

Shenzhen Textile (Holdings) Co., Ltd.

2002 Annual Report

Important notes : The Board of Directors and the directors of the Company hereby warrant that there are no misstatement, misleading representation or important omissions in this report and shall assume joint and several liability for the authenticity, accuracy and completeness of the contents hereof.

Mr. Guan Tongke, the board chairman of the Company, Mr. Liu Yi, the general manger in charge of accounting, and Mr Rao Yong, the person in charge of financial accounting organ represent and warrant the financial report in this annual report is true and complete.

I. Brief Introduction of the Company

(I) Statutory Name of the Company

In Chinese : 深圳市纺织（集团）股份有限公司

In English : SHENZHEN TEXTILE (HOLDINGS) CO., LTD.

Short form in English: STHC

(II) Legal Representative : Guan Tongke

General Manager: Liu Junhou

(III) Secretary of the Board of Directors : Chao Jin

Contact Address: 6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen

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(IV) Registered Address: 6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen

Office Address: 6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen
Post Code: 518031
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(V) Newspapers for Information Disclosure:

Securities Times, Hong Kong Commercial Daily
Internet Web Site for Publishing the Annual Report: <http://www.cninfo.com.cn>
The Place Where the Annual Report is Prepared and Placed: the Office of the Company

(VI) Stock Exchange with Which the Company's Stocks Are Listed: Shenzhen Stock Exchange

Short Form of the Stock : SHEN TEXTILE A SHEN TEXTILE B
Stock Code : 000045 200045

(VII) Other Relevant Information

The date when and the place where the Company made its first registration: August 1994

Registered Address: 6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen

Registration No. of Legal Entity Business License: 4403011013060

Tax Registration No.: 44030111001108

Certified public accountants retained by the Company:

Name: Shenzhen Pengcheng Certified Public Accountants

Business address : 5/F, Baofeng Building, No. 28, Dongmen South Road, Shenzhen, China

Name: K.C. Oh & Co.

Business address: Room 1, 8/F, New Xianli Building, No. 10 Xuechang Street, Central, Hong Kong

II. Highlights of Accounting Data and Business Data

Unit: RMB'000

	2002 (the report year)	2001 (the previous year)	Increase/decrease (%)
Turnover	457480	342606	33.53
Before-tax profit	11851	28324	-58.16
Profit for the year	9444	28199	-66.51
	End of 2002 (End of report year)	End of 2001 (End of previous year)	Increase/decrease (%)
Total assets	752283	682384	10.24
Shareholders' equity	316072	307195	2.89
Net cash inflow from operating activities	65996	1778	3611.81

Unit: RMB'000

	2002 (the report year)	2001 (the previous year)	Increase/decrease (%)
Earnings per share	0.058	0.173	-66.47
Return on net assets	2.99	9.18	-67.43
Net cash inflow per share from operating activities	0.40	0.01	3891
	End of 2002 (End of report year)	End of 2001 (End of previous year)	Increase/decrease (%)
Net assets per share	1.93	1.88	2.67

III . Particulars about the Changes of Share Capital and Shareholders

I Schedule of Change in Share Capital

Unit: shares

	Before this change	Increase or decrease this time (+/-)	After this change
I. Non-negotiable shares			
1. Promoter's shares	108,240,000	0	108,240,000
Of which: State-owned shares	108,240,000	0	108,240,000
2. Raised corporate shares		0	0
3. Staff shares		0	0
4. Preferred shares or others		0	0
Total non-negotiable shares	108,240,000	0	108,240,000
II. Negotiable shares			
1. RMB common shares	22,176,000	0	22,176,000
2. Domestically listed foreign-capital shares	33,000,000	0	33,000,000
3. Overseas listed foreign-capital shares		0	0
4. Others		0	0
Total negotiable shares	55,176,000	0	55,176,000
III. Total shares	163,416,000	0	163,416,000

(II) Particulars about the issuing and listing of shares

After approval, the Company issued 13 million A shares to the public in China, 3.8 million shares to its staff and 25 million B shares to overseas investors. A shares and B shares were listed on August 15, 1994. Staff shares were approved to be listed on February 22, 1995.

After the distribution of bonus shares in 1995 and capitalization of common reserve fund in 1997, the total share capital of the Company is 163.416 million shares.

The total number and structure of the shares of the Company remained unchanged in the report period.

After approval, the Company issued 3.8 million staff shares at the price of RMB 3.9 per share in June 1994. The staff shares were approved to be listed in February 1995. As of December 31, 2002, the senior executives of the Company held 79,620 shares. The trusted organ of the staff shares is China Securities Registration Settlement Co., Ltd. Shenzhen Branch.

(III) Introduction to Shareholders

1. As of December 31, 2002, the Company had 19,945 shareholders in total including one shareholder of state-owned shares, 11,369 shareholders of A shares and 8,575 shareholders of B shares.

2. Particulars of the shareholding of the top ten shareholders as of December 31, 2002

Name of shareholder (full name)	Type of shares	Number of shares held at the end of year (shares)	Proportion (%)
Shenzhen Investment Management Co., Ltd.	Stated shares	108,240,000	66.24
Baogang Group Shanghai No.5 Steel Co., Ltd.	A	1,027,791	0.63
Yangzi Petrochemical Co., Ltd. Trade Union Committee	A	874,398	0.54
Zhuang Shangyi	A	787,304	0.48
Shanghai Baogang International Economic and Trading Co., Ltd.	A	423,270	0.26

VICTOR ONWARD PRINTING& DYEING (HK) CO.,LTD	B	370,000	0.23
Zhou Jianguo	A	253,441	0.16
Xingye Securities Investment Fund	A	217,400	0.13
SUN HUNG KAI INVESTMENT SERVICES LTD-CUSTOMERS A/C	B	202,700	0.12
Zhu Yifeng	A	170,000	0.10

Among the above shareholders, the one holding shares on behalf of the state is Shenzhen Investment Management Co. No. 6 and 9 shareholders are the ones holding foreign investment shares.

Among the above shares, except that 108,240,000 state-owned shares are non-negotiable shares, all other shares are negotiable shares.

Among the above top ten shareholders, state-owned corporate shareholder Shenzhen Investment Management Co., Ltd. is not related to other shareholders. The Company does not know whether there is related relation between social public shareholders or whether they are persons taking concerted action defined in Regulations on Disclosure of Information about Shareholding of Shareholders of Listed Companies.

The shares held by Shenzhen Investment Management Co. account for 66.24% of the total share capital of the Company. Its legal representative: Li Heihu. Date of establishment: February 10, 1988. Main business: Management and supervision of state-owned assets, finance and property right representatives, share participation in various municipal enterprises and turnover investment, provision of loan guarantee, levy of occupation fee of after-tax profit and assets of state-run enterprises, other businesses authorized by the municipal government. Registered capital: RMB 2 billion. It is a solely state-owned company in Shenzhen.

The controlling shareholder of the Company did not change in the report period. Except Shenzhen Investment Management Co., the Company has no other legal person shareholders holding more than 10% (including 10%) shares of the Company.

IV. Particulars about directors, supervisors, senior executives and employees

(I) . Introduce

Name	Title	Sex	Age	Date of starting and ending	Shares held at year-beginning	Shares held at year-end
Guan Tongke	Board chairman	Male	55	From June 30, 1999	37,200	37,200
Liu Junhou	Director	Male	44	1999.6.30	0	0
Sun Furen	Director	Male	59	1999.6.30	9,360	9,360
Li Jingqiang	Director	Male	50	1999.6.30	30,000	30,000
Hua Yongshi	Director	Male	71	1999.6.30	3,060	3,060
Lu Yitong	Independent Director	Male	59	1999.6.30	0	0

Guo Jianhua	Supervisor	Female	47	1999.6.30	0	0
Feng Junbin	Supervisor	Male	40	2002.5.28	0	0
Zhu Dahua	Director	Male	35	2002.5.28	0	0
Zhou Dadong	Deputy GM	Male	57	1999.6.30	0	0

(II) Annual remuneration

In the report period, the annual remuneration of the directors, supervisors and senior executives receiving salary from the Company shall be paid according to the Provisional Regulations on the Annual Salary System for the Operators of Shenzhen Municipal State-owned Enterprises and the wage management system of the Company. The total number of the current directors, supervisors and senior executives of the Company is 10. Eight of them receive salary from the Company, whose total annual salary is RMB 1.884 million. Annual remuneration of RMB 0.25M-0.29M: 2 persons; Annual remuneration of RMB 0.20M-0.25M: 5 persons; Annual remuneration below RMB 0.2M: 1 person. The total remuneration of the top three directors receiving the remuneration of the highest amount is RMB 0.79 million. The remuneration of one senior executive is RMB 0.209 million.

