Shenzhen Textile (Holdings) Co., Ltd.

2005 Semiannual Report (B)

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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.

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

Independent director Mr. Yang Jichao failed to attend this meeting for work-related reason and authorized independent director Mr. Huang Hui in writing to exercise voting right on his behalf.

The semiannual report of the Company is unaudited.

Mr.Guan Tongke, the person in charge of the Company, Mr.Wang Bin, the financial controller and Mr.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 II Basic Information of 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, 3 Huaqiang North Road, Futian District, Shenzhen

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

   Post 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: Securities Times, 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, 2005-June 30, 2005	Jan 1, 2004-June 30, 2004
Net profit	11,363	15,032
Earnings per share (RMB)	0.046	0.061
Return on net assets (%)	3.25	4.45
Net increase of cash and cash equivalent	-33,348	13,658
Item	June 30, 2005	Dec. 31, 2004
Total assets	657,476	680,697
Shareholders' equity (not including minority equities)	349,639	352,983
Net assets per share (RMB)	1.43	1.44

Note: Notes to the difference between net assets and net profits calculated pursuant to domestic and international accounting standards.

The net profit calculated pursuant to international accounting standards is RMB 11.363 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.

The net assets calculated pursuant to international accounting standards were RMB 349.639 million, which is more than those calculated pursuant to Chinese Accounting Regulations for Business Enterprises by RMB 17.547 million. The reason for this difference is the writeback of depreciation of RMB 21.663 million over-provided for real estate of investment nature pursuant to international accounting standards, RMB 0.031 million for the entry reversal of impairment provision of unconsolidated subsidiaries, RMB 1.531 million for the disposal of unconsolidated subsidiaries and

RMB - 2.617 million for the amortization of intangible assets.

Section III 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.

2 Total number of shareholders

As of June 30, 2005, the Company had 20,344 shareholders in total including one shareholder of state-owned shares, 12,059 shareholders of A shares and 8,284 shareholders of B shares.

3.Particulars about the shares held by the main shareholders

Particulars of the shareholding of the top ten shareholders as of June 30, 2005

Total number of shareholders at the end of the report period	20,344					
Particulars about the shareholding of the top ten shareholders						
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	162,360,000	66.24	Non-negotiable	107,000,000	State-owned shareholder
VICTOR ONWARD PRINTING —DYEING (HK) CO., LTD	0	555,000	0.23	Negotiable	0	B
Xu Meijun	Unknown	440,000	0.18	Negotiable	0	A
Liu Jinqun	-10000	410,092	0.17	Negotiable	0	B
Liu Yunai	Unknown	406,100	0.17	Negotiable	0	A
Li Guoyue	Unknown	400,000	0.16	Negotiable	0	A
DBS VICKERS (HONGKONG) LTD A/C CLIENTS	0	389,985	0.16	Negotiable	0	B
Chen Huigen	Unknown	325,032	0.13	Negotiable	0	B
WU,KIN YEUK	0	316,055	0.13	Negotiable		B

LOK YUNG CHING	-60000	300,000	0.12	Negotiable	0	B

Particulars about the shareholding of the top ten shareholders holding negotiable shares		
Name of shareholder (full name)	Number of shares held at the end of year (shares)	Type
VICTOR ONWARD PRINTING—DYEING (HK) CO., LTD	555,000	B
Xu Meijun	440,000	A
Liu Jinqun	410,092	B
Liu Yunai	406,100	A
Li Guoyue	400,000	A
DBS VICKERS (HONGKONG) LTD A/C CLIENTS	389,985	B
Chen Huigen	325,032	B
WU,KIN YEUK	316,055	B
LOK YUNG CHING	300,000	B
Chen Jingwen	300,000	B
Notes to the related relationship between the shareholders or their concerted action: The relation between the top ten shareholders holding negotiable shares and the top ten shareholders was unknown. They are not persons taking concerted action specified in Regulations on the Information Disclosure of the Change of Shareholding of Shareholders of Listed Companies.		
Notes to the shareholding term for the strategic investors or ordinary legal persons involved in new share placing： 0		

4.Among the above shareholders, the one holding shares on behalf of the state is Shenzhen Investment Management Co. No.2 ，4，7，8，9， and 10 shareholders are the ones holding foreign investment shares. The controlling shareholder of the Company did not change in the report period.

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

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

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 representing staff and workers due to retirement and elected Ms Zhou Meirong as a supervisor representing staff and workers of the Company.

