Stock code: 000045, 200045 Stock Abbreviation: Shen Textile A, Shen Textile B
No. of Announcement: 2005-4

Summary of 2004 Annual Report of

Shenzhen Textile (Holdings) Co., Ltd. （B）

§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. The summary of this annual report is selected from the annual report. If investors intend to know the detailed contents, they should read the full text of the annual report.

1.2 No director declares inability to warrant or objection to the authenticity, accuracy and completeness of the content of the annual report.

1.3 All directors attended the board meeting.

1.4 Shenzhen Pengcheng Certified Public Accountants and K.C. Oh & Co. issued unqualified auditor's report with no explanatory notes for the Company.

1.5. 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 annual report is true and complete.

§2 Basic Information

2.1 Basic information

Stock abbreviation	Shen Textile A, Shen Textile B
Stock code	000045, 200045
Stock exchange for listing	Shenzhen Stock Exchange
Registered address and business address	Registered address: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	Zip code of Registered address :518031 Zip code f Business address: :518031
Website	www.sz-textile.com.cn
E-mail	sztext@szonline.net

2.2 Contact person and contact manner

	Board secretary
Name	Chao Jin
Contact address	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen

Tel	83776043
Fax	83776139
E-mail	cjane@mail.china.com

§ 3 Highlights of Accounting Data and Financial Indicators

3.1 Main accounting data

Unit: RMB'000

	2004the report year)	2003(the previous year)	2002	Increase/decrease (%)
Turnover	448393	451965	457480	-0.79
Before-tax profit	39784	42200	11851	-5.73
Before-tax profit	31100	36361	9444	
	End of 2004 (End of report year)2	End of 2003 (End of previous year)	End of 2002	Increase/decrease (%
Total assets	680697	714932	752283	-4.79
Shareholders' equity	3529830	351865	316072	0.32
Net cash inflow from operating activities	39883	5733	74149	595.67

3.2 Main financial indicators

Unit: RMB

	2004(the report year)	20023(the previous year)	2002	Increase/decrease (%)
Earnings per share	0.127	0.148	0.058	-14.19
Return on net assets	8.81%	10.33%	2.99%	Decrease1.5%
Net cash inflow per share from operating activities	0.16	0.04	0.45	300.00
	End of 2004 (End of report year)	End of 2003 (End of previous year)	End of 2002	Increase/decrease (%)
Increase/decrease (%)	1.44	2.15	1.93	-33.02

3.3 Difference of domestic and foreign accounting standards

√ Applicable☐ Not applicable

Unit: RMB'000

The influence of the adjustment of the financial reports audited by Chinese certified public accountants according to international standards for financial report on the net profit of the Company:

	2004 RMB '000	2003 RMB '000
Pursuant to the financial report audited by Chinese C.P.A.	26,939	34,086
Adjustment made for complying with international accounting standards:		
Writeback of over-provision for the depreciation of real estate of investment nature	2,346	2,346
Amortization of negative goodwill	567	568
Writeback of impairment of unconsolidated subsidiaries	31	166
Disposal of unconsolidated subsidiaries	-	(1,697)
Income from the change in equity of subsidiaries	433	-
Amortization of intangible assets	784	788
Other	-	(104)
Restated pursuant to international standards for financial report	31,100	36,361

The influence of the adjustment of the financial reports audited by Chinese certified public accountants according to international standards for financial report on the Net Value of Assets of the Company:

	2004 RMB '000	2003 RMB '000
Pursuant to the financial report audited by Chinese C.P.A.	336,894	338,937
Adjustment made for complying with international accounting standards:		
Writeback of over-provision for the depreciation of real estate of investment nature	20,490	18,144
Writeback of impairment of unconsolidated subsidiaries	31	166
Disposal of unconsolidated subsidiaries	(1,531)	(1,697)
Amortization of intangible assets	(2,901	(3,685)
Restated pursuant to international standards for financial report	352,983	351,865

§ 4 Particulars about the Changes of Share Capital and Shareholders

4.1 Schedule of Change in Share Capital

Unit: shares

	Before this change	Increase or decrease this time (+/-)		After this change
		Capitalization of common reserve fund	Subtotal	
I. Non-negotiable shares				
1. Promoter's shares	108,240,000	54,120,000	54,120,000	162,360,000