In the report period, the independent director did not receive remuneration from the Company. Mr. Zhu Dahua (candidate for director), the financial controller, did not receive remuneration from the Company. He receives remuneration from Shenzhen Investment Management Co., the controlling shareholder of the Company.

(III) The resignation, appointment and removal in the report period

The directors, supervisors and senior executives of the Company neither left their posts nor were dismissed in the report period.

In the report period, no senior executives of the Company including the managers, deputy managers, financial controllers and board secretary were appointed or dismissed.

(IV) Staff

As of December 31, 2001, the Company had 635 staff members in total, including 346 production employees, 89 sales employees, 73 technical employees, 34 financial employees and 93 administrative employees. Among the employees, 12 hold Master's degree or above, 142 are graduates of universities and junior colleges and 56 have education of technical secondary school. The number of retired staff was 68.

V. The Control Structure of the Company

(I) The particulars of the control structure of the Company

The Company formulated standardized management systems including Articles of Association, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Supervisor Committee, Detailed Work Rules of Managers, Internal Control System, Information Disclosure Management System and the Rules of Procedure of Shareholders' General Meeting strictly according to relevant laws and regulations and the standardized documents issued by CSRC in respect of the control of listed companies and constantly improved its legal person control structure. The particulars are as follows:

1. Shareholders and shareholders' general meeting: The Company is able to ensure all shareholders, especially medium and small shareholders, enjoy equal position and can fully exercise their own rights. The Company has formulated the rules of procedure of the shareholders' general meeting and is able to convene and hold shareholders' general meeting as required by the Standard Opinions on the Shareholders' General Meeting of the Listed Companies to ensure the right exercise of shareholders' rights. The Company has sound and effective internal control system to ensure the safety of its assets. The

Company is amending the Articles of Association of the Company according to the control standards.

2. Controlling shareholder and the Company: The controlling shareholder of the Company is a state-owned asset management company. The Company has been separated from its controlling shareholder in respect of business, personnel, assets, structure and finance. The board of directors, supervisory committee and the management of the Company are able to operate independently. As the controlling shareholder holds 66.24% of the total shares of the Company, it is the absolute controlling shareholder and may exert influence on the important decisions of the Company to certain extent through the shares held by it. Therefore, the Company will further standardize its operation, disclose information in timely and standardized manner and deal with matters strictly according to laws, regulations and the Articles of Association, take the opinions of medium and small shareholders into full account, strictly implement the system that related shareholders should avoid voting on related transactions and give full play to the functions of the independent directors.
3. The directors and the board of directors: The Company operates in standardized manner strictly according to the Company Law and relevant national laws and regulations, the Articles of Association of the Company and the Rules of Procedure of the Board of Directors. The procedure of selecting and appointing directors and the personnel comply with the provisions of laws and regulations. All directors are able perform their duties seriously and perseveringly. The Company now has one independent director and is seeking other candidates for independent shareholders. The Company has established independent director system according to relevant regulations.
4. Supervisors and the supervisory committee: Taking the spirit of being responsible for all shareholders, the supervisory committee of the Company is able to seriously perform its duties, supervise the legality and regulation conformity of the Company's finance of the duty performance of the directors, managers and other senior executives of the Company and express its opinions independently.
5. Performance appraisal and stimulation and restriction mechanism: The Company's

appraises and stimulates its senior executives mainly according to Annual Salary System for the Operators of Shenzhen Municipal State-owned Enterprises and is actively set about establishing fair and transparent performance appraisal standard and stimulation and restriction mechanism for directors, supervisors and executives.

6. Interested parties: The Company is able to fully respect and safeguard the legal rights and interests of the interested parties including banks, creditors, employees and customers and conduct business intercourse according to the principles of mutual benefit and good faith.
7. Information disclosure and transparency: The Company designates the secretary to the board of directors to be responsible for information disclosure and reception of shareholders and investors and set up special email mailbox to strengthen the good communication between the Company and its shareholders. The Company has formulated Information Disclosure Management System to ensure true, accurate, complete and timely disclosure of relevant information and is able to keep secrets before information disclosure.

(II) In the report period, the independent director of the Company is able to perform his duties seriously, attend board meetings and shareholders' general meeting and express independent opinions on the investment decision, operation management and standardized operation of the Company.

(III) The Company has been separated from its controlling shareholder in respect of business, personnel, assets, structure and finance. The Company has independent and complete business and the ability of independent operation.

VI. Brief Introduction of Shareholders' General Meeting

(II) The meeting was presided over by board chairman Mr. Guan Tongke. 2001 annual shareholders' general meeting of the Company adopted the following resolutions:

1. 2001 work report of the board of directors of the Company;
2. 2002 work report of the supervisory committee of the Company;
3. 2001 final accounting report of the Company;

4. 2001 profit distribution plan of the Company;
5. The resolution for covering losses with common reserve fund;
6. The resolution for engaging auditing organ for the Company;
7. Electing Mr. Zhu Dahua as a director of the Company;
8. Electing Mr. Feng Junbin as a supervisor of the Company;
9. Adopting Rules of Procedure of Shareholders' General Meeting of the Company;

The above resolutions of the meeting were published on Securities Times and Hong Kong Commercial Daily on May 29, 2002.

(III) 2001 annual shareholders' general meeting of the Company elected Mr. Zhu Dahua as a director of the Company and Mr. Feng Junbin as a supervisor of the Company.

VII. Report of the Board of Directors

(I) Operation of the Company

The Company is mainly engaged in the production, import and export trade of textiles, garments and relevant products and sidelines in property lease, warehousing, real estate development and hotel business. In 2002, the income earned by the Company was RMB 457.48 million, an increase of 33% over the same period of the previous year. The Company earned net profit of RMB 9.44 million. The decrease of net profit was mainly due to the provision of reserve of RMB 24 million for the estimated liabilities in the report period.

Industry: In the report period, the Company earned income of RMB 61.80 million from manufacturing industry and total profit of RMB -4.66 million. The loss was mainly caused by the loss of Shenzhen Shenfang Lekai Photoelectron Material Co., Ltd. and Shenzhen Fengsheng Garment Co., Ltd.

Trade: In the report period, the income and total profit from trading were RMB 351.23 million and RMB 9.16 million respectively, an increase of 39.3% and 31.8% over the same period of the previous year.

Property lease and hotel business: The Company owns Shenfang Building and other properties including commercial berths, factory buildings, office buildings and warehouses, etc. for lease. The Company earned income of RMB 40.35 million in total from property lease, warehousing and hotel business in the report period, which decreased by RMB 3.61 million over the same period of the previous year.

1. The Scope of the Company's key business and its operation status:

2. Operation and performance of main share-held subsidiaries and invested companies

With registered capital of RMB 20 million, Jiangxi Xuanli Yarn Industry Co., Ltd. is engaged in producing various stitch yarn and knitted garments. In 2002, it produced yarn products of 391 tons and 50,000 knitted jerseys and earned sales income of RMB 17.80 million and net profit of RMB 0.48 million.

With registered capital of HKD 1.5 million, Yehui International Co., Ltd. is mainly engaged in the trade of textile products. In 2002, it earned sales income of RMB 165.60 million and net profit of RMB 1.32 million.

With registered capital of RMB 5 million, Shenzhen Shenfang Import and Export Co., Ltd. is engaged in both export and import business. In 2002, it earned sales income of RMB 8.64 million and net profit of RMB 1.08 million.

With registered capital of RMB 1.6 million, Shenfang Property Management Co., Ltd. is mainly engaged in property lease and management. In 2002, the property occupancy rate was 90% and the company earned income of RMB 6.26 million from management fee.

With registered capital of RMB 3.54 million, Shenzhen Jinlan Decorative Articles Industrial Co., Ltd. is mainly engaged in production of bedroom articles series. In 2002, its output was 80500 sets (pieces). The company earned sales income of RMB 9.62 million and net profit of RMB 0.52 million.

With registered capital of RMB 2.14 million, Shenzhen Lisi Industrial Co., Ltd. is mainly engaged in property lease and management. In 2002, the average property occupancy rate was 98% and the company earned operating income of RMB 4.09 million and net profit of RMB 0.79 million.