3.On April 16, Mr. Liu Junhou, director and general manager of the Company, resigned from the position of director and general manager of the Company due to work transfer.

4.On May 27, After examination at the 9th meeting, the third board of directors appointed Mr. Wang Bin as general manager of the Company and Mr. Gao Guoshi as deputy general manager of the Company.
5.June 29, After examination at 2004 annual shareholders' general meeting of the Company, Mr. Wang Bin was elected as director of the Company and Mr. Song Gongli was elected as supervisor of the Company through by-election.

Section V Discussion and Analysis of Management

1. Main operation of the Company

The main operating status of the Company The Company is mainly engaged in the production and trading of textile products, garments and relevant products and in the lease and management of properties. In the report period，The income the Company from main operation was RMB 193.31 million, a decrease of 2.67% over the same period of the previous year. Its profit was RMB 11.363 million, a decrease of 24.41% over the same period of the previous year.

	Income from key business	Cost of key business	Gross profit rate (%)	Increase/decrease of income (%)	Increase/decrease of cost (%)	Increase/decrease of gross profit rate (%)
Industry	78885332.36	65005204.33	17.60	-12.96	-17.73	Increase 4.8%
Trade	89894825.10	84449006.13	6.06	6.01	15.52	Decrease 7.7%
Property management and lease	24531253.95	0.00	100	5.84	0.00	0.00
Of which： Amount of related transaction	0.00					
Including: In the report period, the total related transaction amount of sales of products by the Company to its controlling shareholder and subsidiaries was RMB 0.00.						

(1) Industry: The income earned by the industrial subsidiaries of the Company was RMB 78.885 million, a decrease of 12.96% over the same period of the previous year. Their cost was RMB 65.005 million, a decrease of 17.73% over the same period of the previous year. The gross profit rate increased by 4.8% over the same period of the previous year. The main reason is the enhancement of the market competitiveness of products. In the report period, Shenzhen Shenfang Lekai Photoelectronic Materials Co., Ltd., a controlled subsidiary of the Company, continued to keep good growth. Its sales income and total profit respectively increased by 32.2% and RMB 2.765 million over the same period of the previous year.

(2)Trade: In the report period, the trade income earned by the Company was RMB 89.895 million, an increase of 6.01% over the same period of the previous year. Trading cost was RMB 84.449 million, an increase of 15.52% over the same period of the previous year. The gross profit rate decreased by 7.7% over the same period of the previous year. The main reason is that situation of trade of international textile products was changeful and export price competition of textile products was fierce in the report period.

(3)Property lease and management: The company earned income of RMB 24.531 million in total from property lease, warehousing and hotel business in the report period, which increased by 5.84% over the same period of the previous year mainly due to the increase of lease income after the transformation of property functions (The cost has been included in period expenses. The company did not independently state this accounting item).

2. Financial highlights of the Company

The turnover was RMB 193.311 million, a decrease of 2.67% over the same period of the previous year mainly due to the change of the mode of income settlement by Anhui Huapeng Textile Co., Ltd., an industrial enterprise whose statements were consolidated by the Company.

The gross profit and the net profit were RMB 42.454 million and RMB 11.363 million respectively, which respectively decreased 6.04% and 24.4% over the same period of the previous year mainly due to the decrease of the Company's profit from export trade and the profit turned in by overseas enterprises.

The gross profit and the net profit were RMB 42.454 million and RMB 11.363 million respectively, which respectively decreased 6.04% and 24.4% over the same period of the previous year mainly due to the decrease of the Company's profit from export trade and the profit turned in by overseas enterprises.

Net increase in cash and cash equivalents was RMB -33.348 million, a decrease of RMB 40.254 million mainly due to the repayment of bank loans and the investment in the phase-II project of polarizer sheet in the report period.

The total assets were RMB 657.476 million, a decrease of 3.41% over the beginning of the year mainly due to the repayment of bank loan.

Shareholders' equity was RMB 349.639 million, a decrease of 0.95% over the beginning of the year mainly because the shareholders' general meeting of the Company passed the profit distribution plan for distributing cash dividends of RMB 14.71 million for 2004.