Of which: State-owned shares	108,240,000	54,120,000	54,120,000	162,360,000
Domestic corporate shares	0	0	0	0
Overseas corporate shares	0	0	0	0
Other	0	0	0	0
2. Raised corporate shares	0	0	0	0
3. Staff shares	0	0	0	0
4. Preferred shares or others	0	0	0	0
Total non-negotiable shares	108,240,000	54,120,000	54,120,000	162,360,000
II. Negotiable shares				
1. RMB common shares	22,176,000	11,088,000	11,088,000	33,264,000
2. Domestically listed foreign-capital shares	33,000,000	16,500,000	16,500,000	49,500,000
3. Overseas listed foreign-capital shares	0	0	0	0
4.other	0	0	0	0
Total negotiable shares	55,176,000	27,588,000	27,588,000	82,764,000
III. Total shares	163,416,000	81,708,000	81,708,000	245,124,000

The numbers of shares placed to funds, strategic investors and general legal persons and staff shares traded over the counter shall be respectively disclosed.

? Applicable √ Not applicable

4.2 The total number of shareholders and the statement of shareholding of the top ten shareholders holding negotiable shares Table of shareholding of the top ten shareholders

Total number of shareholders at the end of the report period	19,005					
Total number of shareholders at the end of the report period						
Name of shareholder (full name)	Increase or decrease in the year (shares)	Number of shares held at the end of year (shares)	Proportion (%)	Type of share (Negotiable or non-negotiable)	Quantity of pledged or frozen shares (shares)	Nature of shareholder (state-owned shareholder or foreign shareholder)
Shenzhen Investment Management Co., Ltd.	54,120,000	162,360,000	66.24%	Non-negotiable	107,000,000	State-owned shareholder
Wang Bin		561,054	0.23%	Negotiable		Other
VICTOR ONWARD PRINTING	185,000	555,000	0.23%	Negotiable		Foreign shareholder

&DYEING (HK) CO.LTD						
Ge Runming		492,000	0.20%	Negotiable		Foreign shareholder
Liu Jinqun	189,997	420,092	0.17%	Negotiable		Foreign shareholder
DBS VICKERS (HONGKONG) LTD A/C CLIENTS		389,985	0.16%	Negotiable		Foreign shareholder
LOK YUNG CHING		360,000	0.15%	Negotiable		Foreign shareholder
Chen Jingwen		345,000	0.14%	Negotiable		Foreign shareholder
WU, KIN YEUK		316,055	0.13%	Negotiable		Foreign shareholder
Yang Guoxiong		311,702	0.13%	Negotiable		Foreign shareholder

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(A,B,H or other)
Wang Bin	561,054	A
VICTOR ONWARD PRINTING & DYEING (HK) CO.LTD	555,000	B
Ge Ruming	492,000	B
Liu Jinqun	420,092	B
DBS VICKERS (HONGKONG) LTD A/C CLIENTS	389,985	B
LOK YUNG CHING	360,000	B
Chen Jingwen	345,000	B
WU, KIN YEUK	316,055	B
Yang Guoxiong	311,702	B
Chen Zhaofeng	300,591	A
Notes to the related relationship between the top ten shareholders or their concerted action	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.	

4.3 Introduction of the controlling shareholder and actual controller

4.3.1 Change of the controlling shareholder and actual controller

√ Applicable □ Not applicable

Name of new controlling shareholder	Shenzhen Investment Holding Co., Ltd.
Name of new actual controller	Unchanged

Date of change	Date of change of new controlling shareholder: October 13, 2004.
Date and newspapers for publishing of new actual controller	Announced on Securities Daily and Hong Kong Commercial Daily on November, 4 2004
Date and newspapers for publishing of new controlling shareholder	Unchanged

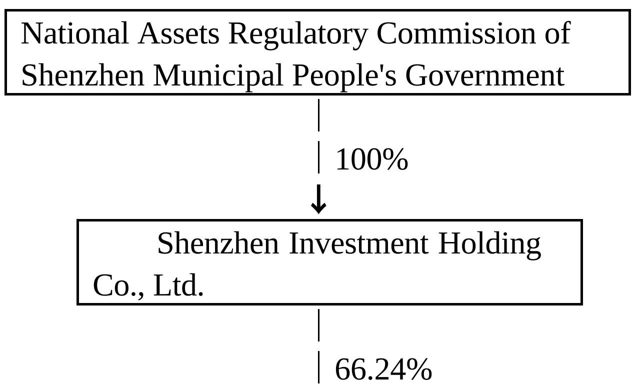
4.3.2 Particulars about the controlling shareholder and other actual controller

1.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. Registered capital: RMB 2 billion. It is a solely state-owned company in Shenzhen. 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.