With registered capital of RMB 10 million, Shenzhen Huaqiang Hotel is mainly engaged in the business of hotel and restaurant. In 2002, the average occupancy rate was 65% and the hotel earned operating income of RMB 5.11 million and net profit of RMB 0.23 million.

With registered capital of RMB 1.68 million, Shenzhen Zhongxing Fibre Folds Cotton Clothing Ornament Co., Ltd. is engaged in producing fiber fold cotton and relevant products. In 2002, the company produced products of 1.51 million square meters and earned sales

income of RMB 5.57 million and net profit of RMB 0.19 million.

With registered capital of RMB 6.67 million, Shenzhen Fengsheng Garment Co., Ltd. is engaged in producing garments. In 2002, the company produced 0.14 million pieces of products, earned sales income of RMB 3.56 million and suffered losses of RMB 1.54 million mainly due to the disposal of inventory.

With registered capital of 7.2 million, Shenzhen Jingguang Footwear Co., Ltd. is engaged in producing footwear products. In 2002, the company produced 3.84 pairs of footwear and earned sales income of RMB 5.75 million and net profit of RMB 40,000.

With registered capital of RMB 68 million, Shenzhen Shenfang Lekai Photoelectronic Material Co., Ltd. is engaged in producing polarizer sheet products for LCD. In 2002, the company produced products of 0.28 million square meters. It suffered loss of RMB 4.29 million, which decreased by RMB 2.79 million over the same period of the previous year.

3. Main suppliers and customers

The total amount of purchase from the top five suppliers accounted for 24.7% of the total purchase amount of the year. The total amount of sales to the top five customers accounted for 14.42% of the total sales amount of the Company.

4. Problems and difficulties occurred in operation and their solutions

Influenced by the continuous lowering of the market price of products, Fengsheng Garment Factory Co., Ltd. and Shenfang Lekai Photoelectronic Materials Co., Ltd., the subsidiaries of the Company, suffered operating losses in the report period. In addition, the market competition was fierce and the export tax rebate seriously lagged behind. The operation of the Company faced certain pressure. The Company took the following measures against this situation: (1) Strongly supporting Shenfang Lekai Photoelectronic Materials Co., Ltd., adjusting its management, strengthening internal management, research and development, lowering raw material cost and constantly enhancing its product quality. As a result, it reduced its losses by RMB 2.79 million over the previous year; (2) Removing Fengsheng Garment Factory Co., Ltd. out of the special zone to reduce production cost; (3) Stressing internal management and strictly controlling expenses; (4) Actively adjusting marketing strategy and expanding business channels according to market demands.

(II) The investment of the Company

1. The Company did not raise funds in the report period.

2. In the report period , the investment of the Company increased by RMB 32.26 million over the same period of the previous year mainly due to the investment in new projects.

In the report period, the Company invested in Anhui Huapeng Textile Co., Ltd. and Shenzhen Beauty Century Garment Co., Ltd. with self-raised funds.

The registered capital of Anhui Huapeng Textile Co., Ltd. is RMB 50 million. The Company contributed capital of RMB 25 million in cash, which accounts for 50% of the registered capital. Its business scope: Production, bleaching, printing, dyeing, processing and sales of various yarns, production, processing and sales of various textile fabrics and garments.

The registered capital of Shenzhen Beauty Century Garment Co., Ltd. is RMB 15 million. The Company contributed capital of RMB 12 million in cash, which accounts for 80% of the registered capital. The business scope of this company: Production of completely-electronic, jacquard completely-shaped knitwear, purchase and sales of garments, textiles and relevant auxiliary materials.

The above new investment projects were smoothly put into trial run as scheduled in the report period.

(III) Key emphasis in work in the new year

The Company will focus on the following work in 2003: (1) To actively develop the profitability of new investment projects and obtain economic results as soon as possible. (2) To actively seek new development projects, widen development channels, greatly develop the Company's key business and enhance the Company's strength. (3) To satisfactorily complete the renovation of the annex of Shenfang Building and increase the Company's property income. (4) To stress brand development and create new brand image of the Company with the popularization of new project products as a point of breakthrough. (5) To quicken the technical renovation, enhance the level of production technology and strengthen standardized management; (6) To continue to effectively recruit and train capable personnel.

(IV) Routine work of the board of directors

1. Board meetings and resolutions in the report period

The 9th meeting of the second board of directors of the Company was held on March 26, 2002. 5 directors were supposed to attend the meeting and all of them were actually present. The meeting examined and adopted the following resolutions:

- The resolution for adopting 2001 work report of the board of directors of the Company;
- The resolution for adopting 2001 annual report of the Company and its summary;
- The resolution for adopting 2001 final accounting report of the Company;
- The resolution for adopting 2001 profit distribution preplan of the Company;
- The resolution for adopting the preplan for covering losses with common reserve fund;
- The resolution for adopting 2002 profit distribution policy of the Company;

The 10th meeting of the second board of directors of the Company was held on April 24, 2002. 5 directors were supposed to attend the meeting and all of them were actually present. The meeting examined and adopted the following resolutions:

The resolution for adopting the quarterly report of the Company for the first quarter of 2002;

The resolution for engaging auditing organ for the Company in 2002.

The 11th meeting of the second board of directors of the Company was held on June 21, 2002. 6 directors were supposed to attend the meeting and all of them were actually present. The meeting examined and adopted the following resolutions:

The resolution for making report on self inspection of establishment of modern enterprise system;

The resolution for recommending Liu Xiangqing as a candidate for independent director of the Company.

The 12th meeting of the second board of directors of the Company was held on July 12, 2002. 6 directors were supposed to attend the meeting and all of them were actually present. The meeting examined and adopted the following resolutions:

The resolution for adopting the 2002 semiannual report of the Company and its summary;

The resolution for adopting 2002 interim profit distribution preplan of the Company;

The resolution for establishing independent director system of the Company.

The 13th meeting of the second board of directors of the Company was held on October 25, 2002. 6 directors were supposed to attend the meeting and all of them were actually present. The meeting examined and adopted the quarterly report of the Company for the third quarter of 2002.

In the report period , the board of directors studied the matters including strengthening enterprise management, developing new projects, quickening the Company's development, canceling of depreciation reserve after verification, etc. and made decisions.

2. Implementation by the board of directors of the resolutions of the shareholders' general meeting

In the report period , the board of directors of the Company seriously implemented all resolutions adopted by shareholders' general meeting according to relevant provisions of the Company Law and the Articles of Association of the Company.

(V) Profit distribution preplan for the year 2002:

As audited, the net profit of the Company for the year 2002 was RMB 1,179,932.00 and that after adjustment pursuant to international accounting standards was RMB 9444000.00. After review, the board of directors made the following profit distribution preplan: 10% and 5% of the net profit of 1,179,932.00 for the year 2002 are to be set aside for statutory surplus common reserve fund and statutory public welfare fund respectively. The profit of 1002942.20 available for distribution is to be carried forward to the next year for distribution. No capital common reserve fund is to be capitalized. The above preplan is to be submitted to 2002 annual shareholders' general meeting of the Company for examination.

(VI) Other Events

Newspapers selected by the Company for information disclosure are Shanghai Securities Daily and Hong Kong Commercial Daily.

VII. Report of the Supervisory Committee

In the report period , the supervisory committee of the Company duly performed its duties and exercised effective supervision strictly according to the provisions of the Company

Law and the Articles of Association of the Company.

In the report period , the supervisory committee held five meetings. The meeting held on March 17 discussed and adopted the proposal for electing Feng Junbin as a supervisor of the Company. The meeting held on March 26 discussed and adopted the supervisory committee's explanation for the Company's provision of loan guarantee to Shenzhen Laiyingda Group and 2001 annual report. The meetings held on April 24, July 26 and October 25 respectively examined and adopted the quarterly report for the first quarter of 2002, 2002 semiannual report and the quarterly report for the third quarter of 2002.

The supervisory committee exercised supervision as follows:

1. The operation of the Company according to law. The board of directors and the management of the Company were able to strictly implement relevant national laws and regulations and the Articles of Association of the Company. The Company had sound system, made decisions in democratic manner and conducted standardized operation. The directors and managers of the Company worked diligently and practiced self discipline. No act that violated laws and regulations and harmed the interests of the Company and shareholders was found.

2. The financial status of the Company. The Company strictly implemented relevant national laws and regulations and its financial system, whose financial statements were complete and true. The auditor's report issued by Shenzhen Pengcheng Certified Public Accountants and K.C. Oh & Co. for 2002 financial report of the Company objectively and truly reflected the financial status and operating results of the Company.

