Stock code: 000045, 200045 Stock Abbreviation: Shen Textile A, Shen Textile B
Announcement No.: 2007-11

Summary of 2006 Annual Report of Shenzhen Textile (Holdings) Co., Ltd.

§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

Name of director not present	Reason for not attending the meeting	Name of proxy
Wang Peng	Going on business trip	Wang Bin
Yang Jichao	Going on business trip	Liu Xiangqing
Huang Hui	Going on business trip	Liu Xiangqing

1.4 K.C. Oh & Co. issued unqualified auditor's report with no explanatory notes for the Company.

1.5. Wang Bin, the person in charge of the Company, Zhu Jun, the financial controller and Liu Yi, the person in charge of accounting organ (accounting officer) 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	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen
Zip code of Registered address :	5 1 8 0 3 1
Business address:	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen
Zip code f Business address:	5 1 8 0 3 1
Website	
E-mail	szfzjt@163.com

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	0755-83776043
Fax	0755-83776139
E-mail	cjane@mail.china.com

§3 Highlights of Accounting Data and Financial Indicators

3.1 Main accounting data

Unit: RMB'000

	2006(current year)	2005 (previous year)	2004	Increase/decrease (%)
Turnover	555,783	392,060	448,393	41.76
Before-tax profit	18,519	39,196	44,558	-52.75
Profit for the year	9,680	25,555	31,100	-62.12
	End of 2006 (end of current year)	End of 2005 (end of previous year)	End of 2004	Increase/decrease (%)
Total assets	677,685	674,803	680,697	-0.48
Shareholders' equity	361,255	363,831	352,983	-0.71
Net cash inflows from operating activities	50,505	26,191	39,883	87.29

3.2 Main financial indicators

Unit: RMB’000

	2006 (current year)	2005 (previous year)	2004	Increase/decrease (%)
Earnings per share	0.039	0.104	0.127	-62.5
Return on net assets	2.68	7.02	8.81	-4.34
Net cash inflows per share from operating activities	0.21	0.11	0.16	90.9
	End of 2006 (end of current year)	End of 2005 (end of previous year)	2004	Increase/decrease (%)
Net assets per share	1.47	1.48	1.44	-0.68

3.3 Difference of domestic and foreign accounting standards

✓ Applicable☐ Not applicable

Unit: RMB’000

	Domestic accounting standards	Overseas（international）accounting standards
Net profit	6, 724. 60.	9, 680. 00
Notes to difference	Cause of difference: Adjustment made for complying with international accounting standards: Writeback of over-provision for the depreciation of real estate of investment nature 2.346 million The price difference of equity investment in affiliated companies need not amortization 0.689 million Amortization of intangible assets 0.785 million Writeback of impairment of other assets. 1.50 million The shares distributed in A-share holding structure reform were stated as expenditure 2.364 million	

§ 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	
	Quantity	proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	proportion
I. Share with conditional subscription	162,460,800	66.28%	0	0	0	-13,596,912	-13,596,912	148,863,888	60.73%
1.State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2.Staee-owned legal person shares	162,360,000	66.24%	0	0	0	-13,638,240	-13,638,240	148,721,760	60.67%
3.Other domestic shares	100,800	0.04%	0	0	0	41,328	41,328	142,128	0.06%
Of which: Domestic legal person shares					0	0			
Domestic natural person shares	100,800	0.04%			0	41,328	41,328	142,128	0.06%
4.Share held by foreign investors					0	0			
Of which: Foreign legal person shares					0	0			
Foreign natural person shares					0	0			

II. Shares with unconditional subscription	82,663,200	33.72%	0	0	0	13,596,912	13,596,912	96,260,112	39.27%
1.Common shares in RMB	33,163,200	13.53%	0		0	13,596,912	13,596,912	46,760,112	19.08%
2.Foreign shares in domestic market	49,500,000	20.19%	0		0			49,500,000	20.19%
3.Foregin shares in overseas market					0				
4.Other					0				
III. Total of capital shares	245,124,000	100.00%	0	0	0	0	0	245,124,000	100.00%

The time for listing of shares subject to sale restriction

Unit：Shares

Time	Quantity of additional shares that can be listed and traded upon the expiration of sale restriction period	Balance of shares subject to sale restriction	Balance of shares not subject to sale restriction	Remark
2008-09-11	12,256,200	136,465,560	59,158,440	Negotiating shares of Shenzhen Investment Management Co., Ltd.
2009-09-11	136,465,560	0	195,624,000	Negotiating shares of Shenzhen Investment Management Co., Ltd.

