Shenzhen Textile (Holdings) Co., Ltd.

Semi-Annual Report 2007(B)

August 2007

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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..

Wang Bin, the person in charge of the Company, Zhu Jun, the financial controller and Liu Yi, the person in charge of accounting organ represent and warrant the financial and accounting report in the Semi-annual report is true and complete.

The financial report of the semi-annual report has not been audited.

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 : szfzjz@163.com

４．Legal Representative : Wang Bin

General Manager: Zhu Jun

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 Interim report of the Company:

http://www.cninfo.com.cn

The place where the Interim report is prepared and placed: Office of the Company

7. Highlights of financial data and indicators (Calculated pursuant to international accounting standards: RMB'000)

	June 2007	June 2006	Increase/Decreased (%)
Turnover	221,786	260,635	-14.91
Before-tax profit	52,866	11,171	373.24
Profit for the year	52,042	10,221	409.17
Shareholder profit to the owners of parent company	50,721	8,090	526.96
Profit per share of parent company	0.207	0.033	527.27
Cash flow generated by business operation, net	-13,678	10,784	-226.84
Return of shareholder equity to the owners of parent company %	12.31	2.24	Increase 10.07%
	June 2007	December 2006	Increase/Decreased (%)
Total assets	715,944	677,685	5.65
Shareholder equity to the owners of parent company	411,976	361,255	14.04

(1) The influence of the adjustment made according to international financial report standards on the net profit of the Company: Unit：RMB'000

	June 2007	June 2006
Pursuant to the financial report audited by Chinese C.P.A.	5,370	6,524
Adjustment made for complying with international accounting standards:		
Writeback of over-provision for the depreciation of real estate of	1,173	1,173

investment nature		
Amortization of intangible assets	738	393
Profit generated by the circulation approval of the shares subject to sale restriction	45,348	-
Welfare for dismissal of employees	-1,908	-
Restated pursuant to international financial report standard	50,721	8,090

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

Unit：RMB'000

	June 2007	December 2006
Pursuant to the financial report audited by Chinese C.P.A.	392,798	344,444
Adjustment made for complying with international accounting standards:		
Writeback of excessive provision for depreciation of real estate for investment	26,355	25,182
amortization for intangible assets	-593	-1,331
No need of amortization for price difference of equity investment in affiliated companies	1,378	1,378
The shares distributed in A-share holding structure reform were stated as expenditure		-2,364
No need of calculation of deferred income tax assets for previous years	-6,054	-6,054
Welfare for employee dismissal.	-1,908	-
Restated pursuant to international financial report standard	411,976	361,255

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, 2007, the Company had 21,862 shareholders in total including one Negotiable shareholder of conditioned shares, 12,6445 shareholders of A shares and 9,416 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, 2007

Total of shareholders	21, 862				
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	31,000,000
YEUNG WINGYEE	B	0.61	1,490,451	0	0
Zheng Chuangjian	B	0.29	721,850	0	0
HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	B	0.29	700,000	0	0
Lai Yuping	A	0.27	660,000	0	0
Liu Hong	B	0.24	590,000	0	0
Zhou Xiaopeng	A	0.22	528,700	0	0
VICTORONWARDPRINTING ＆DYEING (HK) CO.LTD	B	0.19	455,000	0	0
Lang Zhenghai	A	0.12	300,800	0	0
Xu Taiming	A	0.11	281,000	0	0

Top 10 holders of unconditional shares		
Name of the shareholder	Unconditional shares	Type of shares
YEUNG WINGYEE	1,490,451	B
Zheng Chuangjian	721,850	B
HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	700,000	B
Lai Yuping	660,000	A
Liu Hong	590,000	B
Zhou Xiaopeng	528,700	A
VICTORONWARDPRINTING & DYEING (HK) CO.LTD	455,000	B
Lang Zhenghai	300,800	A

Xu Taiming	281,000	A
Wang Feifei	260,150	B
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. The Company does not know whether there is related relation between social public shareholders or whether they are persons taking concerted action defined in Regulations on Disclosure of Information about Shareholding of Shareholders of Listed Companies.		
Notes to the shareholding term for the strategic investors or ordinary legal persons involved in new share placing： No		

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

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	Shenzhen Investment Management Co., Ltd.	148,721,760	September 11,2008	12,256,200	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%.
			September 11,2009	136,465,560	

5. The controlling shareholder of the Company did not change in the report period.

Section IV Information about Directors, Supervisors and SeniorExecutives.