3. The Company neither raised funds nor was involved in acquisition activities in the report period.

4. The related transactions of the Company had small volume and were fair in the report year. No transaction that harmed the interests of the Company occurred.

VIII. Important Events

(I) Material lawsuits and arbitration

1. The Company was not involved in any material lawsuits and arbitration in the report

period.

2. Others lawsuits

(1) In October 2002, China Everbright Bank Beijing Branch brought an action to Beijing municipal people's court against the Company for the overdue loan of RMB 14 million for which the Company provided guarantee to Guangdong Sun Rise Group Co., Ltd. (originally named as Shenzhen Laiyingda Group Co., Ltd.) and demanded the Company to assume joint and several liability. This case has now been settled based on compromise. Guangdong Sun Rise Group Co., Ltd. repaid all loans in February 2003.

(2) On July 4, 2002, Jiujiang Hongfa Real Estate Economic Development Group Co., Ltd. sued the Company for unavailable investment and demanded the compensation for the excessive investment of RMB 2.51 million and the payment of damages of 2.8 million. Jiujiang Intermediate People's Court decided that the Company should pay RMB 2.494 million and bear damages of RMB 1 million after first instance. Not agreeing to the judgment, the Company appealed to Jiangxi Higher People's Court on July 31, 2002. After the second instance, the court carried out mediation, repealed the original judgment and decided that the Company should not bear any liability. This case has now been settled.

(3) As for the case that the Company sued China Huawen Business Development Corporation for counter guarantee of loans, Shenzhen municipal intermediate people's court decided Huawen Co. should assume joint and several liability for repayment of loan of RMB 10.60 million. Huawen Co. did not agree with the decision and appealed to Guangdong Higher People's Court in April 2002. This case is still in second instance.

(4) On September 16, 2002, Hong Kong Xieli Maintenance and Repair Co., the Hong Kong shareholder of Shenzhen Xieli Automobile Co., Ltd. that is a subsidiary joint venture of the Company, brought an action to Shenzhen Municipal Intermediate People's Court against the Company for infringement and demanded the Company to compensate it for its losses totaling RMB 6.3 million. The Company made jurisdiction objection to Shenzhen municipal intermediate people's court, whose demand was rejected. Not agreeing with this ruling, the Company appealed to Guangdong Higher People's Court on November 22, 2002. Guangdong Higher People's Court has not made judgment yet.

(II) Acquisition and disposal of assets, takeover and merger

The Company neither acquired nor disposed of assets nor was involved in any takeover and merger in the report period.

(III) Important related transactions

The Company was not involved in any material related transaction. Refer to the financial report for the details of other related transactions.

(IV) Important contracts and their performance

1. Trust, contracting and lease

The Company was not involved in any material trust, contracting or lease in the report period.

2. Important guarantee

For historical reasons, the Company provided guarantee to Guangdong Sun Rise Group Co., Ltd. for loans with total amount of RMB 72.45 million. The above loans have all been overdue. According to the regulations of enterprise accounting system, the Company provided reserve for the estimated liabilities in respect of the above guarantee and the part of interest accrued to be borne by the Company with the total amount of RMB 24 million.

3. Entrustment of cash asset management

The Company did not entrust others to manage its cash assets in the report period.

(V) Commitments

In the report period, the Company or shareholders holding over 5% of the total shares of the Company did not make any commitment that may have material influence on the operating results and financial status of the Company. There was no such commitment that was made previously and lasted in the report period.

(VI) Engagement and removal of certified public accountants

The Company engaged Shenzhen Pengcheng Certified Public Accountants and K.C. Oh & Co. as the auditing organs for the A shares and B shares of the Company in the report period. The remuneration paid by the Company to the above certified public accountants in the report year was respectively RMB 0.38 million and RMB 0.12 million, including traveling expenses. So far, Shenzhen Pengcheng Certified Public Accountants has provided

services to the Company for two consecutive years.

(VII) Supervision over the Company and its directors and senior executives

The Company and its directors and senior executives were not investigated by CSRC, administratively punished or publicly criticized by CSRC or publicly condemned by stock exchange.

IX. Financial Reports

1. Auditor's report (attached hereinafter)
2. Financial statements (attached hereinafter)
3. Notes to financial statements (attached hereinafter)

X. Documents Available for Inspection

1. Financial statements bearing the seal and signature of legal representative, financial controller and accounting personnel in charge.
2. The original of the auditors' report bearing the seal of the certified public accountants and the seal and signature of C.P.A.
3. The original of all Company's documents and the original manuscripts of announcements publicly disclosed on Hong Kong Commercial Daily and Securities Times in the report period.

The above documents were completely placed at the Office of the Company.

This report has been prepared in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

The Board of Directors of Shenzhen Textile (Holdings) Co., Ltd.

April 30, 2003

Shenzhen Textile (Holdings) Co., Ltd.

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

Auditors' report and financial statements

for the year ended December 31, 2002

Shenzhen Textile (Holdings) Co., Ltd.
(a joint stock limited company incorporated
in the People's Republic of China)

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Report of the auditors to the members of

Shenzhen Textile (Holdings) Co., Ltd.

(A joint stock limited company incorporated in the People's Republic of China)

We have audited the financial statements on pages 2 to 28. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. 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 Company and its subsidiaries as at December 31, 2002 and the results of their operations and cash flows for the year then ended, in accordance with International Accounting Standards.

**K. C. Oh & Company
Certified Public Accountants**

Hong Kong : April 28, 2003

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated income statement for the year ended December 31, 2002

	Notes	2002 RMB'000	2001 RMB'000
Turnover	(5)	457,480	342,606
Cost of sales		(365,091)	(270,871)
Gross profit		92,389	71,735
Other revenue		10,197	10,060
		102,586	81,795
Distribution and administrative expenses		(77,923)	(56,894)
Operating profit		24,663	24,901
Income from investments	(7)	12,126	17,873
Provision for loss on guarantees	(8)	(24,000)	-
Finance costs	(9)	(11,443)	(14,515)
Amortisation of negative goodwill		567	567
Share of profit/(loss) from associates		9,938	(502)
Profit before taxation	(10)	11,851	28,324
Taxation	(11)	(2,745)	83
Profit after taxation		9,106	28,407
Minority interests		338	(208)
Net profit for the year		9,444	28,199
Earnings per share		RMB0.058	RMB0.173

Earnings per share is calculated by dividing the net profit for the year of RMB9,444,000 (2001 - RMB28,199,000) attributable to shareholders by 163,416,000 shares (2001 - 163,416,000 shares) in issue during the year concerned.

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at December 31, 2002

	Notes	2002 RMB'000	2001 RMB'000
Non-current assets			
Property, plant and equipment	(12)	166,618	164,886
Investment properties	(13)	101,372	101,372
Construction-in-progress	(14)	11,565	11,504
Intangible assets	(15)	58	78
Interests in associates	(16)	58,346	(4,763)
Other investments	(17)	79,170	71,202
		<u>417,129</u>	<u>344,279</u>
Current assets			
Inventories	(18)	55,745	41,755
Accounts receivable	(19)	46,820	46,176
Prepayments, deposits and others receivable	(20)	70,116	51,780
Investments in securities	(21)	6,089	4,507
Cash and bank balances		<u>156,384</u>	<u>193,887</u>
		<u>335,154</u>	<u>338,105</u>
Total assets		<u>752,283</u>	<u>682,384</u>
Capital and reserves			
Share capital	(22)	163,416	163,416
Reserves		<u>152,656</u>	<u>143,779</u>
		<u>316,072</u>	<u>307,195</u>
Minority interests	(23)	<u>61,456</u>	<u>47,035</u>
Non-current liability			
Long-term loans, long-term portion	(24)	<u>4,200</u>	<u>500</u>
Current liabilities			
Long-term loans, short-term portion	(24)	140,300	188,514
Accounts payable		56,037	26,009
Others payable and accrued expenses		131,678	94,352
Dividend payable	(25)	18,483	18,483
Provision for loss on guarantees	(26)	24,000	-
Provision for taxation		<u>57</u>	<u>296</u>
		<u>370,555</u>	<u>327,654</u>
Total equity and liabilities		<u>752,283</u>	<u>682,384</u>

The financial statements on pages 2 to 28 were approved and authorised for issue by the board of directors on April 28, 2003 and are signed on its behalf by :

Director

Director

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated statement of changes in equity for the year ended December 31, 2002