2. In the report period, Shenzhen Investment Management Co., Ltd., the controlling shareholder of the Company and other two assets operation companies (Shenzhen Construction Holding Company and Shenzhen Commerce and Trade Investment Holding Company) were merged into Shenzhen Investment Holding Co., Ltd. according to the Decision on Establishing Shenzhen Investment Holding Co., Ltd. - SGZW (2004) No. 223 Document issued by State-owned Assets Administration Committee of Shenzhen Municipal People's Government. Therefore, the state-owned shares of the Company held by Shenzhen Investment Management Co., Ltd. are managed by Shenzhen Investment Holding Co., Ltd. The legal representative of Shenzhen Investment Holding Co., Ltd.: Chen Hongbo; Date of establishment: October 13, 2004; Registered capital: RMB 1 billion. It is a solely state-owned company in Shenzhen. Business scope: Providing guarantee to municipal state-owned enterprises, managing state-owned equity of enterprises other than those directly supervised by Municipal State-owned Assets Commission, conducting asset reorganization, system transformation and capital operation of affiliated enterprises, making investment and doing other businesses authorized by the Municipal State-owned Assets Commission. The Company disclosed the above information on Securities Times and Hong Kong Commercial Daily on November 4, 2004.

3.National Assets Regulatory Commission of Shenzhen Municipal People's Government is the actual controller of the Company.

4.3.3 The chart of property right relationship between the Company and its actual controller:



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Shenzhen Textile (Holdings) Co., Ltd.

§ 5 Directors, Supervisors and Senior Executives

5.1 Change of Shareholdings of Directors, Supervisors and Senior Executives

Name	Title	Sex	Age	Date of starting and ending	Shares held at year-beginning	Shares held at year-end	Reason for change
Guan Tongke	Board chairman	Male	57	June 30,2003-June 29, 2006	37,200	55,800	Capitalization of common reserve fund
Liu Junhou	Director	Male	46	June 30,2003-June 29, 2006	0	0	
Li Jingqiang	Director	Male	52	June 30,2003-June 29, 2006	3,000	45,000	Capitalization of common reserve fund
Zhu Dahua	Director	Male	37	June 30,2003-June 29, 2006	0	0	
Yang Jichao	Independent director	Male	50	June 30,2003-June 29, 2006	0	0	
Liu Xiangqing	Independent director	Male	43	June 30,2003-June 29, 2006	0	0	
Huang Hui	Independent director	Male	40	June 30,2003-June 29, 2006	0	0	
Gao Zhuofu	Chairman of Supervisory Committee	Male	52	June 30,2003-June 29, 2006	0	0	
Guo Jianhua	Supervisor	女	49	June 30,2003-June 29, 2006	0	0	
Zhou Dadong	Deputy GM	Male	58	July 30,2003-June 29, 2006	0	0	
Feng Junbin	Deputy GM	Male	42	July 30,2003-June 29, 2006	0	0	
Zhu Jun	Deputy GM	Male	41	July 30,2003-June 29, 2006	0	0	

5.2 Particulars about the directors and supervisors of the Company holding positions at shareholder companies

☐Applicable √ Not applicable

5.3 Annual Remuneration of Directors, Supervisors and Senior Executives

Unit: RMB'0000

Total amount of annual remuneration	292.07
The total amount of the remuneration of the top three directors receiving the remuneration of the highest amount	127.11
The total amount of the remuneration of the top three senior executives receiving the remuneration of the highest amount	93.68
Subsidy of independent directors	RMB 50,000 / person /year
Other benefits of independent directors	The Company is responsible for paying necessary reasonable expenses properly incurred by independent directors when they perform their duties.
Name of directors and supervisors not receiving remuneration and subsidy from the Company	Zhu Dahua
Range of remuneration	Number of person
30-35	4
35-40	2
40-46	2

§ 6 Report of the Board of Directors

6.1 Discussion and analysis of the overall operation status in the report period

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 2004, the Company's business developed steadily. Both production and marketing of high-tech products with high added value throve. The property occupancy rate was enhanced. In 2004, the income and profit earned by the Company were RMB 448.392 million and RMB 26.939 million respectively, a decrease of 0.8% and 20.9% respectively over the same period of the previous year mainly due to the decrease of non-recurring gains.

