Shenzhen Textile (Holdings) Co., Ltd.

2003 Semiannual Report

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Section 1 Important Notes

The board of directors and directors of the Company hereby guarantees that there are no false records, 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.. The semiannual financial and accounting report of the Company is unaudited.

Guan Tongke, the person in charge of the Company, Liu Junhou, the financial controller and Liu Yi, the person in charge of accounting organ represent and warrant the financial and accounting report in the semiannual report is true and complete.

Section 2 Basic Information about the Company

1、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.

English Abbreviation: STHC

2. Stock exchange for listing: Shenzhen Stock Exchange

Stock abbreviation: Shen Textile A, Shen Textile B

Stock Code : 000045, 200045

3. Registered address of the Company: 6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen

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

Zip code: 518031

E-mail : sztext@szonline.net

4. Legal Representative: Guan Tongke

General Manager: Liu Junhou

5. Secretary of the Board of Directors : Chao Jin

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

Zip code: 518031

Tel: 0755- 83776043

Fax: 0755- 83776139

E-mail：cjane@_mail.china.com

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

Internet website designated by CSRC for publishing the semiannual report of the Company: http://www.cninfo.com.cn

The place where the semiannual report is prepared and placed: Office of the Company

7. Highlights of financial data and indicators (Calculated pursuant to international accounting standards: RMB'000)

Item	Jan 1, 2003-June 30, 2003	Jan 1, 2002-June 30, 2002
Net profit	13,888	17,133
Earnings per share (RMB)	0.085	0.105
Return on net assets (%)	4.21	5.28
Net decrease of cash and cash equivalent	80,875	44,183
Item	June 30, 2003	Dec. 31, 2002
Total assets	669,257	752,283
Shareholders' equity (not including minority equities)	329,960	324,330
Net assets per share (RMB)	2.02	1.98

Note:

The net profit calculated pursuant to international accounting standards is RMB 13.888 million, which is more than that calculated pursuant to Chinese Accounting Regulations for Business Enterprises by RMB 1.457 million. The reason for this difference is the entry reversal of depreciation of RMB 1.173 million pursuant to international accounting standards and the amortization of negative goodwill of RMB 0.284 million.

Section 3 Change of Share Capital and Shareholding of Principal Shareholders

1. Particulars about the shareholding of principal shareholders

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

(II) Total number of shareholders

As of June 30, 2003, the Company had 20,250 shareholders in total including one shareholder of state-owned shares, 11,578 shareholders of A shares and 8,671 shareholders of B shares.

(III) Particulars about the shares held by the main shareholders

Particulars of the shareholding of the top ten shareholders as of June 30, 2003

Name of shareholder (full name)	Increase or decrease within the year	Quantity of shares held at the end of year	Proportion (%)	Type of share (Negotiable or non-negotiable)	Quantity of pledged or frozen shares	Nature of shareholder
Shenzhen Investment Management Co., Ltd.	0	108,240,000	66.24	Non-negotiable	20,000,000	State-owned sharehold

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Baogang Group Shanghai No.5 Steel Co., Ltd.	-949,095	786,696	0.48	Negotiable	0	
Zhuang Shangyi	-83,000	704,304	0.43	Negotiable	0	
Guang Meili	Unknown	391,669	0.24	Negotiable	0	
VICTOR ONWARD PRINTING-DYEING （HK） CO.,LTD	0	370,000	0.23	Negotiable	0	Foreign shareholder
Zhou Jianguo	12,000	265,441	0.16	Negotiable	0	
Shanghai Chengkai Group Co., Ltd.	Unknown	262,483	0.16	Negotiable	0	
Chen Jundi	Unknown	186,720	0.11	Negotiable	0	
Wei Xiaojie	Unknown	173,200	0.11	Negotiable	0	
Xiao Lizhu	0	167,000	0.10	Negotiable	0	Foreign shareholder

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.

Among the above shareholders, the one holding shares on behalf of the state is Shenzhen Investment Management Co. No. 5 and 10 shareholders are the ones holding foreign investment shares.

The controlling shareholder of the Company did not change in the report period.

Section 4. Particulars about Directors, Supervisors and Senior Executives

1. Shares held by directors, supervisors and senior executives of the Company remained unchanged in the report period.

2. On June 30, 2003, 2002 annual shareholders' general meeting of the Company elected Mr. Guang Tongke, Mr. Liu Junhou, Mr. Li Jingqiang and Mr. Zhu Dahua as directors of the third board of directors of the Company, Mr. Yang Jichao, Mr. Liu Xiangqing and Mr. Huang Hui as the independent directors of the third board of directors of the Company, Mr. Gao Zuofu and Mr. Feng Junbin as the supervisors of the third supervisory committee of the Company. The congress of workers and staff of the Company elected Ms Guo Jianhua as a supervisor of the third supervisory committee of the Company representing staff and workers.