	Share capital RMB'000	Negative goodwill RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Property revaluation reserve RMB'000	Accumulated profit/(loss) RMB'000	Total RMB'000
Balance as at January 1, 2001	163,416	7,941	77,738	5,326	13,261	81,639	(69,758)	279,563
Amortisation of negative goodwill	-	(567)	-	-	-	-	-	(567)
Net profit for the year	-	-	-	-	-	-	28,199	28,199
Balance as at December 31, 2001	<u>163,416</u>	<u>7,374</u>	<u>77,738</u>	<u>5,326</u>	<u>13,261</u>	<u>81,639</u>	<u>(41,559)</u>	<u>307,195</u>
Balance as at January 1, 2002	163,416		77,738	5,326	13,261	81,639	(41,559)	307,195
Amortisation of negative goodwill	-	()	-	-	-	-	-	(567)
Make-up of accumulated loss	-	-	(39,190)	(5,326)	-	-	44,516	-
Net profit for the year	-	-	-	-	-	-	9,444	9,444
Appropriation from statutory surplus reserve and statutory public welfare fund	-	-	-	118	59	-	(177)	-
Balance as at December 31, 2002	<u>163,416</u>	<u>6,807</u>	<u>38,548</u>	<u>118</u>	<u>13,320</u>	<u>81,639</u>		<u>316,072</u>

According to the Company's Articles of Association and the PRC's relevant laws and policies as well as after making up the Company's loss, the Company is required to make a transfer at the rate of 10% from the profit after taxation, determined in accordance with the PRC Accounting Standards, of the Company to the statutory surplus reserve until the reserve balance has reached 50% of the registered capital of the Company. Again, after making up the loss, the Company is also required to transfer 5% to 10% from the profit after taxation to the statutory public welfare fund.

The capital reserve and the statutory surplus reserve may be applied only for the following purposes :

- i may be used to make up loss; and
- ii may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, but when the

statutory surplus reserve is converted into share capital, the amount remaining in the reserve shall be no less than 25% of the newly increased registered capital.

As approved in the Annual General Meeting in 2001, sums from the capital reserve and the statutory surplus reserve have been used to make up the Company's accumulated loss as at December 31, 2001 as determined by the PRC Accounting Standards. In addition, the directors do not recommend the payment of any dividend in respect of the year ended December 31, 2002.

The statutory public welfare fund shall only be applied for the collective welfare of the Company's employees; and upon utilisation, an amount equal to expenditure spent on the collective staff welfare shall be transferred from the statutory public welfare fund to discretionary surplus reserve.

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

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended December 31, 2002

	2002 RMB'000	2001 RMB'000
Cash flow from operating activities		
Operating profit before taxation	11,851	28,324
Adjustment items :		
Interest income	(1,623)	(4,031)
Interest expense	9,973	13,294
Depreciation and amortisation	17,686	15,203
Write-off of pre-operating expenses	-	4,158
(Profit)/loss on disposal of property, plant and equipment	(188)	2,226
Profit on disposal of a subsidiary	-	(3,214)
Profit on disposal of other investments	(2,944)	-
Share of (profit)/loss from associates	(9,938)	502
Provision for impairment loss made/(reversed)		
- property, plant and equipment	(20)	489
- unconsolidated subsidiaries	448	3,170
- other investments	(4,950)	(6,776)
- investments in securities	841	1,290
Provision for diminution in value of inventories made/(reversed)	(1,395)	47
Provision for doubtful debts made/(reversed)	2,424	(3,265)
Provision for loss on guarantees	24,000	-
Amortisation of negative goodwill	(567)	(567)
Net operating cash inflow before movements in working capital	45,598	50,850
(Increase)/decrease in inventories	(12,595)	5,218
Increase in accounts receivable	(1,873)	(4,464)
Increase in prepayments, deposits and others receivable	(19,531)	(24,369)
Increase/(decrease) in accounts payable	30,028	(7,655)
Increase/(decrease) in others payable and accrued expenses	35,111	(4,071)
Cash generated from operations	76,738	15,509
Corporate and profits tax paid	(2,984)	(437)
Interest paid	(7,758)	(13,294)
Net cash inflow from operating activities	<u>65,996</u>	<u>1,778</u>

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended December 31, 2002

(cont'd)

	2002 RMB'000	2001 RMB'000
Net cash inflow from operating activities	65,996	1,778
Investing activities		
Interest received	1,623	4,031
Purchases of property, plant and equipment	(20,257)	(3,989)
Increase in construction-in-progress	(2,486)	(10,305)
Proceeds from disposal of property, plant and equipment	3,492	363
Increase in investments in associates	(25,000)	-
Returns from associates received	10,645	-
(Increase)/decrease in amounts due from associates	1,779	(4,750)
Increase/(decrease) in amounts due to associates	(40,595)	38,391
Increase in other investments	(7,241)	-
Proceeds from disposal of other investments	6,719	6,888
Acquisition of other non-current assets	-	(2,387)
(Increase)/decrease in investments in securities	(2,423)	2,709
Proceeds from disposal of investment in a subsidiary	-	(5,521)
Net cash inflow/(outflow) from investing activities	(73,744)	25,430
Financing activities (*)		
Decrease in bank and other loans	(44,514)	()
Increase/(decrease) in minority interests	14,759	(1,400)
Net cash outflow from financing activities	(29,755)	(16,328)
Increase/(decrease) in cash and cash equivalents	(37,503)	10,880
Cash and cash equivalents as at beginning of the year	193,887	183,007
Cash and cash equivalents as at end of the year	156,384	193,887
Cash and cash equivalents as at end of the year are represented by :		
Cash and bank balances	156,384	193,887
(*) Cash flow from financing	Bank & other loans RMB'000	Minority interests RMB'000

Balance as at beginning of the year	189,014	47,035
Cash flows from financing activities	(44,514)	13,374
Dividend payable to minority interests	-	1,385
Loss attributable to minority interests	<u>-</u>	<u>(338)</u>
Balance as at end of the year	<u>144,500</u>	<u>61,456</u>

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

1. Corporate information

Shenzhen Textile (Holdings) Co., Ltd. (the “Company”) is established in the People’s Republic of China (the “PRC”) as a joint stock limited company. The ultimate holding company of the Company is Shenzhen Investment Administration Company, a state owned enterprise established in the PRC. The principal activity of the Company is investment holding and the principal activities of the subsidiaries are set out in note 3.

2. Basis of presentation of the financial statements

The consolidated financial statements have been prepared in accordance with the International Accounting Standards (“IAS”). These accounting standards differ from those used in the preparation of the PRC statutory financial statements, which are prepared in accordance with the PRC Accounting Standards. To conform to IAS, adjustments have been made to the PRC statutory financial statements. Details of the impact of such adjustments on the net asset value as at December 31, 2002 and on the operating results for the year then ended are included in notes 31 and 32 to the financial statements. In addition, apart from property, plant and equipment, investment properties and investments in securities that are valued on a fair basis, the financial statements have been prepared under the historical cost convention.

3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries (the “Group”) made up to December 31 each year. Except for those subsidiaries not consolidated for the reasons stated below, all significant inter-company transactions and balances within the Group have been eliminated on consolidation.

(a) Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of the equity interest as a long-term investment or has the power to cast the majority of votes at meetings of the board of directors/management committee. As at December 31, 2002, the subsidiaries owned by the Company are listed out as follows :

i) *Subsidiaries consolidated*

<u>Company name</u>	<u>Place of establishment/ operation</u>	<u>Effective equity held by the Group</u>	<u>Principal activities</u>
Shenzhen Jinlan Decorative Products Ind. Co.	PRC	100%	Manufacturing of bedding and decorating products
Shenzhen Lisi Industrial & Development Co., Ltd.	PRC	100%	Material supplies

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

3. Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

i) Subsidiaries consolidated (cont'd)

<u>Company name</u>	<u>Place of establishment/ operation</u>	<u>Effective equity held by the Group</u>	<u>Principal activities</u>
Shenzhen Huaqiang Hotel Ltd.	PRC	100%	Hotel, catering, and business centre operations
Shenfang Building Estate Management Co.	PRC	100%	Property management
Shenzhen Feng Sheng Garments Co., Ltd.	PRC	100%	Manufacturing of clothing
Shenzhen Jing Guang Shoes and Hose Co., Ltd.	PRC	100%	Manufacturing and trading of sporting shoes and socks
Shenzhen Mei Bai Nian Garments Co., Ltd.	PRC	80%	Knitting and clothing
Shenzhen Zhong Xing Fibre Products Co., Ltd.	PRC	75%	Manufacturing and trading of fibre products
Shenzhen Shenfang Import and Export Co., Ltd.	PRC	49%*	Import and export trading of textile