3. Problems and difficulties occurred in operation

In the report period, the income of textile manufacturing enterprises of the Company decreased and trading profit rate of textile products declined due to influence of the rise in raw material cost of textile products and complicated and changeful international situation of textile products trade. For this reason, the Company took the following measures: (1) The Company enhanced production capacity while expanding market and improved its competitiveness through strengthening its internal management to eliminate the negative influence brought by the rise in raw material cost; (2) While paying close attention to the international situation of textile products trade, the Company actively developed the customers in non-quota countries and regions including Australia, New Zealand, South America and Africa based on relevant products to decentralize trade risks and enhance trading profit rate.

4. Investment of the Company

(1) Utilization of raised funds

The Company did not raise funds through share offering in the report period. Nor were funds previously raised carried forward for use in the report period.

(2) Other investments

In the report period, the Company invested in phase-II project of polarizer sheet of Shenzhen Shenfang Lekai Photoelectronic Materials Co., Ltd. with self-owned funds of RMB 12.309 million. AT present, the production and operation situation of this company was good. The phase-II project is planned to be put into trial production by the end of year.

Section VI Important Events

1. Status of corporate administration:

The Company will continue to seriously carry out administration according to the requirements of the Company Law, the Securities Law and Guidelines for Administration of Listed Companies. In the report period, the Company did the following work in respect of corporate governance:

1. According to the Articles of Association of the Company, the Company elected two supervisors and one director through by-election.

2. According to the requirements of the Circular of the Circular of Urging Listed Companies to Amend Their Articles of Association issued by CSRC and Shenzhen Securities Regulatory Bureau, the Company amended its Articles of Association. The amendment was examined and adopted at 2004 annual shareholders' general meeting of the Company on June 29, 2005.

The Company lacks one supervisor. The Company will choose candidates for supervisors as soon as possible and submit the list of candidates to the shareholders' general meeting of the Company for examination.

2. The distribution plan implemented by the Company in the report period:

In the report period, the Company had no plan for profit distribution, capital surplus capitalization or new issue formulated in previous periods and implemented in the report period.

According to the resolution of 2004 annual shareholders' general meeting of the Company in the report period, the Company plans to distribute RMB 0.6 (including tax) to all shareholders for every 10 shares with its total share capital, i.e., 245,124,000 shares, as the base, from its net profit for 2004 and not to capitalize capital surplus.

3. 2005 semiannual profit distribution plan of the Company:

The Company is neither to distribute 2005 semiannual net profit nor capitalize any capital surplus.

4. The material lawsuits and arbitration of the Company:

The Company did not get involved in any material lawsuit or arbitration in the report period.

Others lawsuits:

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 in 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.

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

6. The Company was not involved in material related transactions nor entrusted others with money management in the report period.: The Company sold goods with value of RMB 5,161,891.77 to Shenzhen Tianlong Industrial and Trading Co., Ltd., one of its affiliated companies.

7． In the report period, the Company neither provided guarantee to other companies or its controlled subsidiaries nor provided guarantee in violation of regulations.

8.The controlling shareholder of the Company Shenzhen Investment Management Co., Ltd. and its subsidiaries neither occupied the funds of the Company nor was involved in regulation-violating guarantee.

9.The Company or the shareholders holding over 5% of the total shares of the Company did not make commitments in the report period nor did the commitments made by the Company or such shareholders in previous periods continue in the report period.

10. Engagement of certified public accountants:

As approved by 2004 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 2005, which was disclosed on Securities Times and Hong Kong Commercial Daily on June 30, 2005.

11.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.

12. In the report period，there were no other important events that had material influence on the Company.

13.Subsequent events： On July 15, 2005, the Company provided guarantee to Shenzhen Beauty Century Garment Co., Ltd., a controlled subsidiary (of which the Company holds 50% equity), for the loan of RMB 10 million borrowed from China Merchants Bank. The amount of the guarantee accounted for 2.97% of the net assets of the Company stated in the consolidated statements for the latest fiscal year. The assets-liabilities ratio of Shenzhen Beauty Century Garment Co., Ltd. was 34.1%. The said guarantee was signed and approved by all members of the board of directors of the Company.

Section VII Financial Report（unaudited）

（I） Financial statements (Attached hereinafter,)

1. Consolidated Balance sheet
2. Consolidated Profit and loss statement
3. Consolidated cash flow statement

(II) Notes to financial statements(Attached hereinafter,)

Section VIII Documents Available for Inspection

1. The text of semiannual report bearing the signature of the chairman of the board of directors
2. The text of the financial report bearing the seal and signature of the person in charge of the Company, controller of accounts and the person in charge of accounting organ;
3. The texts of all the Company's documents publicly disclosed on the newspapers and periodicals designated by China Securities Regulatory Commission in the report period;
4. The text of the Articles of Association of the Company.