The quantity of shares held by the top 10 shareholders subject to sale restriction and conditions of sale restriction

Unit：Shares

No.	Name of shareholder holding shares subject to sale restriction	Quantity of shares held by the shareholder subject to sale restriction	Time when shares can be listed and traded	Quantity of additional shares that can be listed and traded	Conditions of sale restriction
1		148,721,760	2008-09-11	12,256,200	

	Shenzhen Investment Management Co., Ltd.		2009-09-11	136,465,560	The non-negotiable shares of the Company will not be listed and traded within 24 months. Within 12 months after the expiration of the said commitment period, the proportion of 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%.

4.2 . Top 10 shareholders and top 10 holders of unconditional shares

Unit：Shares

Total of shareholders					20,853
Top 10 shareholders					
Name of the shareholder	Properties of shareholder	Share proportion %	Total shares	Conditional shares	Pledged or frozen
Shenzhen Investment Management Co., Ltd.	State-owned shareholder	60.67%	148,721,760	148,721,760	38,000,000
Lai Yuping	Other	0.33%	800,000		
Zheng Chuangjian	Other	0.29%	721,850		
Wang Qi	Other	0.21%	528,340		
VICTOR ONWARD PRINTING&DYEING (HK) CO. LTD	Other	0.19%	455,000		
Shanghai Gelin Wireless Plant	Other	0.18%	450,547		
Xian Economy &	Other	0.16%	400,000		

Technology Investment guaranty Co., Ltd.					
WU,KIN YEUK	Other	0.16%	380,000		
Zhou Chao	Other	0.13%	324,584		
ABN AMRO BANK NV	Other	0.13%	324,400		

Top 10 holders of unconditional shares		
Name of the shareholder	Unconditional shares	Type of shares
Lai Yuping	800,000	RMB Common shares
Zheng Chuangjian	721,850	Foreign shares placed in domestic exchange
Wang Qi	528,340	RMB Common shares
VICTOR ONWARD PRINTING&DYEING (HK) CO. LTD	455,000	Foreign shares placed in domestic exchange
Shanghai Gelin Wireless Plant	450,547	RMB Common shares
Xian Economy & Technology Investment guaranty Co., Ltd.	400,000	RMB Common shares
WU,KIN YEUK	380,000	Foreign shares placed in domestic exchange
Zhou Chao	324,584	RMB Common shares
ABN AMRO BANK NV	324,400	Foreign shares placed in domestic exchange
Zheng Liancai	290,300	Foreign shares placed in domestic exchange
Notes to the related relationship between the top ten shareholders or their concerted action	In the above table, there is no relationship between the shareholder holding state-owned legal person shares and other shareholders. Whether there is relationship between holders of public shares is unknown.	

4.3 Introduction of the controlling shareholder and actual controller

4.3.1 Change of the controlling shareholder and actual controller

☐Applicable ✓Not applicable

4.3.2 Particulars about the controlling shareholder and other actual controller

Name of controlling shareholder:Shenzhen Investment Management Co., Ltd. Legal representative: 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. 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:

National Assets Regulatory Commission of Shenzhen Municipal People's Government

| 100%
↓

Shenzhen Investment Holding Co., Ltd.

| 66.24%
↓

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 beginning	Date of ending	Shares held at the year-beginning	Shares held at the year-end	Reason for change	Receiving remuneration and subsidy form the company in reporting term	Whether receiving remuneration or subsidy
Guan Tongke	Board chairman	Male	59	2003-06-30	2007-01-05	55,800	78,678	Bonus share in share holding structure	47.86	No

								reform		
Wang Bin	Director	Male	36	2005-05-28	2007-01-05				24.00	No
Li Jingqiang	Director	Male	54	2003-06-30	2007-01-05	45,000	63,450	Bonus share in share holding structure reform	39.93	No
Yang Jichao	Independent director	Male	52	2003-06-30	2007-01-05				5.0	No
Liu Xiangqing	Independent director	Male	45	2003-06-30	2007-01-05				5.0	No
Huang Hui	Independent director	Male	42	2003-06-30	2007-01-05				5.0	No
Gao Zhuofu	Supervisor	Male	54	2003-06-30	2007-01-05				46.60	No
Zhou Meirong	Supervisor	Female	49	2005-04-05	2007-01-05				33.22	No
Song Gongli	Supervisor	Male	51	2006-06-29	2007-01-05				0	Yes
Zhu Jun	Deputy GM	Male	43	2003-07-30	2007-01-05				31.31	No
Zhou Dadong	Deputy GM	Male	60	2006-06-29	2007-01-05				35.93	No
Feng Junbin	Deputy GM	Male	44	2003-07-30	2007-01-05				31.78	No
Gao Guoshi	Deputy GM	Male	53	2005-05-28	2007-01-05				31.07	No
Chao Jin	Secretary to the board of directors	Female	44	2003-06-30	2007-01-05				31.33	No
Liu Yi	Deputy chief accountant	Male	53	2003-06-30	2007-01-05				27.75	No