Shenzhen Shenfang-Lucky Photoelectronic Materials Co., Ltd.	PRC	47.95%*	Manufacturing of digital monitor and relevant consumables and parts
Jiangxi Xuanli Thread Co., Ltd.	PRC	35.07%*	Manufacturing and trading of synthetic fibre threads
Business Faith International Co., Ltd.	Hong Kong	17.85%*	Trading

* The Group has the power to cast the majority of votes at meetings of the board of directors

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

3. Basis of consolidation (cont'd)

ii) Subsidiaries not consolidated

<u>Company name</u>	<u>Place of establishment/ operation</u>	<u>Effective equity held by the Group</u>	<u>Principal activities</u>
Shenzhen Risen Textile Technology Development Co., Ltd.	PRC	100%	Manufacturing of dyeing materials
Shenzhen Dahong Textile Co., Ltd.	PRC	100%	Manufacturing and trading of textile products
Darwin International Co., Ltd.	Hong Kong	100%	Import and export
Shenzhen Textile (Holding) Moscow Diana Co., Ltd.	Moscow	100%	Trading
Shenzhen Fenghua Zhi Dai Factory Co., Ltd.	PRC	75%	Manufacturing of fasteners

In the opinion of the directors, the above unconsolidated subsidiaries have ceased the business, are under liquidation or are unable to transfer funds to the parent because of the long-term restrictions over their operations. As their operating results and net assets have no significant effect on the Group as a whole, they have not been included in the consolidation. After taking into consideration the expected impairment loss, the investments in above companies are accounted for at cost less provision for diminution in value.

(b) Associates

An associate is a company, not being a subsidiary, in which the Company

holds, directly or indirectly, not less than 20% and not more than 50% equity interest as a long-term investment and is able to exercise significant influence on this company. Except for the associates that are shown in note 17 to the financial statements, investments in associates are accounted for by the Group using the equity method of accounting.

The associates held by the Company as at December 31, 2002 are shown in note 16 to the financial statements.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

4. Summary of significant accounting policies

(a) Property, plant, equipment and depreciation

Such assets are stated at cost/valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to the consolidated income statement in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditures are capitalised as an additional cost of the assets.

When assets are sold or retired, their cost/valuation and accumulated depreciation are eliminated from the accounts and any profit or loss resulting from their disposal is included in the consolidated income statement.

Depreciation is provided to write off the cost/valuation of depreciable assets, after taking into account of their estimated residual values, over their estimated useful lives on a straight-line basis.

Their estimated useful lives are as follows :

Leasehold lands	Period of land use right
Buildings	35 to 40 years
Leasehold improvements	5 years
Plant and machinery	10 years
Office equipment	8 years
Motor vehicles	8 years

Certain above assets are stated at valuation. Independent valuation is performed periodically with the last valuation performed in 1993. In the intervening years, the directors review the carrying value of these assets and adjustment is made where in the directors' opinion there has been a material change in value.

Any increase in valuation is credited to the property revaluation reserve; any decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to operating result.

Upon the disposal of revalued property, the relevant portion of the revaluation surplus realised in respect of previous valuation is released from the property valuation surplus as part of the profit or loss on disposal of such property.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

4. Summary of significant accounting policies (cont'd)

(b) Investment properties

Investment properties are interests in land and buildings that are held for rental purposes or for their long-term investment potential. In 1993, certain investment properties had been revalued. After that, the directors will periodically review their carrying value. Adjustment is made where in the directors' opinion there has been a material change in their fair value. The profit or loss arising from the change in the fair value of the relevant investment properties is dealt with in the consolidated income statement in the period in which it arises.

(c) Construction-in-progress

Construction-in-progress represents the factory and office buildings under construction and is stated at cost. This includes costs of construction, machinery and furniture as well as interest charges and exchange differences arising from borrowings that are used to finance the construction during the construction period. No depreciation is provided on construction-in-progress prior to its completion. However, for construction-in-progress that is pending for further process and is functionally or technologically obsolete, its carrying amount is reduced to its recoverable amount by reference to the impairment loss.

(d) Intangible assets

The cost of trademark and technical know-how is amortised on a straight-line basis over their expected useful lives.

(e) Investments

Long-term investments are stated at cost less provision for permanent diminution in value.

(f) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

4. Summary of significant accounting policies (cont'd)

(f) Investments in securities (cont'd)

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises direct materials, direct labour and an attributable proportion of production overheads. Net realisable value is determined on the basis of estimated selling prices less further costs expected to be incurred to completion and the related selling and distribution expenses.

(h) Revenue recognition

Sales of goods : Sales of goods are recognised when goods are delivered and title has passed to customers.

Rental income : Rental income from investment properties is recognised when the rental is due and receivable.

Hotel service income : Income from hotel services is recognised when services

are rendered.

(i) Capitalisation of borrowing costs

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

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

4. Summary of significant accounting policies (cont'd)

(j) Foreign currency transactions

The PRC Group companies maintain their books and records in Renminbi. Foreign currency transactions are translated into Renminbi at the applicable rates of exchange prevailing at the first of January every year. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the applicable rates of exchange prevailing at the balance sheet date. Exchange differences arising from changes of exchange rates subsequent to the dates of transactions are included in the determination of the current year's results.

(k) 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 subsidiary or associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis following an assessment of its useful life of 10 years.

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

(l) Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of subsidiary or associate at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance is resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

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

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

4. Summary of significant accounting policies (cont'd)

(m) Cash equivalents

Cash equivalents represent short-term highly liquid investments that have insignificant risk of changes in value.

(n) Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss arising is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation subsequent to a past event, which will result in a probable outflow of economic benefits that can be reasonably estimated.

(p) Taxation

The Group provides for taxation on the basis of its income for financial reporting purposes, adjusted for income and expense items, which are not

assessable or deductible for income tax purposes. The PRC income tax rate is 33%. The PRC Group companies located in the Shenzhen Special Economic Zone are subject to an income tax rate of 15%.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

5. Operating income

The analysis of the Group's operating income is as follows :

	2002	2001
	RMB'000	RMB'000
Turnover		
Sales of goods	415,880	301,251
Property rental income	36,495	37,182
Hotel operations	5,105	4,173
	<u>457,480</u>	<u>342,606</u>

6. Business and geographical segments

Business segments

Segment information about businesses in 2002 is presented below :

	<u>Sales of goods</u>	<u>Leasing</u>	<u>Hotel operations</u>	<u>Elimination</u>	<u>Consolidated</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue					
External sales	415,880	36,495	5,105	-	457,480
Intra-group sales	<u>2,248</u>	<u>-</u>	<u>-</u>	<u>(2,248)</u>	<u>-</u>
Total revenue	<u>418,128</u>	<u>36,495</u>	<u>5,105</u>	<u>(2,248)</u>	<u>457,480</u>

Gross profit segment result	<u>50,789</u>	<u>36,495</u>	<u>5,105</u>	<u>92,389</u>
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Segment information about businesses in 2001 is presented below :

	<u>Sales of goods</u> RMB'000	<u>Leasing</u> RMB'000	<u>Hotel operations</u> RMB'000	<u>Elimination</u> RMB'000	<u>Consolidated</u> RMB'000
Revenue					
External sales	301,251	37,182	4,173	-	342,606
Intra-group sales	<u>15,836</u>	<u>-</u>	<u>912</u>	<u>(16,748)</u>	<u>-</u>
Total revenue	<u>317,087</u>	<u>37,182</u>	<u>5,085</u>	<u>(16,748)</u>	<u>342,606</u>
Gross profit segment result	<u>29,468</u>	<u>37,182</u>	<u>5,085</u>		<u>71,735</u>

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

6. Business and geographical segments (cont'd)

Geographical segments

The Group's operations are located in PRC, United States of America (USA) and Canada.