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

2. In the report period, the Company held the first provisional shareholders' general meeting in 2007 on January 5, 2007 and elected Wang Bin, Zhu Jun, Li Jinqiang and Wang Peng as directors of the fourth

board of directors of the Company, Yang Jichao, Liu Xiangqing and Huanghui as independent directors of the fourth board of directors of the Company and Gao Zuofu and Deng Kangcheng as supervisors of the fourth supervisory committee of the Company (Zhou Meirong as employee-representing supervisors). The 1st meeting of the fourth board of directors of the Company elected Wang Bin as board chairman, engaged Zhu Jun as general manager, Feng Junbin, Gao Guoshi and Zhang Hongren as deputy general managers, Li Yi as deputy chief accountant and manager of Finance Dept. of the Company and Chao Jin as board secretary of the Company. The first meeting of the fourth supervisory committee of the Company elected Gao Zuofu as chairman of the supervisory committee. Refer to 2007-1, 2007-2 and 2007-3 announcements of the Company published on Securities Times and Hong Kong Commercial Daily on January 6, 2007.

Section V Report of the Board of Directors

1. Main operation 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 Company achieved turnover of RMB 221.786 million, which decreased by 14.91% year on year. Its net profit was RMB 50.72 million, which increased by 526.9% year on year mainly due to the obtainment of profit through the circulation of shares subject to sale restriction held by the Company.

	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 (%)
Manufacturing	105,504,102.44	91,651,421.77	15.11	12.93	19.93	Decrease 7.14%
National Trade	89,217,878.73	88,954,497.89	0.29	-38.53	-38.02	Decrease 0.83%
Lease and Management of Property	29,635,649.82	0.00	100	12.02	0.00	0.00

(1) Industry: The income earned by the industrial subsidiaries of the Company was RMB 105.504 million, a year-on-year increase of 12.93%. Their cost was RMB 91.651 million, a year-on-year increase of 19.93%. The gross profit rate decreased by 7.14% year on year mainly due to instable quality and increase of cost caused by frequent power failure of phase-II polarizer sheet project.

(2) Trade: In the report period, the trade income earned by the Company was RMB 89.218 million, a year-on-year decrease of 38.53%. Trade cost was RMB 88.954 million, a year-on-year decrease of 38.02%.

The gross profit rate decreased by 0.83% year on year mainly due to the increase of export cost of textile products caused by the rise in Renminbi rate and lowering of export rebate rate.

(3) Property lease and management: The company earned income of RMB 29.636 million in total from property lease, warehousing and hotel business in the report period, which increased by 12.02% year on year mainly due to the rise in occupancy rate and lease price (The cost has been included in period expenses. The company did not independently state this accounting item).

2. The Company's financial highlights

The turnover was RMB 221.786 million, which decreased by 14.91% year on year mainly due to the increase of export cost of textile products and sharp decrease of export business volume caused by the rise in Renminbi rate and lowering of export rebate rate in the report period.

The profit attributable to the shareholders of the parent company was RMB 50.721 million, which increased by 526.96% year on year mainly due to the obtainment of profit through the circulation of the shares of Shenzhen Victor Onward Textile Industrial Co., Ltd. subject to sale restriction held by the Company.

The net amount of cash inflows from operating activities was - RMB 1,367.8, which decreased by RMB 24.462 million year on year mainly due to repayment of loans of the controlling shareholder and payment of arrears to customers.