Total	-	-	-	-	-			-	395.75	-

§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, hotel business and manufacturing of optoelectronic devices. In 2006, the Company earned income of RMB 555.784 million, which increased by 41.8% year on year. It earned net profit of RMB 9.68 million, which decreased by 62.1% year on year mainly due to decrease of profit from trade and increase of subsidiaries' provision for impairment of assets.

Industry: In the report period，the income of the Company from manufacturing industry was RMB 228.649 million, a year-on-year increase of 18.0%. The Company earned total profit of RMB 11.3875 million from industry, which decreased by 38.22% year on year mainly due to provision of RMB 6.2972 million for impairment of assets by Xuanli Yarn Industry Co., Ltd. and the newly-increased fee of the phase-II of the polarizer project.

Trade: In the report period，the income of the Company from trade was RMB 279.282 million, a year-on-year increase of 62.18%. However, the profit from trade decreased by RMB 5.24 million mainly due to decrease of profit from export trade caused by sharp rise in Renminbi rate and lowering of export rebate rate.

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 54.296 million, a year-on-year increase of 3.32%. The Company earned total profit of RMB 5.0964 million from property lease and hotel business, which decreased by 44.32% year on year mainly due to increase of property maintenance cost.

6.1.1 Analysis of difference between shareholders' equity calculated according to the prevailing accounting standards and that calculated according to new standards on January 1, 2007 from which new accounting standards are implemented

□applicable ✓not applicable

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 (%)
Domestic and foreign trade	27,928.76	27,631.85	1.07%	62.18%	68.48%	0.02%
Property management and lease	5,429.63	0.00	100.00%	18.36%	20.46%	0.00%
Manufacturing industry	22,864.85	18,918.05	17.26%	3.33%	0.00%	16.03%
Internal elimination in the industry	-644.87	-507.87	-21.24%	75.07%	79.55%	-17.21%
The Status of key business in terms of product business						
Polarizer sheet for LCD	8,977.65	6,921.42	22.90%	42.83%	48.71%	1.70%
Fully-shaped knitted garment	3,942.97	2,878.69	26.99%	8.99%	11.76%	16.63%

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	34,753.66	-26.55%
Foreign business	20,878.90	-54.76%

6.4 Raised funds use

□applicable√not applicable

Change Item

□applicable√not applicable

6.5 Investment projects utilizing non-raised funds:

Unit:RMB’0000

Project name	Project amount	Project progress	Income from project
Phase-II polarizer sheet project	609.00	100%	0

Total	609.00		0

6. 6 Explanation of the board of directors to the "nonstandard opinions"

☐ applicable✓ not applicable

6. 7 The preplan of the board of directors for profit distribution or capitalization of capital common reserve fund

✓ applicable ☐not applicable

As audited by Shenzhen Pengcheng Certified Public Accountants, the net profit of the Company for 2006 is RMB 6, 724, 601. 89. As audited by K.C. Oh & Co. pursuant to international accounting standards, the net profit of the Company for 2006 is RMB 9, 680, 000. 00. As required in the articles of association of the Company, the Company is to appropriate 10% of its net profit for 2006 (RMB 6, 798, 401. 89), i.e., RMB 679, 840. 19, respectively for statutory common reserve fund. The Company is neither to distribute profit nor to capitalize capital surplus.