Industry: In the report period, the income of the Company from the manufacturing industry was RMB 195.178 million, an increase of 2.04% over the same period of the previous year. The total profit from manufacturing industry was RMB 16.512 million, an increase of RMB 17.122 million over the same period of the previous year mainly due to the rapid growth of the profits of high-tech enterprises and newly established enterprises.

Trade: In the report period, the income of the Company from trade was RMB 222.138 million, an increase of 3.5% over the same period of the previous year. The profit from trade was RMB 1.934 million, a decrease of 338% over the same period of the previous year mainly due to the sharp decline of the proportion of highly profitable export trade to total volume of trade.

Property lease and hotel business: The Company owns Shenfang Building and other properties including commercial stalls, factory buildings, office buildings and warehouses for lease. In the report period, the income of the Company from property lease, warehousing and hotel business was

RMB 50.162 million, an increase of RMB 6.933 million over the same period of the previous year mainly due to the increase of rental income after the reconstruction of the annex of Shenfang Building.

6.2 Table of the status of key business in terms of line of business or product

Unit: RMB'0000

The Status of key business in terms of line of business						
In terms of line of business or product	Income from key business	Cost of key business	Income from key business	Cost of key business	Increase/decrease of cost (%)	Increase/decrease of gross profit rate (%)
Other wholesale and retail trade	222,138,931.75	204,855,812.66	7.78%	3.72%	7.17%	-27.63%
Other textile industry	195,178,741.32	161,116,527.30	17.45%	2.04%	-6.48%	75.73%
Real estate development industry	50,162,101.07	0.00	100.00%	16.04%	0.00%	0.00%
Of which: related transaction						
The Status of key business in terms of product business						
Polarizer sheet for LCD	51,863,156.09	39,513,406.34	23.81%	77.02%	55.41%	80.11%
Fully-shaped knitted garment	32,780,563.68	22,967,913.88	29.93%	141.22%	156.77%	-54.36%
Of which: related transaction						
Principle of pricing of related transaction	The purchases and sales between the Company and its affiliated companies are settled according to contract price (approaching market price).					
Notes to the necessity and continuity of related transactions	The related transactions with related companies are normal market behaviors.					

Of which: The total amount of product sales or rendering of services of the Company to its controlling shareholder and subsidiaries was RMB 0.00 million in the report period.

6.3 The status of key business in terms of areas

Unit: RMB'0000

Area	Income from key business	Increase/decrease of income (%)
National business	262,945,679.63	27.77%
Foreign business	204,534,094.51	-19.25%

6.4 Particulars about suppliers and customers

Unit: RMB'0000

Total of the amount of purchase from the top five suppliers	117,965,985.86	Proportion of total purchase amount	44.87%
Total of the amount of sales to the top five customers	155,513,825.01	Proportion of total sales amount	34.70%

6.5 Operation of invested companies

vApplicable☐ Not applicable

Unit: RMB'0000

Name of invested company		Shenfang Lekai Photoelectronic Materials Co., Ltd.		
Investment income contributed in this period		319.16	Proportion of the net profit of the Company	11.85%
Invested company	Business scope	producing polarizer sheet products for LCD.		
	Net profit	665.60		
Name of invested company		Shenzhen Beauty Century Garment Co., Ltd.		
Investment income contributed in this period		323.70	Proportion of the net profit of the Company	12.02%
Invested company	Business scope	production entirely-electronic figured full-shaped knitted garments.		
	Net profit	647.40		

6.6 Reasons for the material change of key business and its structure

☐ Applicablev Not applicable

6.7 Reasons for the material change of the profitability (gross profit rate) of the key business compared with the previous year

vApplicable☐Not applicable

It is mainly because industrial enterprises strengthened new product development and both production and marketing of high-tech products with high added value throve. The gross profit rate

rose by 7.5% over the same period of the previous year.