Net increase in cash and cash equivalents was RMB - 16.635 million. The net inflow decreased by RMB 12.798 million year on year mainly due to the increase of investment expenditure in the report period.

3. Problems and difficulties occurred in operation

In the report period, the rise in Renminbi rate and the lowering of export rebate rate caused by the increase of export cost of textile products and sharp decrease of export business volume. In addition, the power supply in Shenzhen was in shortage and recruitment of workers was difficult. As a result, the production and operation of industrial enterprise were seriously affected. Therefore, the Company strengthened market investigation, optimized customer structure, decentralized operation risks and laid foundation for increase of domestic sales on the one hand while making efforts to reduce production cost and actively coordinating the use of industrial electricity. On the other hand, the Company moderately increased production capacity, enlarged market share, selected subcontracted processing partners, conducted integration from the angle of supply chain management, established close cooperative relationship and ensured product quality and delivery period.

4. Particulars about the investment of the Company

(1) Utilization of raised funds

There were neither funds raised in the report period nor those raised in pervious periods whose use continued in the report period.

(2) Other investment

In the report period, the Company acquired 52% equity of Shenzhen Beauty Century Garment Co., Ltd.

and 51% equity of Shenzhen Shenfang Import and Export Co., Ltd. with self-owned funds of RMB 22.7171 million. After the completion of acquisition, the Company held 100% equity of Shenzhen Beauty Century Garment Co., Ltd. and 100% equity of Shenzhen Shenfang Import and Export Co., Ltd. Thus, it straightened out the property right relationship between these two companies and contributed to the long-term development of the Company's business. The production and operation of these two companies were normal in the report period.

Section VI Important Events

1. Status of corporate administration:

In accordance with the requirements of CSRC's Notice of Relevant Matters Concerning Carrying Out Special Activities for Strengthening Governance of Listed Companies and the unified arrangement of Shenzhen Securities Regulatory Bureau for strengthening the special activities for governance of listed companies, the Company organized its directors, supervisors and senior executives to seek truth from facts and seriously conduct self inspection according to laws and regulations including the Company Law, the Securities Law, Guidelines for Governance of Listed Companies and Stock Listing Rules of Shenzhen Stock Exchange based on seriously study laws and regulations on corporate governance in the report period. After self inspection, the main problems of the Company in respect of governance which await settlement are as follows:

1. There is still room for improvement of the Articles of Association of the Company. 2. The internal control system of the Company and systematic and supporting measures still needs improvement. 3. The Company needs to further improve stimulation and restriction mechanism with persistent effect. 4. The Company still needs to strengthen governance innovation. To settle the existing problems concerning corporate governance, the Company formulated rectification measures and improved internal management regulations. Refer to No. 2007-16 announcement of the Company published on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on June 30, 2007 for details.

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.

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.

After decision by the board of directors of the Company, the Company is neither to distribute the net profit for the first half of 2007 nor to capitalize any capital surplus.

Subsequent event: Hong Kong Xieli Maintenance Company submitted supplemental civil indictment to Shenzhen Intermediate People's Court and required adding the Company's compensation to it to

RMB 43.149 million. Refer to No. 2007-18 announcement of the Company published on Securities Times and Hong Kong Commercial Daily on August 1, 2007 for details.

3. 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.

Subsequent event: Hong Kong Xieli Maintenance Company submitted supplemental civil indictment to Shenzhen Intermediate People's Court and required adding the Company's compensation to it to RMB 43.149 million. Refer to No. 2007-18 announcement of the Company published on Securities Times and Hong Kong Commercial Daily on August 1, 2007 for details.

4. The shares of other listed companies held by the Company:

The Company holds 22,279,487 shares of Shenzhen Victor Onward Textile Industrial Co., Ltd. listed at Shenzhen Stock Exchange (stock code: 000018, hereinafter referred to as "Shenzhen Victor Onward"), which account for 13.17% of the total share capital of Shenzhen Victor Onward. On June 27, 2007, part of the negotiable shares subject to sale restriction after the share holding structure reform of Shenzhen Victor Onward were approved to be listed for dealing. 8,457,118 shares held by the Company (accounting for 5% of total share capital of Shenzhen Victor Onward) obtained the qualification of listing and negotiation from this day.