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

✓ applicable ☐not applicable

The reason for failure to make cash profit distribution preplan despite profit making in the report period	The use of and use plan for the Company's undistributed profit
The needs of the development in 2007	To be used as working capital necessary for enlarging the scale of main operation

§7 Important Events

7.1 Asset acquisition

☐ Applicable√ Not applicable

7.2 Disposal of assets

☐ Applicable√ Not applicable

7.3 Material guarantee

Unit: (RMB’0000)

Guarantees provided by the Company (not including the guarantees provided to controlled subsidiaries)						
Name of object of guarantee	Date of guarantee creation (Date of agreement signing)	Amount of guarantee	Type of guarantee	Guarantee period	Whether terminated	Whether provided to related parties (Yes or no)

Total amount of guarantee in the report period	0.00
Total balance of guarantee at the end of the report period(A)	0.00
Guarantees provided by the Company to its controlled subsidiaries	
Total amount of guarantees provided to controlled subsidiaries in the report period	1,000.00
Total balance of guarantees provided to controlled subsidiaries at the end of the report period(B)	1,000.00
Total amount of guarantees provided by the Company (including the guarantees provided to controlled subsidiaries)	
Total amount of guarantee（A+B）	1,000.00
The proportion of the total amount of guarantees to the net assets of the Company	2.96%
Of which:	
The amount of guarantee provided to shareholders, actual controller and its related partiesC）	0.00
The amount of debt guarantees directly or indirectly provided to the object of guarantee whose assets-liabilities ratio exceeds 70%（D）	0.00
The amount of guarantee that exceeds 50% of net assets（E）	0.00
Total amount of the above three guarantees*（C+D+E）	1,000.00

7.4 Particulars of related transactions

7.4.1 Related sales and purchases

✓applicable☐not applicable

Unit: RMB’0000

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.	1,114.05	4.87%	0.00	0.00%
Total	1,114.05	4.87%	0.00	0.00%

Of which: The total amount of product sales or rendering of services of the Company to its controlling shareholder and subsidiaries was RMB0.00 million in the report period.

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
Shenzhen Tianlong Industrial and Trading Co., Ltd.	72.08	255.32		
Shenzhen Investment Holding Co., Ltd.			200.78	2858.80
Shenzhen Xinfang Knitting Co., Ltd.			121.75	160.25
Shenzhen Changlianfa Printing & dyeing Co., Ltd.			20.12	52.76
Hongkong Yehui International Co., Ltd.			35.27	35.27
Total	72.08	255.32	377.92	3107.08

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.

7.4.3 Progress of repayment of the funds occupied at the end of 2005

☐ Applicable ✓ Not applicable

Occupation of funds newly increased in 2006

☐ Applicable ✓ Not applicable

In case of the Company's failure to complete the repayment of the occupation of non-operating funds by the end of 2006, relevant reason, measures for debt repayment and plan for responsibility ascertainment

☐ Applicable ✓ Not applicable

7.5 Entrusted assets management

☐applicable✓not applicable

7.6 Implementation of commitments

7.6.1 **The commitments made by the original shareholders holding non-negotiable shares during share holding structure reform and the status of their fulfillment**

√ Applicable ☐ Not applicable

Name of shareholder	Commitment	Status of fulfillment of commitment	Remarks
Shenzhen Investment Management Co., Ltd.	The shares of the Company held by Shenzhen Investment Holding Co., Ltd. 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 proportion of the number of the original non-negotiable shares sold by it through Shenzhen Stock Exchange to the total number of shares of Shenzhen Textile shall not exceed 5%. Shenzhen Investment Holding Co., Ltd. will bear the expenses related to this share holding structure reform including financial consultation fee, sponsoring fee,	Under fulfillment	

	lawyer's fee, communication and recommendation fee and media publicity expenses. At present, the above commitments are under fulfillment.		

7.6.2 The quantity of negotiable shares not subject to sale restriction held by the original shareholders of non-negotiable shares who hold over 5% of total shares at the end of the report period

□applicable✓not applicable

7.7 Significant lawsuit and arbitrations

□applicable✓not applicable

§8 Report of the Supervisory Committee

✓applicable□not applicable

In the report period，the supervisory committee of the Company duly performed its supervision duties and carried out effective supervision strictly according to the provisions of the Company Law and the Articles of Association of the Company. (I) In the report period， the current supervisory committee held five meetings: 1. On April 7, 2006, the 12th meeting of the third supervisory committee of the Company examined and adopted the proposals including 2005 annual report of the Company. 2. On April 24, 2006, the 13th meeting of the third supervisory committee of the Company examined and adopted the report of the Company for the first quarter of 2006. 3. On August 11, 2006, the 14th meeting of the third supervisory committee of the Company examined and adopted interim report and profit distribution preplan for 2006. 4. On October 25, 2006, the 15th meeting of the third supervisory committee of the Company examined and adopted the Company's report for the third quarter of 2006. 5. On December 1, 2006, the 16th meeting of the third supervisory committee of the Company examined and adopted the proposals submitted by the board of directors of the Company to the first provisional shareholders' general meeting in 2007 and the proposal for writing off partial provision for impairment of long-term investment. (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, the Company operated normally and completed share holding structure reform. 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: In the opinion of the supervisory committee, 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.