6.8 Analysis of the reasons for the material change of operating results and profit structure compared with the previous year

√ Applicable? Not applicable

As compared with the same period of the previous year, the profit from industry accounted for 40.9% of the total profit of the Company in the report period, rising to the first place. The profitability of the Company's main operation rose quickly.

Analysis of the reasons for the material change of overall financial status compared with the previous year

□ Applicablev Not applicable

6.9 Notes to the existing, current and future important influence of the material change of production and business environment, macro-policies, laws and regulations on the Company's financial status and operating results.

vApplicable□ Not applicable

The passive quota of textile products and garments has been cancelled since the beginning of 2005 so that Chinese textile industry has had bigger market space but also faced bigger challenges. European Union applied the policy of half reduction or exemption of tax to certain countries and increased technical barriers including that in respect of environmental protection. U.S. is formulating policy on exemption from customs duty applicable to other Southeast Asian countries. Under the general trend of excess of supply over demand in international textile market, the price competition will be fiercer and profit margin will be further reduced. The Company' s general export trade will be seriously affected. As the Company's export garment base is abroad, it will also face big challenges and adverse influence. The Company has taken positive measures to respond to fierce market competition.

6.10 The fulfillment of profit target

□ Applicablev Not applicable

6.11 Fulfillment of operation plan

□ Applicablev Not applicable

6.12 Utilization of raised funds

□ Applicablev Not applicable

Change Item

□ Applicablev Not applicable

6.13 Investment projects not utilizing raised funds

Change Item

☐ Applicablev Not applicable

6.14 Explanation of the board of directors to the "nonstandard opinions"

☐ Applicablev Not applicable

6.15 The operation plan of the board of directors for the new year

v Applicable ☐ Not applicable

The Company will focus on the following work in 2005: (1) To widen development channels, actively seek new projects with high technological content and the ability to make full use of its available resources and further develop its key textile business. (2) To quicken the construction of key projects and enhance its production and sales capacity and profitability. (1) To quicken construction of phase-II project of Shenfang Lekai Photoelectronic Materials Co., Ltd. and strive to realize trial production before the end of 2005. (2) To improve supporting final finishing equipment of Shenzhen Beauty Century Garment Co., Ltd. and enhance its production capacity. (3) To support Huapeng Textile Co., Ltd. in increasing the production capacity of mercerized yarn and product processing depth and further enhancing profitability. (3) To actively take measures to respond to "post-quota times", give play to overseas enterprises' advantage of receiving orders, strengthen production quality control of export enterprises and enhance production efficiency. Meanwhile, it will quicken the capacity expansion of domestic garment factories, realize the smooth connection between overseas factories and domestic factories and reduce production cost to the greatest extent. (4) To further integrate property resources, invigorate stocking and enhance assets efficiency. (5) To deepen internal management, establish and improve stimulation mechanism and fulfill the target that no subsidiaries will suffer losses.

Profit forecast for the new year

☐ Applicablev Not applicable

6.16 The preplan of the board of directors for profit distribution or capitalization of capital common reserve fund

v Applicable ☐ Not applicable

As audited by Shenzhen Pengcheng Certified Public Accountants, the net profit of the Company for 2004is RMB 26,938,981.41. As audited by K.C. Oh & Co. pursuant to international accounting standards, the net profit of the Company for 2004 is RMB 31,100,000.00. As required in the articles of association of the Company, the Company is to appropriate 10% and 5% of its net profit for 2004 (RMB 26,938,981.41), i.e., RMB 2,693,898.14 and RMB 1,346,949.07 respectively for statutory common reserve fund and statutory public welfare fund. With the existing total share capital of the Company, i.e., 245,124,000 shares, as the base, the Company is to pay dividend of RMB 0.6 (including tax) to all shareholders for every 10 shares. After this distribution, the balance of the undistributed profit of the Company is RMB 8,190,694.20. The Company did not capitalize capital surplus.

The Company made profit in the report period but did not make dividend distribution preplan.