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.

July 29, 2005

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated income statement for the year ended June 30, 2005

	Notes	June,2005 RMB'000	Dec,2004 RMB'000
Turnover	(5)	193,311	198,610
Cost of sales		(150,857)	(153,428)
Gross profit		42,454	45,182
Other revenue		823	190
		43,277	45,372
Distribution and administrative expenses		(28,047)	(30,034)
Operating profit		15,230	15,338
Income from investments	(7)	1,633	3,834
Finance costs	(9)	(1,850)	(2,031)
Amortisation of negative goodwill		284	284
Share of profit from associates		1,111	1,167
Profit before taxation	(10)	16,408	18,592
Taxation	(11)	(1,449)	(1,547)
Profit after taxation		14,959	17,045
Minority interests		(3,596)	(2,013)
Net profit for the year		11,363	15,032
Earnings per share		RMB0.046	RMB0.061

Earnings per share is calculated by dividing the net profit for the year of RMB11,363,000 (June,2004 – RMB15,032,000) attributable to shareholders by 245,124,000 shares (June,2004 - 245,124,000 shares as adjusted) in issue during the year concerned.

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at June 30, 2005

	Notes	June ,2005 RMB'000	Dec,2004 RMB'000
Non-current assets			
Property, plant and equipment	(12)	209,954	215,599
Investment properties	(13)	101,372	101,372
Construction-in-progress	(14)	30,779	18,470
Intangible assets	(15)	32	34
Interests in associates	(16)	44,042	43,697
Other investments	(17)	45,193	45,193
		431,372	424,365
Current assets			
Inventories	(18)	60,468	55,161
Accounts receivable	(19)	40,190	36,931
Prepayments, deposits and others receivable	(20)	35,012	40,236
Investments in securities	(21)	2,522	2,744
Cash and bank balances		87,912	121,260
		226,104	256,332
Total assets		657,476	680,697
Capital and reserves			
Share capital	(22)	245,124	245,124
Reserves		104,515	107,859
		349,639	352,983
Minority interests	(23)	88,772	89,590
Non-current liability			
Long-term loans, non-current portion	(24)	4,200	4,200
Current liabilities			
Long-term loans, current portion	(24)	78,700	101,323
Accounts payable		21,870	22,642
Others payable and accrued expenses		80,345	88,510
Dividend payable	(25)	33,190	18,483
Provision for taxation		760	2,966
		214,865	233,924
Total equity and liabilities		657,476	680,697

The financial statements on pages 1 to 29 were approved and authorised for issue by the board of directors on August , 2005 and are signed on its behalf by :

Director **Director**

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended June 30, 2005

	June ,2005 RMB'000
Cash flow from operating activities	
Operating profit before taxation	16,408
Adjustment items :	
Depreciation and amortisation	10,566
Profit on disposal of property, plant and equipment	(58)
Share of profit from associates	(2,961)
Provision for impairment loss made/(reversed)	
- unconsolidated subsidiaries	-
- other investments	-
- investments in securities	217
Provision for doubtful debts reversed	(24)
Amortisation of negative goodwill	(284)
Interest income	(340)
Interest expense	1,438
Net operating cash inflow before movements in working capital	24,962
Increase in inventories	(5,307)
Increase in accounts receivable	(3,259)
(Increase)/decrease in prepayments, deposits and others receivable	5,224
Increase/(decrease) in accounts payable	(772)
Increase/(decrease) in others payable and accrued expenses	(8,165)
Cash inflow from operating activities before interest and tax payments	12,683
Income tax paid	(3,655)
Interest paid	(2,257)
Net cash inflow from operating activities c/f	6,771

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended June 30, 2005

(cont'd)

	Notes	June,2005 RMB'000
Net cash inflow from operating activities b/f		6,771
Investing activities		
Interest received		340
Purchases of property, plant and equipment		(4,544)
Increase in construction-in-progress		(12,309)
Proceeds from disposal of property, plant and equipment		31
Returns from associates received		1,530
Net cash outflow from investing activities		(14,952)
Net cash inflow/(outflow) before financing activities		(8,181)
Financing activities		
Decrease in bank and other loans	(26)	(22,623)
Increase/(decrease) in minority interests	(26)	(2,544)
Net cash outflow from financing activities		(25,167)
Decrease in cash and cash equivalents		(33,348)
Cash and cash equivalents as at beginning of the year		121,260
Cash and cash equivalents as at end of the year		87,912
Cash and cash equivalents as at end of the year are represented by :		
Cash and bank balances		87,912

Shenzhen Textile (Holdings) Co., Ltd.