As of June 30, 2007, the Company held 22,185,009 shares of Shenzhen Victor Onward, which account for 13.12% of total shares of Shenzhen Victor Onward. 13,822,369 shares were accounted for as shares for long-term investment. The initial investment cost is RMB 16,481,013.93. At the end of the report period, the book value of such investment was RMB 16,481,013.93. 8,362,640 shares were accounted for as trading investment. The initial investment cost is RMB 9,951,541.60. At the end of the report period, the book value of such investment was RMB 52,935,511.20.

Except these shares, the Company did not hold any share of other listed companies or intended listed companies or financial enterprises such as commercial banks, securities companies, insurance companies, trust companies and futures companies.

Subsequent event: To lock investment income and give good investment return to shareholders, the Company will gradually sell the shares of Shenzhen Victor Onward from the time when the shares obtain the qualification of listing and negotiation according to the resolutions of the fourth board of directors of the Company. After the market closed on July 27, 2007, the Company accumulatively sold 1,725,259 shares of Shenzhen Victor Onward held by it through the trading system of Shenzhen Stock

Exchange, which account for 1.02% of the total share capital of Shenzhen Victor Onward. The remaining 20,554,228 shares of Shenzhen Victor Onward account for 12.15% of the total share capital of Shenzhen Victor Onward, including 6,731,859 negotiable shares not subject to sale restriction. Refer to No. 2007-17 announcement of the Company published on Securities Times and Hong Kong Commercial Daily on July 31, 2007 for details.

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

6. Related transactions of the Company in the report period:

In the report period, the Company acquired 36% equity of Shenzhen Beauty Century Garment Co., Ltd. and 51% equity of Shenzhen Shenfang Import and Export Co., Ltd., 12% equity of Shenzhen Beauty Century Garment Co., Ltd. held by labor union committee of the Company ("Labor Union of the Company") and 4% equity of Shenzhen Beauty Century Garment Co., Ltd. held by the labor union committee of Shenzhen Beauty Century Garment Co., Ltd. The total acquiring price is RMB 22.7171 million. As Shenzhen Hengsheng Investment Co., Ltd. and Labor Union of the Company are related legal persons of the Company, this transaction is a related transaction.

The purpose of this transaction is to straighten out the equity relationship between Shenzhen Beauty Century Garment Co., Ltd. and Shenzhen Shenfang Import and Export Co., Ltd. and further standardize the Company's operation. The transaction contributes to the long-term development of the Company's business. After the completion of this transaction, the Company will hold 100 equity of Shenzhen Beauty Century Garment Co., Ltd. and 100% equity of Shenzhen Shenfang Import and Export Co., Ltd., which avoids the relationship with related legal persons and their short-run acts and contributes to further enhancing the Company's independence. The centralization of the equity of the above two companies helps the Company make plans in terms of long-term development and has positive influence on the Company's operating results in the future. Refer to No. 2007-7 announcement of the Company published on Securities Times and Hong Kong Commercial Daily on March 17, 2007 for details.

7. The Company's external guarantee in the report period:

After examination by the board of directors of the Company, the amount of the comprehensive credit line with term of one year applied for by Shenzhen Beauty Century Garment Co., Ltd., a wholly-owned subsidiary of the Company, to China Merchants Bank Shenfang Building Sub-branch to meet its demand of business development was approved to increase from RMB 10 million to RMB 15 million in the report period. The board of directors approved the increase of the credit limit of the said joint and irrevocable guarantee from RMB 10 million to RMB 15 million. The guarantee period is from May 15, 2007 to May 15, 2008. This guarantee accounts for 4.43% of the audited net assets of the Company for the latest period. Refer to No. 2006-24 and No. 2007-9 announcements of the Company published on Securities Times and Hong Kong Commercial Daily respectively on November 8, 2006 and April 21, 2007.