Section 5 Discussion and Analysis of Management

1、Financial highlights of the Company

The income from key business was RMB 223.789 million, an increase of 15.5% over the same period of the previous year.

The gross profit was 41.233 million, a decrease of 7.2% over the same period of the previous year mainly due to the rise of unit cost arising from reduction of orders.

The net profit was 13.888 million, a decrease of 18.9% over the same period of the previous year mainly due to reduction of investment income.

The net decrease of cash and cash equivalents was RMB 80.875 million, which was mainly caused by the settlement of various debts in the report period.

The total assets were RMB 669.257 million, a decrease of 11.0% over the balance at beginning of the year due to the influence of the change of the consolidation scope and the settlement of debts in the report period.

The shareholders' equity was RMB 329.96 million, an increase of 4.4% over the balance at beginning of the year due to the earning of net profit in the report period.

2. Main operation of the Company

In the report period，the income from key business earned by the Company was RMB 223.789 million, an increase of 15.5% over the same period of the previous year. Its profit was RMB 13.888 million, a decrease of 18.9% over the same period of the previous year.

(1) Industry: The income earned by the industrial subsidiaries of the Company was RMB 83.85 million, an increase of 225.93% over the same period of the previous year. Their cost was RMB 77.4146 million, an increase of 233.38% over the same period of the previous year. The main reason is the inclusion of two new industrial subsidiaries in the scope of consolidated statements over the same period of the previous year.

(2) Trade: The trade income earned by the Company was RMB 112.1836 million, a decrease of 18.15% over the same period of the previous year. Trading cost was RMB 103.8758 million, a decrease of 16.63% over the same period of the previous year. The main reason is the exclusion of one trading subsidiary in the scope of consolidated statements over the same period of the previous year.

(3)Property lease and hotel business: The company earned income of RMB 27.7764 million in total from property lease, warehousing and hotel business in the report period, which decreased by 10.55% over the same period of the previous year mainly due to the influence of the transformation of property functions on lease income. (The cost has been included in period expenses. The company did not independently state this accounting item).

3. In the report period，the proportion of the income from industrial subsidiaries to total operating income increased from 13.22% in the same period of the previous year to 37.32%. The proportion of the income from commercial and trading subsidiaries to the total operating income lowered from 70.51% in the same period of the previous year to 49.99%. The main reason is the exclusion of trading subsidiary Yehui Company and the inclusion of industrial subsidiaries Huapeng Co. and Beauty Century Co. in the scope of consolidated statements.

4. Problems and difficulties occurred in operation

Due to the influence of Sars, part of lessees who rent the properties of the Company threw up lease, the guests of its hotels decreased and foreign customers of some industrial subsidiaries terminated orders in the report period, which created certain pressure on the operation of the Company. In addition, the functions of the annex of Shenfang Building were transformed. These factors influenced the Company's income. To solve the above problems, the Company actively took corresponding measures: (1) Trying every means to solicit renting and make up the loss from lease throwing by lessees; (2) Reasonably arranging customers and reduce the influence of the transformation of the annex of Shenfang Building on rental income; (3) Merging the subsidiaries with complemental businesses, removing subsidiaries from the special zone, reducing management cost， expanding production capacity and improving economic result.

5. The investment of the Company.

(!). The utilization of raised funds

The Company did not raise funds in the report period. The use of the funds raised previously did not extended to the report period.

(2) Other investments

In the report period， the Company invested in Jordan Yehui Garment Manufactory Co., Ltd. with self-raised fund of RMB 7.24 million. This company was established by the Company (35%), Hengyi Development China Co., Ltd. (35%) and Anhui Huamao Group Co., Ltd. (30%). With registered capital of USD 1 million, it is mainly engaged in the manufacturing and sales of various garments. The place of registration is Amman, Jordan. This company has been smoothly put into production at present.

Section 6. Important Events

1. In the report period, the Company revised the Articles of Association of the Company and elected three independent directors when the board of directors was reelected according to the Standards of Administration of Listed Companies so as to meet relevant requirements of CSRC.

2. In the report period, the Company did not have any profit distribution plan, capital common reserve fund capitalization plan or new share issue plan that were made in previous period and implemented in the report period. The Company is neither to distribute the 2003 interim profit nor capitalize any common reserve fund.

3. The Company was not involved in any material lawsuit or arbitration in the report period.

Other lawsuits: (1) As for the case that the Company sued China Huawen Business Development Corporation for counter guarantee of loans, Shenzhen 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. (2) 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 Intermediate People's Court against the Company for infringement and demanded the Company to compensate it for its losses totaling RMB 6.3 million. This case is now in the first instance of Shenzhen Intermediate People's Court.

