Stock code: 000045, 200045 Stock Abbreviation: Shen Textile A, Shen Textile B Announcement No.: 2006-22

Shenzhen Textile (Holdings) Co., Ltd.

Quarterly Report for the Third Quarter of 2006(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.

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

1.3 All directors attended the board meeting.

1.4 The financial report of the Company in this report period has not been audited.

1.5 Mr. Guan Tongke, board chairman of the Company, Mr. Wang Bin, the general manager, Mr. Liu Yi, Deputy chief accountant , represent and warrant the financial report in this 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	End of the	Increase/decrease (%)

	period	previous year	
Total assets	691,702	674,803	2.50
Shareholders' equity	361,449	363,831	-0.65
Net assets per share	1.47	1.48	Decrease 0.68%
	Report period	Year beginning to end of report period	Increase/decrease over the same period of the previous year (%)
Net cash flow from operating activities	6,233	17,017	-27.12
Earnings per share	0.0073	0.040	-68.26
Return on net assets (%)	0.49	2.73	Decrease 1.04%

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:

	September 2006 RMB'000	**September 2005 RMB'000**
Pursuant to the financial report audited by Chinese C.P.A.	7,525	14,660
Adjustment made for complying with international accounting standards:		
Writeback of over-provision for the depreciation of real estate of investment nature	1,760	1,760
Amortization of intangible assets	589	-
Amortization of negative goodwill	-	426
Restated pursuant to international financial report standard	9,874	16,846

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

	September 2006 RMB'000	September 2005 RMB'000
Pursuant to the financial report audited by Chinese C.P.A.	339,190	343,922
Adjustment made for complying with international accounting standards:		
Writeback of over-provision for the depreciation of real estate of investment nature	24,596	22,836
The price difference of equity investment in affiliated companies need not amortization	689	689
Amortization of intangible assets	(1,527)	(2,116)
Devalue preparative of unconsolidated subsidiaries	(1,500)	(1,500)
Restated pursuant to international financial report standard	361,448	363,831

2.2.2 Financial statement

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated income statement for the year ended September 30, 2006

	Sept.,2006 RMB'000	Sept.,2005 RMB'000
Turnover	405,253	301,292
Cost of sales	(336,047)	(232,934)
Gross profit	69,206	68,358
Other revenue	1,117	816
Other net income	1,554	1,116
Investment income	3,732	1,633
Distribution costs	(15,645)	(13,150)
Administrative expenses	(37,125)	(31,262)
Other operating expenses	(92)	(316)
Operating profit	22747	27,196
Share of profit from associates	(1,463)	1,956
Finance costs	(4,053)	(3,431)
Profit before taxation	17,231	25,720
Income tax	(1,795)	(2,351)
Profit for the year	15,436	23,369
Attributable to:		
Equity holders of the parent	9,874	16,846
Share of profit for minority interests	5,562	6,523

Profit attributable to shareholders	15,436	23,369
Profit per share to equity holders of the parent - basic	RMB0.04	RMB0.069

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at September 30, 2006

	Sept., 2006 RMB'000	Dec., 2005 RMB'000
Assets		
Non-current assets		
Property, plant and equipment	249,912	207,591
Investment properties	101,372	101,372
Land use rights - non-current portion	3,394	3,394
Construction-in-progress	1,663	41,846
Intangible assets	31	31
Interests in associates	43,346	45,986
Other investments	41,771	41,771
	441,489	441,991

CURRENT ASSETS

Land use rights - current portion	535	535
Inventories	67,154	58,440
Accounts receivable	67,720	50,874
Bills receivable	1,200	1,345
Prepayments, deposits and others receivable	50,980	49,673
Investments in securities	3,802	1,641
Cash and bank balances	58,822	70,304
	250,213	232,812
Total assets	691,702	674,803

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at September 30, 2006

(cont'd)

	Sept., 2006 RMB'000	Dec., 2005 RMB'000
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	245,124	245,124
Reserves	116,325	118,707
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	361,449	363,831
Minority interests	97,939	95,654
TOTAL EQUITY	459,388	459,485
NON-CURRENT LIABILITY		
Long-term loans, non-current portion	500	4,000
Current liabilities		
Long-term loans, current portion	73,520	78,670
Accounts payable	30,006	28,033
Others payable and accrued expenses	102,863	86,318
Dividend payable	24,028	15,910
Provision for taxation	1,397	2,387
	231,814	211,318
Total equity and liabilities	691,702	674,803

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended September 30, 2006

	Sept. 30, 2006 RMB'000
Cash flow from operating activities	
Operating profit before taxation	17,231
Adjustment items :	
Depreciation and amortization	14,088
(Profit)/loss on disposal of property, plant and equipment	(159)
Share of profit from associates	1,463
Profit on disposal of investments in securities	(1,398)
Provision for diminution in value of inventories	115
Provision for doubtful debts made/(reversed)	107
Interest income	(439)
Interest expense	3,250
Net operating cash inflow before movements in working capital	34,258
Increase in inventories	(8,714)
Increase in accounts receivable	(16,846)
Increase in bills receivable	145
(Increase)/decrease in prepayments, deposits and others receivable	(1,307)
Increase in accounts payable	1,973
Decrease in others payable and accrued expenses	13,545
CASH INFLOW FROM OPERATING ACTIVITIES BEFORE INTERESTAND TAX PAYMENTS	23,054
Income tax paid	(2,786)
Interest paid	(3,251)
Net cash inflow from operating activities c/f	17,017