☐applicable √ not applicable

§ 7 Important Events

7.1 Asset acquisition

☐ Applicablev Not applicable

7.2 Disposal of assets

☐ Applicablev Not applicable

7.3 Material guarantee

vApplicable ☐ Not applicable

Unit: (RMB) million

<table>
<tr><td colspan="7">Guarantees provided by the Company (not including the guarantees provided to controlled subsidiaries)</td></tr>
<tr><td>Name of object of guarantee</td><td>Date of guarantee creation (Date of agreement signing)</td><td>Amount of guarantee</td><td>Type of guarantee</td><td>Guarantee period</td><td>Whether terminated</td><td>Whether provided to related parties (Yes or no)</td></tr>
<tr><td colspan="2">Total amount of guarantee in the report period</td><td colspan="5">0.00</td></tr>
<tr><td colspan="2">Total balance of guarantee at the end of the report period</td><td colspan="5">0.00</td></tr>
<tr><td colspan="7">Guarantees provided by the Company to its controlled subsidiaries</td></tr>
<tr><td colspan="2">Total amount of guarantees provided to controlled subsidiaries in the report period</td><td colspan="5">10.5000</td></tr>
<tr><td colspan="2">Total balance of guarantees provided to controlled subsidiaries at the end of the report period</td><td colspan="5">0.00</td></tr>
<tr><td colspan="7">Total amount of guarantees provided by the Company (including the guarantees provided to controlled subsidiaries)</td></tr>
<tr><td colspan="2">Total amount of guarantee</td><td colspan="5">0.00</td></tr>
<tr><td colspan="2">The proportion of the total amount of guarantees to the net assets of the Company</td><td colspan="5">0.00%</td></tr>
<tr><td colspan="7">Guarantees provided by the Company in violation of regulations</td></tr>
<tr><td colspan="2">The amount of guarantees provided to the controlling shareholder and other related parties of which the Company holds less than 50% equity</td><td colspan="5">0.00</td></tr>
<tr><td colspan="2">The amount of debt guarantees directly or indirectly provided to the object of guarantee whose assets-liabilities ratio exceeds 70%</td><td colspan="5">0.00</td></tr>
<tr><td colspan="2">Whether the total amount of guarantee exceeds 50% of net assets (Yes or no)</td><td colspan="5">No</td></tr>
<tr><td colspan="2">Total amount of regulation-violating guarantee</td><td colspan="5">0.00</td></tr>
</table>

7.4 Particulars of related transactions

7.4.1 Related sales and purchases

√ applicable☐not applicable

Unit: RMB million

Related party	Sales of products and rendering of services to related parties		Purchases of products and acceptance of services from related parties	
	Transaction amount	The proportion of transaction amount to total amount of similar transactions	Transaction amount	The proportion of transaction amount to total amount of similar transactions
Shenzhen Tianlong Industrial and Trading Co., Ltd.	12.285	100.00%	0.00	0.00%
TOTAL	**12.285**	**100.00%**	**0.00**	**0.00%**

7.4.2 Related creditor's rights and debts

√ applicable☐not applicable

Unit: RMB 0000

Related party	Financing to related party		Financing of related party to the Company	
	Transaction amount	Balance	Transaction amount	Balance
Shezhen Investment Management Co.	0.00	0.00	0.00	3,318.27
Shenzhen xiangjiang leather product co., ltd	-31.00	38.00	0.00	0.00
Shenzhen shenhu Knitting co., ltd	0.00	267.46	0.00	0.00
Business faith international co., ltd	-230.15	231.00	0.00	0.00
Total	-261.15	536.46	0.00	3,318.27

Of which: The Company provided funds of RMB 0.00 million to its controlling shareholder and subsidiaries in the report period. The balance of the funds provided by the Company to them was RMB 0.00 million.

7.5 Entrusted asset management

☐ Applicable ?v Not applicable

7.6 Performance of commitments

☐ Applicablev Not applicable

7.7 Material lawsuits and arbitration

☐ Applicablev Not applicable

7.8 Particulars about duty performance of independent directors

Attendance at board meetings by independent directors:

Name of independent director	The supposed times of attendance this year	Attendance in person (times)	Attendance through agent (times)	Absence (times)	Remarks
Yang Jichao	4	4	0	0	
Liu Xiangqing	4	4	0	0	
Huang Hui	4	4	0	0	

Objection made by independent to relevant matters of the Company.