Statement of impairment loss

For the year ended June 30, 2005

RMB'000

	Items	Dec,2004	Increase	Decrease	Transfer-out	June,2005
1.	**Property, plant and equipment**					
	Land and buildings	-	-	-	-	-
	Leasehold improvements	-	-	-	-	-
	Plant and machinery	-	-	-	-	-
	Office equipment	-	-	-	-	-
	Transport equipment	469	-	-	-	469
		469	-	-	-	469
2.	**Investment properties**	-	-	-	-	-
3.	**Construction-in-progress**	-	-	-	-	-
4.	**Intangible assets**					
	Trademark and technical know-how	-	-	-	-	-
5.	**Other investments**					
	Subsidiaries not consolidated	7,075	-	-	-	7,075
	Associates not accounted for under equity method	5,058	-	-	-	5,058
	Listed shares	14,832	-	-	-	14,832
	Unlisted shares	18,900	-	-	-	18,900
		45,865	-	-	-	45,865
6.	**Inventories**					
	Raw materials	98	-	-	-	98
	Work-in-progress	1,892	-	-	-	1,892
	Finished goods	3,108	-	-	-	3,108
		5,098	-	-	-	5,098
7.	**Provision for doubtful**					
	Accounts receivable	2,790	-	-	-	2,790
	Others receivable	23,558	-	-	(24)	23,534
		26,348	-	-	(24)	26,324
8.	**Investments in securities**					
	Marketable securities	175	217	-	-	392
	PRC Government bonds	-	-	-	-	-
		175	217	-	-	392
	Total	**77,955**	**217**	**-**	**(24)**	**78,148**

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 Financial Reporting Standards ("IFRS"). 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 IFRS, adjustments have been made to the PRC statutory financial statements. Details of the impact of such adjustments on the net asset value as at June 30, 2005 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 valuation less accumulated depreciation or 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 June 30, 2005, the subsidiaries owned by the Company are listed out as follows :

i) Subsidiaries consolidated

Company name	Place of establishment/ operation	Effective equity held by the Group		Principal activities
		June,2005	Dec.,2004	
Shenzhen Jinlan Decorative Products Ind. Co.	PRC	100%	100%	Manufacturing of bedding and decorating products
Shenzhen Lisi Industrial & Development Co., Ltd.	PRC	100%	100%	Material supplies

3. Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

i) Subsidiaries consolidated (cont'd)

Company name	Place of establishment/ operation	Effective equity held by the Group		Principal activities
		June,2005	Dec.,2004	
Shenzhen Huaqiang Hotel Ltd.	PRC	100%	100%	Hotel, catering, and business centre operations
Shenfang Building Estate Management Co.	PRC	100%	100%	Property management
Shenzhen Jing Guang Shoes and Hose Co., Ltd.	PRC	100%	100%	Manufacturing and trading of sporting shoes and socks
Shenzhen Zhong Xing Fibre Products Co., Ltd.	PRC	100%	100%	Manufacturing and trading of fibre products
Jiangxi Xuanli Thread Co., Ltd.	PRC	63.87%	63.87%	Manufacturing and trading of synthetic fibre threads
Shenzhen Mei Bai Nian Garments Co., Ltd.	PRC	50%*	50%*	Knitting and clothing
Anhuei Huapeng Textile Co., Ltd.	PRC	50%*	50%*	Textile products
Shenzhen Shenfang Import and Export Co., Ltd.	PRC	49%*	49%*	Import and export trading of textile
Shenzhen Shenfang-Lucky Photoelectronic Materials Co., Ltd.	PRC	47.95%*	47.95%*	Manufacturing of digital monitor and relevant consumables and parts

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

ii) Subsidiaries not consolidated

Company name	Place of establishment/ operation	Effective equity held by the Group		Principal activities
		June,2005	Dec., 2004	
Shenzhen Dahong Textile Co., Ltd.	PRC	100%	100%	Manufacturing and trading of textile products

3. Basis of consolidation (cont'd)

ii) Subsidiaries not consolidated (cont'd)

Company name	Place of establishment/ operation	Effective equity held by the Group June,2005	Dec.,2004	Principal activities
Darwin International Co., Ltd.	Hong Kong	100%	100%	Import and export
Shenzhen Feng Sheng Garments Co., Ltd.	PRC	100%	100%	Manufacturing of clothing
Shenzhen Fenghua Zhi Dai Factory Co., Ltd.	PRC	75%	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 that is other than temporary.

