Shenzhen Textile (Holdings) Co., Ltd.

Quarterly Report for the First Quarter of 2006

§ 1 Important notes

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

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

1.5 Guan Tongke, the person in charge of the Company, Wang Bin, the financial controller and Liu Yi, the person in charge of accounting organ represent and warrant the financial and accounting report in the Quarterly Report is true and complete.

§ 2 Basic Information

2.1 Basic information

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

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

	End of the report period	End of the previous year	Increase/decrease (%)
Total assets	678,342	674,803	0.52
Shareholders' equity	365,983	363,831	0.59
Net assets per share	1.49	1.48	0.68
	Report period	Year beginning to end of report	Increase/decrease over the same period

		period	of the previous year (%)
Net cash flow from operating activities	-10,655	-10,655	-1128.95
Earnings per share	0.009	0.009	-35.71
Return on net assets (%)	0.91	0.91	-0.02%

Note：The influence of the adjustment made according to international financial report standards on the net profit and net assets of the Company:

1.The influence of the adjustment made according to international financial report standards on the net profit of the Company:

	March 2006 RMB'000	March 2005 RMB'000
Pursuant to the financial report audited by Chinese C.P.A.	1,368	2,598
Adjustment made for complying with international accounting standards:		
Writeback of over-provision for the depreciation of real estate of investment nature	587	587
Amortization of intangible assets	197	-
Amortization of negative goodwill	-	142
Restated pursuant to international financial report standard	2,152	3,327

2.The influence of the adjustment made according to international financial report standards on the Net Value of Assets of the Company:

	March 2006 RMB'000	March 2005 RMB'000
Pursuant to the financial report audited by Chinese C.P.A.	345,290	343,922
Adjustment made for complying with international accounting standards:		
Writeback of over-provision for the depreciation of real estate of investment nature	23,423	22,836
The price difference of equity investment in affiliated companies need not amortization	689	689
Amortization of intangible assets	(1,919)	(2,116)
Devalue preparative of unconsolidated subsidiaries	(1,500)	(1,500)
Restated pursuant to international financial report standard	365,983	363,831

2.2.2 Financial statement

2.2.2.1 Consolidated balance sheet

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at March 31, 2006

	March 31, 2006 RMB'000	December 31, 2006 RMB'000
Assets		
Non-current assets		
Property, plant and equipment	203,988	207,591
Investment properties	101,372	101,372
Land use rights - non-current portion	3,394	3,394
Construction-in-progress	46,351	41,846
Intangible assets	31	31
Interests in associates	46,620	45,986
Other investments	41,771	41,771
	443,527	441,991
Current assets		
Land use rights - current portion	535	535
Inventories	61,302	58,440
Accounts receivable	48,044	50,874
Bills receivable	2,350	1,345
Prepayments, deposits and others receivable	66,328	49,673
Investments in securities	1,641	1,641
Cash and bank balances	54,615	70,304
	234,815	232,812
Total assets	678,342	674,803

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at March 31, 2006

(cont'd)

	March 31, 2006 RMB'000	December 31, 2006 RMB'000
Equity and liabilities		
Capital and reserves		
Share capital	245,124	245,124
Reserves	120,859	118,707
Equity attributable to equity holders of the parent	365,983	363,831
Minority interests	94,938	95,654
Total equity	460,921	459,485
Non-current liability		
Long-term loans, non-current portion	4,000	4,000
Current liabilities		
Long-term loans, current portion	78,670	78,670
Accounts payable	21,885	28,033

Others payable and accrued expenses	95,093	86,318
Dividend payable	15,910	15,910
Provision for taxation	1,863	2,387
	213,421	211,318
Total equity and liabilities	678,342	674,803

2.2.2.2 Consolidated income statement

Shenzhen Textile (Holdings) Co., Ltd.
Consolidated income statement for the year ended March 31, 2006

	March 31, 2006 RMB'000	**March 31, 2005 RMB'000**
Turnover	107,845	85,694
Cost of sales	(86,204)	(65,684)
Gross profit	21,641	20,010
Other revenue	268	332
Other net income	144	837
Distribution costs	(4,930)	(4,156)
Administrative expenses	(12,427)	(10,701)
Other operating expenses	1	(111)
Operating profit	4,697	6,211
Share of profit from associates	634	517
Finance costs	(1,510)	(1,295)
Profit before taxation	3,821	5,433
Income tax	(496)	(604)
Profit for the year	3,325	4,829
Attributable to:		
Equity holders of the parent	2,152	3,327
Share of profit for minority interests	1,173	1,502
Profit attributable to shareholders	3,325	4,829
Profit per share to equity holders of the parent - basic	RMB0.009	RMB0.014

