Shenzhen Textile (Holdings) Co., Ltd.

Quarterly Report for the First Quarter of 2005 (B Shares)

§ 1 Important notes

1.1 The Board of Directors of the Company hereby guarantees 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.

1.2 The quarterly financial and accounting report of the Company is unaudited.

1.3 Mr. Guan Tongke, the board chairman of the Company and Deputy chief accountant .Mr. Liu Yi, the director of Finance Dept., represent and warrant the financial and accounting report in the Quarterly report is true and complete.

§ 2 Basic Information

2.1 Basic information

Stock abbreviation	Shen Textile A, Shen Textile B
Stock code	000045, 200045
	Board secretary
Name	Chao Jin
Contact address	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen
Tel	0755-83776043
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2.2 Financial data

2.2.1 Highlights of accounting data and financial indicators (Adjusted pursuant to international accounting standards, Unit: RMB'000)

	End of the report period	End of the previous year	Increase/decrease (%)
Total assets	652,068	680,697	-4.21
Shareholders' equity	356,310	352,983	0.94
Net assets per share	1.45	1.44	0.94
	Report period	Year beginning to end of report period	Increase/decrease over the same period of the previous year (%)

Net cash flow from operating activities	-867	-867	-106.76
Earnings per share	0.014	0.014	-12.5
Return on net assets (%)	0.93	0.93	Decrease14%

The net profit of the Company for the report period was RMB 3.327 million after adjustment pursuant to international accounting standards, which is RMB 0.729 million more than that for A shares. The difference is mainly due to the writeback of excessive provision of RMB 0.587 million for depreciation and the amortization of negative goodwill of RMB 0.142 million pursuant to international accounting standards.

The net assets of the Company were RMB 356.31 million after adjustment pursuant to international accounting standards, which are RMB 16.82 million more than that for A shares. The difference is mainly due to the writeback of the excessive provision of RMB 21.077 million for the depreciation, the writeback of unconsolidated subsidiaries' impairment of RMB 31,000, the disposal of unconsolidated subsidiaries of RMB - 1.531 million and the amortization of intangible assets of RMB- 2.757 million.

2.2.2 Consolidated income statement

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated income statement

For the period ended March 31, 2005

	March 2005 RMB'000	March 2004 RMB'000
Turnover	85,694	113,893
Cost of sales	(66,346)	(92,859)
Cost of sales	19,348	21,034
Other revenue	753	(287)
	20,101	20,747
Selling and administrative expenses	(14,337)	(16,054)
Operating profit	5,764	4,693
Investment income	(51)	495
Financial expenses	(990)	(1,159)
Negative goodwill amortization	142	142

Share of profit (loss) from associates	568	593
Profit before tax	5,433	4,764
Taxes	(604)	(205)
After-tax profit	4,829	4,559
Minority interest	(1,502)	(755)
Net profit for the year	3,327	3,804
Earnings **Per share**	RMB0.014	RMB0.016

2.3 The total number of shareholders at the end of the report period and the statement of shareholding of the top ten shareholders holding negotiable shares

Total number of shareholders at the end of the report period	The Company had 20,159 shareholders in total including one shareholder of state-owned shares, 11,769 shareholders of A shares and 8,389 shareholders of B shares.	
Particulars about the shareholding of the top ten shareholders holding negotiable shares		
Name of shareholder (full name)	Number of negotiable shares held at the end of year (shares)	Type
VICTOR ONWARD PRINTING & DYEING （HK） CO.LTD	555,000	B
Jiang Junmei	551,168	A
Ge Ruming	430,000	B
Liu Jinqun	420,000	B
DBS VICKERS （HONGKONG） LTD A/C CLIENTS	389,985	B
WU， KIN YEUK	316,055	B
Chen Huigen	313,032	B
LOK YUNG CHING	300,000	B
Chen Jingwen	300,000	B
Luo Di	291,500	A

§3 Discussion and analysis of the management

3.1 Brief analysis of the overall status of operating activities of the Company in the report period

In the report period, the line of business in which the Company is engaged and its business scope remained unchanged. The Company regulated its operation according to this year's work plan and carried out production and operation steadily and orderly. For the report period, the Company's income from main operation was RMB 85.694 million, a decrease of 24.12% over the same period of the previous year. Its net profit was RMB 3.327 million, a decrease of % over the same period of the previous year mainly because joint ventures postponed handing in profits.