□ applicable √ not applicable

Subsequent events

1. On April 15, 2005, the 8th meeting of the third board of directors of the Company examined and approved the application of director and general manager Mr. Liu Junhou for resignation from the position of director and general manager of the Company due to work transfer.

2. On April 1, 2005, the staff and workers' congress of the Company examined and approved the application of Ms Guo Jianhua for resignation from the position of supervisor due to retirement and elected Ms Zhou Meirong as a supervisor of the Company. This matter was published on Securities Times and Hong Kong Commercial Daily on April 5, 2005.

§ 8 Report of the Supervisory Committee

√ applicable □ not applicable

I. The meetings of the supervisory committee in the report period

1. On April 20, 2004, the fourth meeting of the third supervisory committee examined and adopted 2003 annual report, profit distribution preplan, the report of the Company for the first quarter of 2004 and the work report of the supervisory committee for 2003.

2. On July 26, 2004, the 5th meeting of the third supervisory committee of the Company examined and adopted 2004 semiannual report of the Company.

3. October 10, 2004, the 6th meeting of the third supervisory committee examined and adopted the Report on Rectification of Problems Found by CSRC Shenzhen Securities Administration in Patrol Inspection.

4. On December 24, 2004, the 7th meeting of the third supervisory committee examined and adopted the proposal for amending part of the Articles of Association and internal control system of the Company.

II. Opinions of the supervisory committee on other matters

1. The operation of the Company according to law: In the report year, the members of the supervisory committee attended all board meetings of the Company as nonvoting delegates. In the opinion of the supervisory committee, the Company constantly improved and implemented internal control system, the decision-making procedures were standardized and legal, the directors and members of the management of the Company worked diligently and practiced self discipline and no act of violating laws and regulations or the Articles of Association of the Company or harming the interests of the Company.

2. The inspection of the financial affair of the Company: The supervisory committee held the opinion that the Company strictly implemented national finance laws and regulations and its

financial statements were complete and truthful. The audit body issued unqualified auditors' report for 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 carried out fairly in the report period.

§ 9 Financial Report

9.1 Audit opinions

Audit opinions: Standard unqualified audit opinions

9.2 Financial Statements

9.2.1 Consolidated Balance Sheet (attached hereinafter)

9.2.2 Consolidated Profit and Loss Statement (attached hereinafter)

9.2.3Consolidated Cash Flow Statement(attached hereinafter)

9.3 Compared with the annual report of the previous year, the change of accounting policies and accounting estimate and the correction of accounting errors did not occur in this report period.

□ applicable √ not applicable

9.4 Content of significant accounting, amount of correction, reasons and its influence

□ applicable √ not applicable

9.5 The consolidation scope of this report period remained unchanged compared with the annual report of the previous year.

□ applicable √ 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

SHENZHEN TEXTILE (HOLDINGS) CO., LTD.

Consolidated income statement for the year ended December 31, 2004

	Notes	2004 RMB'000	2003 RMB'000
Turnover	(5)	448,393	451,965
Cost of sales		(348,398)	(357,645)
Gross profit		99,995	94,320
Other revenue		5,618	4,253
		105,613	98,573
Distribution and administrative expenses		(60,734)	(58,833)
Operating profit		44,879	39,740
Income from investments	(7)	3,880	10,822
Provision for loss on guarantees	(8)	-	(702)
Finance costs	(9)	(7,125)	(7,219)
Loss on deemed disposal of subsidiaries		-	(1,697)
Profit from changes in equity interest of existing subsidiaries		444	-
Amortisation of negative goodwill		567	568
Share of profit from associates		1,913	688
Profit before taxation	(10)	44,558	42,200
Taxation	(11)	(4,774)	(5,244)
Profit after taxation		39,784	36,956
Minority interests		(8,684)	(595)
Net profit for the year		31,100	36,361
Earnings per share		RMB0.127	RMB0.148

Earnings per share is calculated by dividing the net profit for the year of RMB31,100,000 (2003 - RMB36,361,000) attributable to shareholders by 245,124,000 shares (2003 - 245,124,000 shares as adjusted) in issue during the year concerned.