§9 Financial Report

9.1 Auditor's opinions

Auditor's opinions: Standard unqualified auditor's opinions

9.2 Financial statement

9.2.1 Consolidation balance Sheet

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated income statement for the year ended December 31, 2006

	Notes	2006 RMB'000	2005 RMB'000
Turnover	(5)	555,783	392,060
Cost of sales		(460,420)	(296,232)
Gross profit		95,363	95,828
Other revenue	(7)	4,184	1,441
Other net income	(8)	1,471	1,099
Income from investments	(9)	6,523	1,974
Distribution costs		(19,917)	(17,306)
Administrative expenses		(57,777)	(38,516)
Other operating expenses		(2,972)	(2,035)
Operating profit		26,875	42,485
Share of profit/(loss) from associates		(2,478)	2,038

Finance costs	(10)	(5,878)	(5,327)
Profit before taxation	(11)	18,519	39,196
Income tax	(12)	(2,389)	(4,479)
Profit for the year		16,130	34,717
Attributable to:			
Equity holders of the parent		9,680	25,555
Share of profit for minority interests		6,450	9,162
Profit attributable to shareholders		16,130	34,717
Profit per share to equity holders of the parent - basic	(13)	RMB0.039	RMB0.104

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at December 31, 2006

	Notes	2006 RMB'000	2005 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	(14)	258,624	207,591
Investment properties	(15)	101,372	101,372
Land use rights - non-current portion	(16)	6,604	3,394
Construction-in-progress	(17)	2,580	41,846
Intangible assets	(18)	27	31
Interests in associates	(19)	41,535	45,660
Other investments	(20)	41,800	41,771
		452,542	441,665
Current assets			
Land use rights - current portion	(16)	637	535
Inventories	(21)	64,610	58,440
Accounts receivable	(22)	43,349	50,874
Bills receivable		1,110	1,345
Prepayments, deposits and others receivable	(23)	36,574	49,673
Investments in securities	(24)	-	1,641
Cash and bank balances		78,863	70,304
		225,143	232,812
Total assets		677,685	674,477

Shenzhen Textile (Holdings) Co., Ltd.

consolidated balance sheet as at December 31, 2006

(cont'd)

	Notes	2006 RMB'000	2005 RMB'000
Equity and liabilities			
Capital and reserves			
Share capital	(25)	245,124	245,124
Reserves		116,131	118,707
Equity attributable to equity holders of the parent		361,255	363,831
Minority interests	(26)	98,016	95,654
Total equity		459,271	459,485
Non-current liability			
Long-term loans, non-current portion	(27)	2,500	4,000
Current liabilities			
Long-term loans, current portion	(27)	73,470	78,670
Accounts payable		23,683	28,033
Others payable and accrued expenses		99,844	85,992
Dividend payable	(28)	18,118	15,910
Provision for taxation		799	2,387
		215,914	210,992
Total equity and liabilities		677,685	674,477

The financial statements on pages 2 to 34 were approved and authorized for issue by the board of directors on April 19, 2007 and are signed on its behalf by :

Director **Director**

Shenzhen Textile (Holdings) Co., Ltd.

consolidated cash flow statement for the year ended December 31, 2006

	2006 RMB'000	2005 RMB'000
Cash flow from operating activities		
Operating profit before taxation	18,519	39,196
Adjustment items :		
Depreciation and amortization	19,554	17,412
Loss on disposal of property, plant and equipment	73	88
Transfer from construction-in-progress to expenses	4,584	-
Share of (profit)/loss from associates	2,478	(2,038)
Distribution of listed shares as expenses in share reform	2,364	-
Profit on disposal of investments in securities	(1,959)	(16)
Provision for impairment loss (reversed)/made		
- property, plant and equipment	414	-
- unconsolidated subsidiaries	-	44
- other investments	(1,500)	-
- investments in securities	(119)	83
Provision for diminution in value of inventories	1,458	63
Provision for doubtful debts	3,554	809
Interest income	(590)	(992)
Interest expense	4,305	4,360
Net operating cash inflow before movements in working capital	53,135	59,009
Increase in inventories	(7,628)	(3,342)
(Increase)/decrease in accounts receivable	3,573	(14,752)
(Increase)/decrease in bills receivable	235	(1,345)
Increase in prepayments, deposits and others receivable	(30)	(6,059)
Increase/(decrease) in accounts payable	(4,350)	5,391
Increase/(decrease) in others payable and accrued expenses	14,746	(2,135)
Cash inflow from operating activities before interest and tax payments	59,681	36,767
Income tax paid	(3,977)	(5,058)
Interest paid	(5,199)	(4,743)
Net cash inflow from operating activities c/f	50,505	26,966