4. The Company was not involved in any material assets acquisition, sales or disposal in the report period.

5. The beginning balance of the loan guarantee provided by the Company to Guangdong Sun Rise Group Co., Ltd. (originally named as Shenzhen Laiyingda (Group) Co., Ltd.) was RMB 72.45 million. As of June 30, 2002, the Company undertook guarantee liability of RMB 46.45 million. The Company included the amount of guarantee of RMB 24 million undertaken by the Company in 2002 in estimated liabilities. In the report period, the Company paid RMB 15 million for Sun Rise Co.

6. As approved by 2002 annual shareholders' general meeting of the Company, the Company continued to engage Shenzhen Pengcheng Certified Public Accountants and K.C. Oh & Co. as the audit bodies respectively for its A shares and B shares in 2003, which was disclosed on disclosed on Shanghai Securities Daily and Hong Kong Commercial Daily on July 1, 2003.

7. In the report period, the Company, its board of directors and its directors were not investigated by CSRC, administratively punished or publicly criticized by CSRC, punished by other administrative departments or publicly condemned by stock exchange.

Section 7 Financial Report

(I) Financial statements (Attached hereinafter, prepared pursuant to international accounting standards and unaudited)

1. Balance sheet
2. Consolidated income statement
3. Consolidated cash flow statement

(II) Notes to financial statements

1. Compared with the report of the previous year, the accounting policies and accounting methods implemented by the Company remained unchanged in the report period. The board of directors of the Company decided to extend the useful life of textile machinery and equipment in original fixed assets from 10 years to 14 years from January 1, 2003 according to the use characteristics of machinery and equipment of textile industry. The change of this accounting estimate increased the net profit for the current period by RMB 1.1293 million.

2. Compared with the report of the previous year, the scope of consolidated statements changed as follows in the report period: Yehui International Co., Ltd. was excluded because the Company no longer owned more than one half of capital with voting right. Anhui Huapeng Textile Co., Ltd., a new subsidiary, was included. This change of the scope of consolidated statements decreased the net profit for the current period by RMB 0.6725 million.

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.

July 30, 2003

Consolidated Profit and Loss Statement

For the Period Ended June 30, 2003

Prepared by: Shenzhen Textile (Holdings) Co., Ltd.

	June 2002	June 2003
	RMB’000	RMB’000
Income	193827	223789
Cost of sales	(149396)	(182556))
Gross profit	44431	41233
Other income	677	536
Selling and administrative expenses	(32458)	(29752)
Operating income	12650	12017
Negative goodwill amortization	284	284
Investment income (loss)	10588	7153
The profit (loss) attributable to affiliates	(1275)	(1065)
Financial expenses	(4738)	(3339)
Profit before taxation	17509	14510
Taxation	(107)	(724)
Profit after taxation	17402	17786
Minority interests	(269)	(102)
Net profit for the year	17133	13888
Per share Profit	RMB 0.105	RMB0.085

Consolidated Balance Sheet
As of July 30, 2003

Prepared by: Shenzhen Textile (Holdings) Co., Ltd.

	June 2002	June 2003
	RMB’000	RMB’000
ASSETS		
NON-CURRENT ASSETS		
Real estates, factory buildings and equipment	166618	203555
Investment in real estate	101372	101372
Construction-in-progress	13407	13479
Intangible assets	58	28
Investment in affiliates	54346	26143
Other investments	79170	80670
	417129	425247
CURRENT ASSETS		
Inventories	55745	45000
Accounts receivable	46820	28045
Prepayments, deposits and other receivables	70116	94606
Securities investment	6089	6089
Cash and bank balances	156384	70270
	335154	244010
TOTAL ASSETS	**752283**	669257
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Capital and reserves		
Share capital	163416	163416
Reserves	160914	166544
	316072	329960
MINORITY INTERESTS	**61456**	82282
NON-CURRENT LIABILITIES		
Long-term loan	4200	4200
CURRENT LIABILITIES		
Loan at sight or due within 1 year	140300	127200
Accounts payable	56037	18758
Accruals and other payables	131678	79362
Dividends payable	18483	18483
Anticipated liabilities	24000	9000
Income tax payable	57	12
	370555	252815
Total liabilities and shareholders’ equity	**752283**	**669257**

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated Cash Flow Statement for the Period Ended June 30, 2003

		June 2003
		RMB ’000
Net cash inflow from operating activities		(64528)
Income tax paid		(769)
Net cash outflow from operating activities		(65297)
Investment activities		
Interest income		1177
Increase of construction-in-progress		(1914)
Purchase of properties, factory buildings and equipment		(75)
Income from the sales of properties, factory buildings and equipment		34
Increase of dues to affiliates		848
Income from sales of other investments		1480
Purchase of other non-current assets		(223)
Net cash inflow from investing activities		(1327)
Net cash outflow before financing		(63970)
Financing		
Interest expenses		(3805)
Decrease of loan		(13100)
Net cash flow from financing		(16905)
Net decrese in cash and cash equivalents		(80875)
Year-beginning cash and cash equivalents balances		151145
Cash and cash equivalent balance at the end of the period		70270