(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. The associates held by the Company as at June 30, 2005 are shown in note 16 to the financial statements. 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.

4. Summary of significant accounting policies

(a) Revenue recognition

Revenue is recognised when it is probable that the benefits will flow to the Group and the revenue can be measured reliably, with bases as follows :

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.

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

(b) 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 to 14 years
Office equipment	8 years
Transport equipment	8 years

Certain above assets are stated at valuation. Independent valuation is performed periodically with the last valuation performed in 1993. The directors review the carrying value of these assets periodically and adjustment will be 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.

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

(c) 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. The directors review their carrying value periodically. 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.

(d) 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.

(e) Intangible assets

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

(f) Other investments

Long-term investments are stated at cost less provision for diminution in value that is other than temporary.

(g) 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 recognized 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 recognized in each period represents a constant yield on the investment.

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

(g) 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.

(h) 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.

(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.

(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 on 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 as 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.

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

(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.

(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.

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

(n) Impairment loss (cont'd)

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment loss are credited to the income statement in the year in which the reversals are recognised.

(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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

The carrying amount of deferred tax assets is reviewed as at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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

(p) Taxation (cont'd)

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

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

5. Operating income

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

	June,2005 RMB'000	June,2004 RMB'000
Turnover		
Sales of goods	168,780	175,432
Property rental income	21,630	20,151
Hotel operations	2,901	3,027
	193,311	198,610

6. Business and geographical segments

Business segments

Segment information about businesses in June,2005 is presented below :

	Sales of goods	Leasing	Hotel operations	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	168,780	21,630	2,901	-	193,311
Revenue	168,780	21,630	2,901		193,311
Gross profit segment result	17,923	21,630	2,901		42,454

Segment information about businesses in June,2004 is presented below :

	Sales of goods	Leasing	Hotel operations	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	175,432	20,151	3,027	-	198,610
Revenue	175,432	20,151	3,027		198,610
Gross profit segment result	22,004	20,151	3,027		45,182

Geographical segments

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

	June,2005	**June,2004**
	RMB'000	**RMB'000**
Within PRC	106,790	104,399
Outside PRC	86,521	94,211
	193,311	198,610

7. Income from investments

	June,2005 RMB'000	June,2004 RMB'000
Returns from investment items	1,850	3,945
Provision for impairment loss on investments in securities	(217)	(111)
	1,633	3,834

8. Finance costs

	June,2005 RMB'000	June,2004 RMB'000
Interest expense	1,738	1,844
Bank charges	91	176
Exchange loss	21	11
	1,850	2,031

9. Profit before taxation

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

	June,2005 RMB'000	**June,2004 RMB'000**
After charging :		
Interest expense	1,738	1,844
Depreciation and amortisation	10,566	10,827
Provision for impairment loss on investments in securities	217	111
Staff costs	18,294	18,161
Exchange loss	21	11
And after crediting :		
Interest income	340	1,131
Profit on disposal of property, plant and equipment	31	-
Provision for doubtful debts reversed	24	918
Amortisation of negative goodwill	284	284

10. Taxation

PRC income tax has been provided at the applicable rates based on the assessable profit in the PRC for the year as calculated in accordance with Accounting Principles and Tax Law of PRC.

	June,2005 RMB'000	**June,2004 RMB'000**
Income tax		
Company and subsidiaries	1,449	1,547
Deferred taxation	-	-
	1,449	1,547

12. Property, plant and equipment

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Transport equipment RMB'000	Total RMB'000
Cost/valuation						
Balance as at January 1, 2005	160,418	23,918	146,189	10,483	6,501	347,509
Additions	4,395	-	-	55	-	4,450
Balance as at June 30 2005 (*)	164,813	23,918	146,189	10,538	6,501	351,959
Accumulated depreciation						
Balance as at January 1, 2005	(53,423)	(17,980)	(48,937)	(6,380)	(5,190)	(131,910)
Charged for the year	(3,494)	(521)	(5,058)	(632)	(390)	(10,095)
Balance as at June 30 2005	(56,917)	(18,501)	(53,995)	(7,012)	(5,580)	(142,005)
Net book value						
Balance as at June 30 2005	103,501	5,417	92,194	3,526	921	209,954
Balance as at December 31 2004	106,995	5,938	97,252	4,103	1,311	215,599

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 June 30, 2005 approximates the prevailing open market value.