Shenzhen Textile (Holdings) Co., Ltd.

consolidated cash flow statement for the year ended December 31, 2006

(cont'd)

	Notes	2006 RMB'000	2005 RMB'000
Net cash inflow from operating activities b/f		50,505	26,966
Investing activities			
Interest received		590	992
Purchases of property, plant and equipment		(7,365)	(6,875)
Purchases of land use rights		(3,885)	(3,488)
Increase in construction-in-progress		(14,937)	(28,331)
Proceeds from disposal of property, plant and equipment		14	100
Proceeds from disposal on construction-in-progress		-	1,800
Returns from associates received		2,167	2,314
Increase in amounts due from associates		(721)	(1,832)
Increase/(decrease) in amount due to an associate		201	(407)
Increase in other investments		(893)	-
Proceeds from disposal of other investments and investments in securities		3,719	2,652
Increase in investments in securities		-	(1,616)
Net cash outflow from investing activities		(21,110)	(34,691)
Net cash inflow/(outflow) before financing activities		29,395	(7,725)
Financing activities			
Dividend paid		(10,048)	(17,280)
Decrease in bank and other loans	(29)	(6,700)	(22,853)
Decrease in minority interests	(29)	(4,088)	(3,098)
Net cash outflow from financing activities		(20,836)	(43,231)
Increase/(decrease) in cash and cash equivalents		8,559	(50,956)
Cash and cash equivalents as at beginning of the year		70,304	121,260
Cash and cash equivalents as at end of the year		78,863	70,304
Cash and cash equivalents as at end of the year are represented by :			
Cash and bank balances		78,863	70,304

Shenzhen Textile (Holdings) Co., Ltd.
Consolidation statement of impairment loss for the year ended December 31, 2006

	Provision for impairment loss	January 1, 2006 RMB' 000	Increase RMB' 000	Decrease RMB' 000	Transfer-out RMB' 000	December 31, 2006 RMB' 000
1.	**Property, plant and equipment**					
	Buildings	-	-	-	-	-
	Leasehold improvements	-	-	-	-	-
	Plant and machinery	-	414	-	-	414
	Office equipment	-	-	-	-	-
	Transport equipment	469	-	-	-	469
		469	414	-	-	883
2.	**Investment properties**	-	-	-	-	-
3.	**Land use rights**	-	-	-	-	-
4.	**Construction-in-progress**	-	-	-	-	-
5.	**Intangible assets**					
	Trademark and technical know-how	-	-	-	-	-
6.	**Other investments**					
	Subsidiaries not	5,497	-	-	-	5,497
	Associates not accounted for under equity method	5,058	-	-	-	5,058
	Listed shares	14,832	-	-	-	14,832
	Unlisted shares	20,400	-	(1,500)	-	18,900
		45,787	-	(1,500)	-	44,287
7.	**Inventories**					
	Raw materials	98	-	-	-	98
	Work-in-progress	1,892	429	-	-	2,321
	Finished goods	3,109	2,052	-	(1,023)	4,138
		5,099	2,481	-	(1,023)	6,557
8.	**Accounts and others receivable**					
	Accounts receivable	3,599	3,994	-	(42)	7,551
	Others receivable	22,464	-	(398)	(18,876)	3,190
		26,063	3,994	(398)	(18,918)	10,741
9.	**Investments in securities**					
	Marketable securities	119	-	-	(119)	-
	PRC Government bonds	-	-	-	-	-
		119	-	-	(119)	-
	Total	77,537	6,889	(1,898)	(20,060)	62,468

9.3 Explanation on changes of accounting policy, accounting estimation and settlement compared with the latest annual report

□applicable✓not applicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors.

□applicable✓not applicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

□applicable✓not applicable

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

April 21, 2007