Color Display Devices Corp.	23 January 1989	76.80%	Investment holding

Shenzhen SEG Hitachi Color Display Devices Co., Ltd.*	20 May 1989	57.60%	Manufacture of colour TV tubes
Shenzhen SEG East Industrial Development Co., Ltd.	30 April 1993	100.00%	Import and export trading
Shenzhen SEG Bank System Engineering	14 March 1998	51.00%	Sale of bank signatures verification system
Shenzhen SEG Real Estate Co. Ltd.	26 November 1987	86.50%	Investment holding
Shenzhen SEG Business Machine Co. Ltd.	5 June 1994	100.00%	Sale of computers, equipment and communication devices

30. INTERESTS IN SUBSIDIARIES – continued

Name of subsidiary	Date of registration	Effective percentage of interest held	Principal activities
Shenzhen SEG Telecommunications Devices Co. Ltd.	17 September 1998	90.00%	Manufacture of electronic equipment
Shenzhen SEG Xinode System Engineering Co. Ltd.	4 January 1998	49.27%	Development of artificial intelligence system engineering
Shenzhen SEG Saint Wisdom Communication Navigation Co. Ltd.	29 June 1999	60.00%	Development of Global Positioning System and its devices

* Indirect subsidiary

IX. Other Relevant Information of the Company

1. The Company's Original/Renewed Registration Date and Address:

Original registration date: July 16, 1996

Registration address: 16/F, Baohua Building, Huaqiang N. Rd., Futian District, Shenzhen

2. Registration No. of legal entity business license: Shensizi N1686

3. Taxation Registration Code: 440301279253776 (State Revenue)

440304279253776 (Local Taxation)

4. Custodian of the shares not in circulation

Legal person shares entrusted with: Shenzhen Securities Registration Co., Ltd.

Senior executive shares entrusted with: Hainan SEG International Trust & Investment Corp., Shenzhen Securities Business Department. Seat No.: 222600

5. Names and addresses of the auditors engaged by the Company:

Domestic: Zhong Tian (Shenzhen) Certified Public Accountants

Office Address: 16/F, Aihua Building, Central Shennan Road, Shenzhen

International: Deloitte Touche Tohmatsu Certified Public Accountants

Office Address: 26/F, Wing On Centre, 111 Connaught Road, Central, Hong Kong.

X. Documents available for inspection

1. Accounting statements carried with personal signatures and seals of legal representative, person in charge of accounting affairs and person in charge of accounting institutions.

2. Original of auditors' report carried with seal of Certified Public Accountants as well as person signatures and seals of certified public accountants.

3. Originals of all documents disclosed in public on the newspapers appointed by China Securities Regulatory Commission as well as the original manuscripts of the public notices published in the report period.

4. Annual report published on the overseas newspapers.

※ The reader is advised that this annual report has been prepared in both Chinese and English. In the event of a difference in interpretation between the two versions, the Chinese language version shall prevail.

The Board of Directors

Shenzhen SEG Co., Ltd.

March 15, 2000