13. Investment properties

	June,2005 RMB'000	Dec.,2004 RMB'000
Cost/valuation	101,372	101,372

Certain investment properties of the Group were appraised by Zhonghua (Shekou) Certified Public Accountants, professional valuers in 1993. The directors are of the opinion that the carrying value of the investment properties as at June 30, 2005 approximates the prevailing market value.

14. Construction-in-progress

	June,2005 RMB'000
Cost	
Balance as at January 1, 2005	18,470
Additions	12,309
Transfer to property, plant and equipment	-
Transfer to other assets	-
Balance as at June 30, 2005	30,779

15. Intangible assets

	June,2005 RMB'000
Trademark and technical know-how, at cost	118
Amortisation	(86)
	32

16. Interests in associates

	June,2005 RMB'000	Dec.,2004 RMB'000
Share of net assets	42,708	42,363
Premium in associates	6,890	6,890
Amortisation of premium	(4,823)	(4,823)
	2,067	2,067
	44,775	44,430
Amounts due from associates	-	-
Amounts due to associates	(733)	(733)
Interests in associates	44,042	43,697

As at June 30, 2005, the details of the principal associates are listed out as follows :

Company name	Place of establishment/ operation	Effective equity held by the Group 2004	Effective equity held by the Group 2003	Principal activities
Shenzhen China East Electronics Co., Ltd.	PRC	50%	50%	Manufacturing of electronic toys
Shenzhen Label Weaving Factory Co., Ltd.	PRC	50%	50%	Manufacturing and trading of label tags
Shenzhen Tianlong Industrial and Trading Co., Ltd.	PRC	50%	50%	Manufacturing and trading of health balls, foodstuffs and textile related products
Shenzhen Xieli Automobile Co., Ltd.	PRC	50%	50%	Motor vehicle repair and maintenance services
Longwell Development Printing and Dyeing Co., Ltd.	PRC	40.25%	40.25%	Processing of corduroy
Jordan Yie Hui Clothing Factory Co., Ltd.	Jordan	35%	35%	Manufacturing and trading of apparel
Mirage (Saipan) Co., Ltd.	Commonwealth of Northern Mariana Islands	35%	35%	Manufacturing and trading of apparel
Shenzhen Top Form Underwear Co., Ltd.	PRC	30%	30%	Manufacturing and trading of ladies underwear

17. Other investments

	June,2005 RMB'000	Dec.,2004 RMB'000
Subsidiaries not consolidated, at cost	14,425	14,425
Associates not accounted for under equity method, at cost	8,775	8,775
Listed shares, at cost	41,428	41,428
Unlisted shares, at cost	26,430	26,430
	91,058	91,058
Provision for impairment loss	(45,865)	(45,865)
	45,193	45,193

As at June 30, 2005, the details of the subsidiaries not consolidated are listed out as follows :

Company name	Place of establishment/ operation	Effective equity held by the Group June,2005	Effective equity held by the Group Dec.,2004	Principal activities
Shenzhen Dahong Textile Co., Ltd.	PRC	100%	100%	Manufacturing and trading of textile products
Darwin International Co., Ltd.	Hong Kong	100%	100%	Import and export
Shenzhen Feng Sheng Garments Co., Ltd.	PRC	100%	100%	Manufacturing of clothing
Shenzhen Fenghua Zhi Dai Factory Co., Ltd.	PRC	75%	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 that is other than temporary.

17. Other investments (cont'd)

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

Company name	Place of establishment/ operation	Effective equity held by the Group		Principal activities
		June,2005	Dec.,2004	
Shenzhen Kunhwa Dyeing Co., Ltd.	PRC	45%	45%	Dyeing
Shenzhen Hualian Fangzhi (Holding) Co., Ltd.	PRC	20%	20%	Investment holding
Shenzhen Xin Fang Textile Factory Co., Ltd.	PRC	20%	20%	Textile products
Shenzhen Xiang Jiang Leather Product Co., Ltd.	PRC	20%	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 that is other than temporary.