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at December 31, 2004

	Notes	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	(12)	215,599	218,107
Investment properties	(13)	101,372	101,372
Construction-in-progress	(14)	18,470	7,907
Intangible assets	(15)	34	38
Interests in associates	(16)	43,697	28,262
Other investments	(17)	45,193	82,728
		424,365	438,414
Current assets			
Inventories	(18)	55,161	38,753
Accounts receivable	(19)	36,931	24,375
Prepayments, deposits and others receivable	(20)	40,236	82,201
Investments in securities	(21)	2,744	3,023
Cash and bank balances		121,260	128,166
		256,332	276,518
Total assets		680,697	714,932
Capital and reserves			
Share capital	(22)	245,124	163,416
Reserves		107,859	188,449
		352,983	351,865
Minority interests	(23)	89,590	78,787
Non-current liability			
Long-term loans, non-current portion	(24)	4,200	4,200
Current liabilities			
Long-term loans, current portion	(24)	101,323	119,100
Accounts payable		22,642	17,549
Others payable and accrued expenses		88,510	120,407
Dividend payable	(25)	18,483	18,483
Provision for taxation		2,966	4,541
		233,924	280,080
Total equity and liabilities		680,697	714,932

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended December 31, 2004

	2004 RMB'000	2003 RMB'000
Cash flow from operating activities		
Operating profit before taxation	44,558	42,200
Adjustment items :		
Depreciation and amortisation	20,658	18,690
Profit on disposal of property, plant and equipment	(509)	(565)
Loss on deemed disposal of subsidiaries	-	1,697
Profit from changes in equity interest of existing subsidiaries	(444)	-
Share of profit from associates	(1,913)	(688)
Profit on disposal of other investments	(779)	(3,475)
Provision for impairment loss made/(reversed)		
- unconsolidated subsidiaries	1,421	554
- other investments	-	(2,960)
- investments in securities	163	12
Provision for diminution in value of inventories	55	303
Provision for doubtful debts reversed	(1,079)	(8,520)
Amortisation of negative goodwill	(567)	(568)
Interest income	(2,553)	(1,860)
Interest expense	6,456	7,012
Net operating cash inflow before movements in working capital	65,467	51,832
Increase in inventories	(16,463)	(1,887)
Increase in accounts receivable	(12,683)	(3,427)
(Increase)/decrease in prepayments, deposits and others receivable	43,171	(6,546)
Increase/(decrease) in accounts payable	5,093	(17,696)
Increase/(decrease) in others payable and accrued expenses	(31,653)	15,594
Decrease in loss on guarantees	-	(24,000)
Cash inflow from operating activities before interest and tax payments	52,932	13,870
Income tax paid	(6,349)	(1,449)
Interest paid	(6,700)	(6,688)
Net cash inflow from operating activities c/f	39,883	5,733

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended December 31, 2004

	Notes	2004 RMB'000	2003 RMB'000
Net cash inflow from operating activities b/f		39,883	5,733
Investing activities			
Interest received		2,553	1,860
Purchases of property, plant and equipment		(23,772)	(21,905)
Increase in construction-in-progress		(10,563)	(741)
Proceeds from disposal of property, plant and equipment		6,135	791
Returns from associates received		2,248	1,814
Decrease in amounts due from associates		2,151	3,796
Increase/(decrease) in amounts due to associates		(710)	382
Increase in other investments		(1,880)	(1,175)
Proceeds from disposal of other investments and investments in securities		22,814	10,303
Increase in investments in securities		(1,136)	(1,033)
Net cash outflow from investing activities		(2,160)	(5,908)
Net cash inflow/(outflow) before financing activities		37,723	(175)
Financing activities			
Dividend paid		(29,415)	
Decrease in bank and other loans	(26)	(17,777)	( )
Increase/(decrease) in minority interests	(26)	2,563	(1,380)
Net cash outflow from financing activities		(44,629)	(22,580)
Decrease in cash and cash equivalents		(6,906)	(22,755)
Effect on deemed disposal and acquisition of subsidiaries		-	(5,463)
Cash and cash equivalents as at beginning of the year		128,166	156,384
Cash and cash equivalents as at end of the year		121,260	128,166
Cash and cash equivalents as at end of the year are represented by :			
Cash and bank balances		121,260	128,166