The following is an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods and/or services :

	2002 RMB'000	2001 RMB'000
PRC	128,176	238,770
USA and Canada	<u>329,304</u>	<u>103,836</u>
	<u>457,480</u>	<u>342,606</u>

7. Income from investments

	2002 RMB'000	2001 RMB'000
Provision for impairment loss on investments in unconsolidated subsidiaries (made)/reversed	4,640	(3,170)

Understatement of loss on investments in subsidiaries in prior years	-	(		)		
Profit on disposal of a subsidiary	-		3,214			
Subcontracting income from associates	-		2,799			
Provision for impairment loss on other investments reversed	4,950		6,776			
Profit on disposal of other investments	2,944		10,049			
Provision for impairment loss on investments in securities	(	841	)	(	1,290	)
Profit on disposal of investments in securities		<u>433</u>			<u>-</u>	
		<u>12,126</u>			<u>17,873</u>	

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

8. Provision for loss on guarantees

	2002	2001
	RMB'000	RMB'000
Provision for loss on guarantees	<u>24,000</u>	<u>-</u>

The Company has given guarantees to certain banks in favour of a subsidiary held by Shenzhen Investment Administration Company, namely Guangdong Sunrise Holdings Company Limited (formerly known as Shenzhen Lionda Holdings Company Limited) in respect of the utilised banking facilities. As the financial position of Guangdong Sunrise Holdings Company Limited is worsening and the relevant loans are overdue, it is uncertain if this company will be able to settle the aforesaid loans in full. The Company may be held responsible for the repayment obligations and has therefore made a provision on such loss.

9. Finance costs

	2002	2001
	RMB'000	RMB'000
Interest expense	9,973	13,294
Bank charges	1,376	956
Exchange loss	<u>94</u>	<u>265</u>
	<u>11,443</u>	<u>14,515</u>

10. Profit before taxation

The Group's profit before taxation is arrived at after charging and after crediting :

	2002	2001
	RMB'000	RMB'000
After charging :		
Interest expense	9,973	13,294
Depreciation and amortisation	17,686	15,203
Write-off of pre-operating expenses	-	4,158
Loss on disposal of property, plant and equipment	-	2,226
Provision for impairment loss on property, plant and equipment	-	489
Provision for diminution in value of inventories	-	47

Provision for doubtful debts		-
Provision for impairment loss on investments in securities		1,290
Staff costs	31,389	22,544
Exchange loss	<u>94</u>	<u>265</u>

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

10. Profit before taxation (cont'd)

	2002	2001
	RMB'000	RMB'000
And after crediting :		
Interest income	1,623	4,031
Profit on disposal of property, plant and equipment	188	-
Provision for impairment loss on property, plant and equipment reversed	20	-
Profit on disposal of other investments	2,944	10,049
Profit of disposal of a subsidiary	-	3,214
Provision for impairment loss on other investments reversed	4,950	6,776
Provision for diminution in value of inventories reversed	1,395	-
Provision for doubtful debts reversed	-	3,265
Profit on disposal of investments in securities	433	-
Amortisation of negative goodwill	567	567
	<u>567</u>	<u>567</u>

11. Taxation

	2002	2001
	RMB'000	RMB'000
Income tax		
- Company and subsidiaries	2,745	(134)
- Associates	-	51
	<u>2,745</u>	<u>(83)</u>

Income tax in PRC has been provided at the prevailing rates of 15% and 33% on the estimated assessable profit applicable to each individual company within the Group in the PRC. Hong Kong profit tax has been provided at 16% on the estimated assessable profits of the relevant members of the Group in Hong Kong for the year.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

12. Property, plant and equipment

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost/valuation						
As at January 1, 2002	158,877	16,318	59,422	11,460	6,563	252,640
Restatement	(1,211)					
Transfer from construction-in-progress	2,425	-	(46)	(1,527)		(1,890)
Additions	883	-	-	-		2,425
Disposals	(2,790)	3,383	13,360		631	20,257
		-	(1,313)	()	(1,066)	(7,887)
As at December 31, 2002 (*)	158,184	19,701	71,423	9,215	7,022	265,545
Accumulated depreciation						
As at January 1, 2002	(44,452)					
Restatement	1,766	(6,458)	(26,381)	(95)	(3,972)	(87,754)
Charged for the year	(5,077)	-	595	95	(566)	1,890
Disposals		()	(5,845)	(1,845)	(602)	(17,666)
Provision for impairment loss		-	1,233	2,558	779	4,583
		-	-	-	20	20
As at December 31, 2002	(47,750)	(10,755)	(30,398)	(5,683)	(4,341)	(98,927)
Net book value						

As at December 31, 2002	<u>110,434</u>	<u>8,946</u>	<u>41,025</u>	<u>3,532</u>	<u>2,681</u>	<u>166,618</u>
As at December 31, 2001	114,425					
	<u> </u>	<u>9,860</u>	<u> </u>	<u>4,969</u>	<u> </u>	<u>164,886</u>
(*) Representing						
At cost	63,238	19,701	48,960	9,215	4,623	145,737
At revaluation	<u>94,946</u>	<u>-</u>	<u>22,463</u>	<u>-</u>	<u>2,399</u>	<u>119,808</u>
	<u>158,184</u>	<u>19,701</u>	<u>71,423</u>	<u>9,215</u>	<u>7,022</u>	<u>265,545</u>

Certain above assets of the Group were appraised by Zhonghua (Shekou) Certified Public Accountants, professional valuers in 1993. They were appraised on the open market basis and carried in the consolidated balance sheet at valuation. As a result of the appraisal, an increase in value of the Group's assets by approximately RMB44,294,000 as at December 31, 1994 was credited to property revaluation reserve. The directors are of the opinion that the carrying value of these revalued assets as at December 31, 2002 approximates the open market value since 1994.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

13. Investment properties

	2002 RMB'000	2001 RMB'000
Cost/valuation	<u> </u>	<u>101,372</u>

Certain investment properties of the Group were appraised by Zhonghua (Shekou) Certified Public Accountants, professional valuers in 1993. They were appraised on the open market basis and carried in the consolidated balance sheet at valuation. As a result of the appraisal, an increase in value of the Group's investment properties by approximately RMB37,345,000 as at December 31, 1994 was credited to property revaluation reserve. The directors are of the opinion that the carrying value of the investment properties as at December 31, 2002 approximates to the market value since 1994.

14. Construction-in-progress

	2002 RMB'000	2001 RMB'000
Cost		
As at January 1, 2002	11,504	1,199
Additions	2,486	10,305
Transfer to property, plant and equipment	(2,425)	-
As at December 31, 2002	<u>11,565</u>	<u>11,504</u>

15. Intangible assets

	2002 RMB'000	2001 RMB'000
Trademark and technical know-how, at cost	118	118
Amortisation	(60)	(40)
	<u>58</u>	<u>78</u>

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

16. Interests in associates

	2002 RMB'000	2001 RMB'000
Share of net assets	50,015	25,033
Premium in associates	6,890	6,890
Amortisation of premium	(3,445)	(2,756)
	3,445	4,134
	53,460	29,167
Amounts due from associates	5,947	7,726
Amounts due to associates	(1,061)	(41,656)
Interests in associates	58,346	(4,763)

As at December 31, 2002, the details of the principal associates are listed out as follows :

<u>Company name</u>	<u>Place of establishment/ operation</u>	<u>Effective equity held by the Group</u>	<u>Principal activities</u>
Anhuei Huapeng Textile Co., Ltd.	PRC	50%	Textile products
Shenfang China East Electronics Co., Ltd.	PRC	50%	Manufacturing of electronic toys
Shenzhen Label Weaving Factory Co., Ltd.	PRC	50%	Manufacturing and trading of label tags
Shenzhen Tianlong Industrial and Trading Co., Ltd.	PRC	50%	Manufacturing and trading of health balls, foodstuffs and textile related products
Shenzhen Xieli Automobile Co., Ltd.	PRC	50%	Motor vehicle repair and maintenance services
Longwell Development Printing and Dyeing Co., Ltd.	PRC	40.25%	Processing of corduroy
Shenzhen Top Form Underwear Co., Ltd.	PRC	30%	Manufacturing and trading of ladies underwear

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

17. Other investments

	2002 RMB'000	2001 RMB'000
Subsidiaries not consolidated, at cost	12,683	16,933
Associates not accounted for under equity method, at cost	65,401	58,160
Listed shares, at cost	41,428	41,428
Unlisted shares, at cost	56,987	55,924
	<u>176,499</u>	<u>172,445</u>
Provision for impairment loss	(97,329)	(101,243)
	<u>79,170</u>	<u>71,202</u>

As at December 31, 2002, the details of the subsidiaries not consolidated are listed out as follows :