18. Inventories

	June,2005 RMB'000	Dec.,2004 RMB'000
Raw materials	15,246	10,015
Work-in-progress	32,415	31,004
Finished goods	17,905	19,240
Provision for inventory obsolescence	(5,098)	(5,098)
	60,468	55,161

19. Accounts receivable

	June,2005 RMB'000	Dec.2004 RMB'000
Amounts receivable	42,980	39,721
Provision for doubtful debts	(2,790)	(2,790)
	40,190	36,931

20. Prepayments, deposits and others receivable

	June,2005 RMB'000	Dec.,2004 RMB'000
Advance payments	7,422	7,851
Prepayments	71	110
Others receivable	51,053	55,833
	58,546	63,794
Provision for doubtful debts	(23,534)	(23,558)
	35,012	40,236

21. Investments in securities

	June,2005 RMB'000	Dec.,2004 RMB'000
Marketable securities in the PRC, at cost	2,914	2,914
PRC Government bonds, at cost	-	5
	2,914	2,919
Provision for impairment loss	(392)	(175)
Market value	2,522	2,744

22. Share capital

	June,2005 RMB'000	Dec.,2004 RMB'000
Registered, issued and fully paid capital, at par value of RMB1 each		
162,360,000 domestic shares	162,360	162,360
33,264,000 "A" shares	33,264	33,264
49,500,000 shares	49,500	49,500
	245,124	245,124

23. Minority interests

	June,2005 RMB'000	Dec.,2004 RMB'000
Minority interests	88,772	88,871
Dividend payable to minority interests	-	719
	88,772	89,590

24. Short-term and long-term loans

	June,2005 RMB'000	Dec.,2004 RMB'000
Bank loans, secured	38,000	52,500
Bank loans, pledged	-	8,123
Bank loans, guaranteed	40,000	40,000
Bank loans, unsecured	-	-
Other loans, secured	4,700	4,700
Others payable	200	200
	82,900	105,523
Portion classified under current liabilities	(78,700)	(101,323)
Long-term portion	4,200	4,200

The bank loans bear interest at various rates ranging from 5.0445% to 5.31% per annum.

The interest rate of other loans is 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 and dividend payable to every shareholders with a sum of RMB14,707,440.

26. Cash flow from financing

	Bank & other loans RMB'000	Minority interests RMB'000
Balance as at beginning of the year	105,523	89,590
Cash flows from financing activities	(22,623)	(1,870)
Dividend paid to minority shareholders	-	(2,544)
Profit attributable to minority interests	-	3,596
Profit from changes in equity interest of existing subsidiaries	-	-
Balance as at end of the year	82,900	88,772

27. Related party transactions

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

Related party	Transactions	June,2005 RMB'000	June,2004 RMB'000
Shenzhen Tianlong Industrial Trading Co., Ltd.	Sales	5,162	6,178
	Interest income	15	18
Business Faith International Co., Ltd.	Interest income	-	164
Shenzhen Xiang Jiang Leather Product Co., Ltd.	Interest income	11	23

28. Assets held under security

As at June 30, 2005, the Group had used its buildings and investment properties with a total fair value of RMB113,967,000 as security for the general banking facilities.

29. Financial instruments

The financial assets of the Group include cash and bank balances, investments in securities, accounts receivable, prepayments, deposits and others receivable. The 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.

31. Impact of IFRS adjustments on profit attributable to shareholders

	June,2005 RMB'000	June,2004 RMB'000
As reported by PRC Certified Public Accountants	9,906	13,575
Adjustments to conform to IFRS :		
Over-provision of depreciation of investment properties reversed	1,173	1,173
Amortisation of negative goodwill	284	284
Others	-	-
As restated in conformity with IFRS	11,363	15,032

32. Impact of IFRS adjustments on net asset value

	June,2005 RMB'000	Dec.,2004 RMB'000
As reported by PRC Certified Public Accountants	332,093	336,894
Adjustments to conform to IFRS :		
Over-provision of depreciation of investment properties reversed	21,663	20,490
Provision for impairment loss on unconsolidated subsidiaries	31	31
Proposed dividend not recorded as liabilities	-	-
Loss on deemed disposal of subsidiaries	(1,531)	(1,531)
Amortisation of intangible assets	(2,617)	(2,901)
As restated in conformity with IFRS	349,639	352,983