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended September 30, 2006

(cont'd)

	Sept. 30, 2006 RMB'000
Net cash inflow from operating activities b/f	17,017
Investing activities	
Interest received	439
Purchases of property, plant and equipment	(57,629)
Increase in construction-in-progress	40,183
Proceeds from disposal of property, plant and equipment	178
Returns from associates received	936
(Increase)/decrease in amounts due from associates	(1,333)
Proceeds from disposal of other investments and investments in securities	(92)
Increase in investments in securities	(804)
Net cash outflow from investing activities	(18,122)
Net cash inflow/(outflow) before financing activities	(1,105)
Financing activities	
Dividend paid	(4,138)
Decrease in bank and other loans	(5,150)
Increase/(decrease) in minority interests	(1,089)
Net cash outflow from financing activities	(10,377)
Decrease in cash and cash equivalents	(11,482)
Cash and cash equivalents as at beginning of the year	70,304
Cash and cash equivalents as at end of the year	58,822
Cash and cash equivalents as at end of the year are represented by :	
Cash and bank balances	58,822

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 shares

Total number of shareholders at the end of the report period	20,685	
Top 10 holders of tradable share		
Name of shareholder (full name)	Tradable shares held at end of the period	Type(A,B,H or other)

Nan Juxiang	952,300	A
Lai Yuping	800,000	A
Zheng Chuangjian	612,700	B
Fang Chengtong	558,451	A
ABN AMRO BANK NV	505,500	B
WU,KIN YEUK	479,000	B
Wang Qi	461,440	A
VICTOR ONWARD PRINTING&DYEING (HK) CO. LTD	455,000	B
Zhuang Wenxia	451,437	A
Shanghai Gelin Radio Factory	409,547	A

§ 3 Discussion and analysis of the management

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

In the report period, the Company strengthened export and increased export by adopting the mode of small profits but quick turnover. It earned income of RMB 144.62 million, which increased by 33.9% year on year. However, due to the rise in Renminbi rate and lowering of export rebate rate, the profit from trade business decreased by big margin. Besides, provision for impairment of assets was made by overseas associated enterprises. As a result, the net profit for the report period was RMB 1.784 million, a year-on-year decrease of RMB 3.699 million. For the period from January to September 2006, the income of the Company was RMB 405.25 million, a year-on-year increase of 34.5%. The net profit was RMB 9.874 million, a year-on-year decrease of 41.4%. In the report period, the Company completed share holding structure reform.

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（%）
Manufacturing industry	15,921.30	13,007.80	18.3%
Trading	20,824.00	20,597.00	1.09%
Property management industry	3,780.00	0.00	100.00%
Including：Related transaction	0.00	0.00	0.00%
The Status of key business in terms of product business			
Polarizer sheet for LCD	6,552.00	4,999.00	23.7%
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

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

The net profits of the company from January 1, 2006 to December 31, 2006 decrease 50% to 70%.than previous last year.

1. According to accounting policies, the phase-II polarizer sheet project of Shenfang Lekai Company to be established by the Company was put into trial production in June. Establishment charges of RMB 4.2881 million were expended entirely upon incurring;

2. Due to the provision for impairment of assets by an affiliated company (Saiban Garment Manufacturing Company), the investment income of the Company decreased by RMB 3.7164 million;

3. Due to quick change of policies on export of textile products and the rise in Renminbi rate, the cost of commodity export increased while its profit decreased. Though the Company strengthened trade and the income from trade business in the first nine months of this year increased by 60.66% year on year, the profit from trade business decreased by RMB 4.38 million.

4. The Company is expected to make provision for impairment of assets at the end of the year.

The first three factors will affect the total profit of the Company for the year 2006 by RMB 12.3845 million and its net profit by RMB 10.1525 million.

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

Name of the shareholder	Special commitments	Fulfilling of commitments
Shenzhen Investment Holding Co., Ltd	The shares of the Company held by the controlling company will not be listed or traded within at least 24 months from the date of obtaining the right of listing and negotiation. Within 12 months after the expiration of the said commitment period, the number of the original non-negotiable shares sold by the controlling company through Shenzhen Stock Exchange to the total number of shares of Shenzhen Textile shall not exceed 5%.	Strictly met commitments.
Shenzhen Investment Holding Co., Ltd	The controlling company bore the expenses related to this share holding structure reform including financial consultation fee, sponsoring fee, lawyer's fee, communication and recommendation fee and media publicity expenses	The agreement has been performed.

3.8 Note on the company not implementing equity reform procedure as of the date of announcement of this quarterly report

☐ Applicable √ Not applicable

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

October 27, 2006