<u>Company name</u>	<u>Place of establishment/ operation</u>	<u>Effective equity held by the Group</u>	<u>Principal activities</u>
Shenzhen Risen Textile Technology Development Co., Ltd.	PRC	100%	Manufacturing of dyeing materials
Shenzhen Dahong Textile Co., Ltd.	PRC	100%	Manufacturing and trading of textile products
Darwin International Co., Ltd.	Hong Kong	100%	Import and export
Shenzhen Textile (Holding) Moscow Diana Co., Ltd.			Moscow 100% Trading
Shenzhen Fenghua Zhi Dai Factory Co., Ltd.	PRC	75%	Manufacturing of fasteners

In the opinion of the directors, the above unconsolidated subsidiaries have ceased the business, are under liquidation or are unable to transfer funds to the parent because of the long-term restrictions over their operations. As their operating results and net assets have no significant effect on the Group as a whole, they have not been included in the consolidation. After taking into consideration the expected impairment loss, the investments in above companies are accounted for at cost less provision for diminution in value.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

17. Other investments (cont'd)

Subsidiaries not accounted for by the Group using the equity method of accounting are listed out as follows :

<u>Company name</u>	<u>Place of establishment/ operation</u>	<u>Effective equity held by the Group</u>	<u>Principal activities</u>
Industrial Co., Ltd.	Shenzhen San Yi Textile	PRC	50% Textile
	Shenzhen Kunhwa Dyeing Co., Ltd.	PRC	45% Dyeing
	Mirage (Saipan) Co., Ltd.	Commonwealth of Northern Mariana Islands	35% Manufacturing and trading of apparel
	Yie Hui Clothing Factory Co., Ltd.	Jordan	35% Not yet commenced business
Chengdu Kanpeng Real Estates Development Co., Ltd.	PRC	30%	Real property development
Jiangxi Jiujiang Huangfa Real Estates Development Co., Ltd.	PRC	30%	Real property development
Shenzhen Shen Hu Textile Co., Ltd.	PRC	20%	Textile products
Shenzhen Hualian Fangzhi (Holding) Co., Ltd.	PRC	20%	Investment holding
Shenzhen Xin Fang Textile Factory Co., Ltd.	PRC	20%	Textile products
Shenzhen Xiang Jiang Leather Product Co., Ltd.	PRC	20%	Leather products

As the Group cannot exercise significant influence on the above companies, they are not accounted for by the equity method of accounting. After taking into consideration the expected impairment loss, investments in above companies are accounted for at cost less provision for diminution in value.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

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18. Inventories

	2002 RMB'000	2001 RMB'000
Raw materials	15,293	10,719
Work-in-progress	12,012	6,817
Finished goods	33,608	30,782
Provision for inventory obsolescence	(5,168)	(6,563)
	<u>55,745</u>	<u>41,755</u>

19. Accounts receivable

	2002 RMB'000	2001 RMB'000
Amounts receivable	49,646	47,773
Provision for doubtful debts	(2,826)	(1,597)
	<u>46,820</u>	<u>46,176</u>

20. Prepayments, deposits and others receivable

	2002 RMB'000	2001 RMB'000
Advance payments	23,275	29,766
Prepayments	104	113
Others receivable	<u>83,002</u>	<u>56,971</u>
	106,381	86,850
Provision for doubtful debts	(36,265)	(35,070)
	<u>70,116</u>	<u>51,780</u>

21. Investments in securities

	2002 RMB'000	2001 RMB'000
Marketable securities in the PRC, at cost	8,122	5,693
PRC Government bonds, at cost	<u>98</u>	<u>104</u>
	8,220	5,797
Provision for impairment loss	(2,131)	(1,290)
Market value	<u>6,089</u>	<u>4,507</u>

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

22. Share capital

	2002 RMB'000	2001 RMB'000
Registered, issued and fully paid capital, at par value of RMB1 each		
108,332,000 (2001 - 108,332,000) domestic shares	108,332	108,332
22,084,000 (2001 - 22,084,000) "A" shares	22,084	22,084
33,000,000 (2001 - 33,000,000) "B" shares	33,000	33,000
	<u>163,416</u>	<u>163,416</u>

23. Minority interests

	2002 RMB'000	2001 RMB'000
Minority interests	60,071	47,035
Dividend payable to minority interests	1,385	-
	<u>61,456</u>	<u>47,035</u>

24. Short-term and long-term loans

	2002 RMB'000	2001 RMB'000
Bank loans, secured	91,500	175,720
Bank loans, guaranteed	48,000	-
Other loans, secured	4,800	5,000
Others payable	200	8,294
	<u>144,500</u>	<u>189,014</u>
Portion classified under current liabilities	(140,300)	(188,514)
Long-term portion	<u>4,200</u>	<u>500</u>

The bank loans bear interest at various rates ranging from 4.8675% to 5.3625% (2001 - from 5.3952% to 6.435%) per annum. The interest rate of other loans is 9.63% (2001 - 9.63%) per annum.

25. Dividend payable

It represents dividend payable to the ultimate holding company, Shenzhen Investment Administrative Company with a sum of RMB18,483,000 (2001 - RMB18,483,000).

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

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26. Contingent liabilities

As at December 31, 2002, the Group had the following contingent liabilities :

	2002 RMB'000	2001 RMB'000
Guarantees to bankers in favour of :		
- a fellow subsidiary	86,100	86,450
- provision for loss on guarantees (note 8)	(24,000)	-
	<u>62,100</u>	<u>86,450</u>

27. Pledge of assets

As at December 31, 2002, the Group had pledged its buildings and investment properties with a total fair value of RMB177,406,000 (2001 - RMB124,277,000) to banks to secure general banking facilities.

28. Related party transactions

During the year, the Group had the material transactions with related parties with details as follows :

Related party	Transactions	2002 RMB'000	2001 RMB'000
Shenzhen Tianlong Industrial Trading Co., Ltd.	Sales	12,843	15,705
	Interest income	210	227
	Purchases	-	2,446
Mirage (Saipan) Co., Ltd.	Purchases	46,885	26,017
Shenzhen Xiang Jiang Leather Product Co., Ltd.	Interest income	77	116
Shenzhen Investment Administration Company	Interest expense	459	522

29. Financial instruments

Financial assets of the Group include cash and bank balances, investments in securities, accounts receivable, prepayments, deposits and others receivable. Financial liabilities include bank and other loans, accounts payable, others payable and accrued expenses.

(a) Credit risk

Cash and bank balances : The Group's bank balances are mainly deposited in the banks and financial institutions situated in the PRC. They do not have a significant exposure to credit risk.

Accounts receivable : As adequate provision has been made, the Group does not have a significant exposure to any individual customer or counterpart. The major concentrations of credit risk arise from exposures to a substantial number of accounts receivable that are mainly located in the PRC.

(b) Fair value

The fair value of financial assets and financial liabilities is not materially different from their carrying amount.

The carrying value of short-term borrowings is estimated to approximate its fair value based on the borrowing terms and rates of similar loans.

The fair value of long-term borrowings is estimated, by applying discounted cash flow method using the market interest rates for similar financial instruments, to approximate its carrying value.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties on matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

30. Ultimate holding company

In the opinion of the directors, the ultimate holding company of the Group is Shenzhen Investment Administrative Company, a state-owned enterprise established in the PRC.

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements for the year ended December 31, 2002

(cont'd)

31. Impact of IAS adjustments on profit attributable to shareholders

	2002 RMB'000	2001 RMB'000
As reported by PRC Certified Public Accountants	1,180	25,202
Adjustments to conform to IAS :		
Over-provision of depreciation of investment properties reversed	2,346	2,346
Amortisation of negative goodwill	567	567
Write-off of pre-operating expenses	-	(2,410)
Provision for impairment loss on unconsolidated subsidiaries (made)/reversed	2,854	(2,854)
Loss for subsidiaries in prior years (made)/reversed	1,786	(505)
Amortisation of intangible assets	789	788
Provision for doubtful debts	-	5,075
Others	(78)	(10)
As restated in conformity with IAS	<u>9,444</u>	<u>28,199</u>

32. Impact of IAS adjustments on net asset value

	2002 RMB'000	2001 RMB'000
As reported by PRC Certified Public Accountants	304,747	303,645
Adjustments to conform to IAS :		
Over-provision of depreciation of investment properties reversed	15,798	13,452
Provision for impairment loss on unconsolidated subsidiaries	-	(2,854)
Loss for subsidiaries in prior years	-	(1,786)
Amortisation of intangible assets	(4,473)	(5,262)
As restated in conformity with IAS	<u>316,072</u>	<u>307,195</u>

33. Language

The translated English version of the financial statements is for reference only. Should any disagreement arise, the Chinese version shall prevail.

34. Comparative figures

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