3.1.1 Key line of business or product whose income or profit accounts for over 10% of total income from key business or profit from key business

v Applicable ☐Not applicable

In terms of line of business	In terms of line of business	Cost of main operation	Gross profit rate (%)
Industry	36,755,111.43	30,284,186.03	17.61
Trade	37,162,220.78	35,399,962.59	4.74
Property lease	11,776,442.47	-	100
Total	85,693,774.68	65,684,148.62	23.35

3.1.2 Seasonal and periodical characteristics of the Company's operation

☐ Applicablev Not applicable

3.1.3 Profit structure of the report period （the material change of the proportion of profit from key business, profit from other businesses, period expenses, investment income, subsidy income and net non-operating revenues and expenses to total profit over the previous report period and the explanation of reasons）

☐ Applicablev Not applicable

3.1.4 The material change of the key business and its structure over the previous report period and the explanation of reasons

☐ Applicablev Not applicable

3.1.5 The material change of the profitability （gross profit rate） of the key business over the previous report period and the explanation of reasons

☐ Applicablev Not applicable

3.2 Important events, their influence and analysis of solutions

☐ Applicablev Not applicable

3.3 The change of accounting policies, accounting estimate and scope of consolidation, material accounting errors and explanation of reasons therefore

☐ Applicablev Not applicable

3.4 Relevant explanation of the board of directors and the supervisory committee under the circumstance where the financial statements of the Company have been audited and non-standard opinions have been given

☐ Applicablev Not applicable

3.5 The Company's on-going adjustment of disclosed annual operation plan or budget

☐ Applicablev Not applicable

3.6 The warning of possible accumulative losses for the period from thebeginning of the year to the end of the next report period or great change of accumulative net profit compared with the same period of the previous year and explanation of reasons.

☐ Applicablev Not applicable

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 20, 2005

Appendix: : Consolidated Profit and Loss Statement, Consolidated Balance Sheet And Consolidated Cash Flow Statement.

Shenzhen Textile (Holdings) Co., Ltd.
Consolidated Profit and Loss Statement
As of March 31,2005

	March 2005 RMB'000	March 2004 RMB'000
Turnover	85,694	113,893
Cost of sales	(66,346)	(92,859)
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Profit before tax	5,433	4,764
Taxes	(604)	(205)
After-tax profit	4,829	4,559
Minority interest	(1,502)	(755)
Minority interest	3,327	3,804
Profit per share	RMB0.014	RMB0.016

Shenzhen Textile (Holdings) Co., Ltd.
Consolidated Balance Sheet
As of March 31,2005

	March 2005 RMB'000	March 2004 RMB'000
Non-current assets		
Property, plant and equipment	209,253	215,599
Investment in property	101,372	101,372
Investment in property	28,852	18,470
Investment in property	33	34
Interests in associates	43,311	43,697
Other investment	45,193	45,193
	428,014	424,365
Current assets		
Inventory	59,859	55,161
Accounts receivable	37,358	36,931
Prepayments, deposits and other receivables	36,923	40,236
Securities investment	2,693	2,744
Cash and bank balances	87,221	121,260
	224,054	256,332
Total assets	652,068	680,697
Shareholders' Equity		
Shares capital	245,124	245,124
Reserve	111,186	107,859
	356,310	352,983
Minority interest	89,045	89,590

Non-current liabilities		
Long-term loans	4,200	4,200
Current liabilities		
Long-term loans - short-term part	78,200	101,323
Accounts payable	18,277	22,642
Other payables and accrued expenses	84,606	88,510
Dividends payable	18,483	18,483
Income tax payable	2,947	2,966
	202,513	233,924
Total shareholders' equity and liabilities	652,068	680,697

Shenzhen Textile (Holdings) Co., Ltd.
Consolidated Cash Flow Statement
As of March 31,2005

	March 2005
	RMB'000
Cash flow from operating activities	
Operating profit before taxation	5,433
Adjustment items	
Depreciation and amortization	5,341
profit on disposal of property, plant and equipment	27
Share of profit / (loss) from associates	(568)
Provision for impairment loss/ (write back) Securities investment	51
Income from negative goodwill amortization	(142)
Interest income	(305)
Interest expense	1,166
Net cash inflow from operating activities before working capital	11,003
Increase of inventories	(4,698)
Increase of accounts receivable	(427)
(Increase)/Decrease of prepayments, deposits and other receivables	3,313
(decrease)/increase of accounts payable	(4,365)
Increase/ (decrease)of other payables and accrued expenses	(3,904)
Interest payment and Net cash inflow from operating	922
Income tax payment	(623)
Interest payment	(1,166)

Net cash inflow from operating activities	(867)

Shenzhen Textile (Holdings) Co., Ltd.
Consolidated Cash Flow Statement
As of March 31,2005

	March 2005 RMB'000
Net cash inflow from operating activities	(867)
Investing activities	
Interest receive	305
Property, plant and equipment of purchase	(817)
Increase Construc tion in progress	(10,382)
Income of Property, plant and equipment to dispose	27
Share of profit (loss) from associates	954
Net **cash outflow / (outflow) from investing activities**	(9,913)
Net cash outflow from financing activities	(10,780)
Financing activities	
Decrease of bank and other loans	(23,123)
Increase /(decrease) of minority interests	(136)
Net cash outflow from financing activities	(23,259)
I (decrease of cash and cash equivalents	(34,039)
Cash and cash equivalents at beginning of period	121,260
Cash and cash equivalents at end of period	87,221
Analysis of cash and cash equivalents:	
Cash and bank balances	87,221