2.2.2.3 Consolidated cash flow statement

Shenzhen Textile (Holdings) Co., Ltd.
Consolidated cash flow statement for the year ended March 31, 2006

	March 31, 2006 RMB'000
Cash flow from operating activities	

Operating profit before taxation	3,821
Adjustment items :	
Depreciation and amortization	4,215
Share of profit from associates	(634)
Interest income	(260)
Interest expense	1,523
Net operating cash inflow before movements in working capital	8,665
Increase in inventories	(2,862)
Increase in accounts receivable	2,830
Increase in bills receivable	(1,005)
(Increase)/decrease in prepayments, deposits and others receivable	(16,665)
Increase in accounts payable	(6,148)
Decrease in others payable and accrued expenses	6,628
Cash inflow from operating activities before interest and tax payments	(8,547)
Income tax paid	(1,020)
Interest paid	(1,088)
Net cash inflow from operating activities c/f	(10,655)

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.
Consolidated cash flow statement for the year ended March 31, 2006

(cont'd)

	March 31, 2006 RMB'000
Net cash inflow from operating activities b/f	(10,655)
Investing activities	
Interest received	260
Purchases of property, plant and equipment	(612)
Increase in construction-in-progress	(4,505)
(Increase)/decrease in amounts due from associates	(634)
Net cash outflow from investing activities	(5,491)
Net cash inflow/(outflow) before financing activities	(16,146)
Financing activities	
Increase/(decrease) in minority interests	457
Net cash outflow from financing activities	457
Decrease in cash and cash equivalents	(15,689)
Cash and cash equivalents as at beginning of the year	70,304
Cash and cash equivalents as at end of the year	54,615
Cash and cash equivalents as at end of the year are represented by :	
Cash and bank balances	54,615

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

Total number of shareholders at the end of the report period	18,887	
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)
Zhuang Weixia	775,000.00	A
Yang Jian	727,621.00	A
BNP PARIBAS ARBITRAGE (HONG KONG) LDT	546,322.00	B
ABN AMRO BANK NV	488,700.00	B
Cao Yuhua	466,150.00	A
VICTOR ONWARD PRINTING&DYEING (HK) CO.LTD	455,000.00	B
Xu Meijun	400,000.00	A
Liu Jinqun	400,000.00	B
DBS VICKERS (HONGKONG) LTD A/C CLIENTS	377,685.00	B
WU, KIN YEUK	316,055.00	B

§3 Discussion and analysis of the management

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

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

√ Applicable ☐Not applicable

Unit：RMB’0000

The Status of key business in terms of line of business			
	Income from main operations	Cost of main operations	Gross profit ratio (%)
Garment Manufacturing industry	4,503.76	3,777.55	16.12%
Other wholesale Industry	4,883.62	4,842.83	0.84%
Property management	1,397.16	0.00	100.00%

Industry			
Including：Related transaction	0.00	0.00	0.00%
The Status of key business in terms of product business			
Polarizer sheet for LCD	1,598.39	1,294.29	19.03%
Fully-shaped knitted garment	725.81	557.91	23.13%
Including：Related transaction	0.00	0.00	0.00%

3.1.2 Seasonal and periodical characteristics of the Company's operation

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

3.2 Important events, their influence and analysis of solutions

□ Applicable √ Not applicable

None-business capital adoption and progress of restoring

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

3.7 About the time schedule for the equity reform of a listed company that has not started the reform

√ Applicable □Not applicable

Shenzhen Investment Holding Co., Ltd., the shareholder holding non-negotiable shares of the Company, promised to start the share holding structure reform of the Company before June 30, 2006.

Explanation about the reasons why a listed company has undertaken to conduct the equity separation reform but failed to manage timely implementation.

□ Applicable √ Not applicable

The Board of Directors of Shenzhen Textile (Holdings) Co., Ltd.
April 26, 2006