Except this, the Company did not provide other guarantees.

8. The Company did not sign any material contract in the report period nor did any material contract signed in previous periods continue to exist in the report period.

9. Shenzhen Investment Holding Co., Ltd., the controlling shareholder, made the following commitment at the time of the Company's share holding structure reform in September 2006:

(1) To abide by laws, rules and regulations and fulfill statutory commitments. In the report period, the controlling shareholder fulfilled the said commitment.

(2)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%.

(3) Shenzhen Investment Holding Co., Ltd. will bear 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. At present, the above commitments are under fulfillment.

10. Acceptance of investigation, communication and interview

The Company strictly abode by the principle of fair information disclosure and seriously implemented Working System for Reception and Promotion. In the report period, no institutional investors came to investigate or interview the Company. The Company was visited by one personal investor and answered over 60 calls of personal investors. The Company communicated with personal investors mainly in respect of the Company's operating status, condition of assets, development prospect and the controlling shareholder's support to the Company's business development and listened to the opinions of the investors.

11. The establishment and implementation status of the internal control system of the Company

After examination by the board of directors, the Company established internal control system in 2004. The board of directors of the Company is responsible for the establishment, improvement and effective operation of the Company's internal control system and regularly conduct complete inspection and effect appraisal of the status of the Company's internal control. The general manager of the Company is responsible for fully implementing and promoting relevant regulations on internal control system and inspecting the status of formulation, implementation and improvement of risk management and control regulations for respective specialized system of each functional department of the Company. The functional departments of the head office of the Company are responsible for formulating, improving and implementing risk management and control regulations for their own specialized systems and assisting in completing the inspection of the status of risk management and control of each specialized system.

In the report period, the board of directors to the Company fully revised and supplemented the internal control system of the Company. In the past two years, the Company implemented internal control system well, effectively maintained the safety and integrity of its assets, guaranteed the truthfulness of financial information and effectively prevented and eliminated all kinds of risks.

12. In the report period, the Company did not change the appointed certified public accountants.

13. 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.

14. In the report period，there were no other important events that had material influence on 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
4. Consolidated Change in owners' equities
5. Consolidated Schedule of Asset Depreciation Reserve

(II) Notes to financial statements(Attached hereinafter)

Section VIII Documents Available for Inspection

1. The text of Interim 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.

August8, 2007

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated income statement for the year ended June 30, 2007

	Notes	June,2007 RMB'000	June,2006 RMB'000
Turnover		221,786	260,635
Cost of sales		(178,898)	(215,563)
Gross profit		42,888	45,072
Other revenue		491	597
Other net income		1,076	1,128
Income from investments		47,610	1,839
Distribution costs		(9,562)	(10,490)
Administrative expenses		(26,048)	(25,971)
Other operating expenses		(16)	(19)
Operating profit		56,439	12,156
Share of profit/(loss) from associates		(165)	1,369
Finance costs		(3,408)	(2,354)
Profit before taxation		52,866	11,171
Income tax		(824)	(950)
Profit for the year		52,042	10,221
Attributable to:			
Equity holders of the parent		50,721	8,090
Share of profit for minority interests		1,321	2,131
Profit attributable to shareholders		52,042	10,221
Profit per share to equity holders of the parent - basic	(13)	RMB0.207	RMB0.033

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at June 30, 2007

	Notes	June,2007 RMB'000	Dec.,2006 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		250,884	258,624
Investment properties		101,372	101,372
Land use rights - non-current portion		6,513	6,604
Construction-in-progress		13,350	2,580
Intangible assets		25	27
Goodwill		2,291	
Interests in associates		42,395	41,535
Other investments		90,506	41,800
		507,336	452,542
Current assets			
Land use rights - current portion		529	637
Inventories		77,580	64,610
Accounts receivable		53,145	43,349
Bills receivable		1,044	1,110
Prepayments, deposits and others receivable		14,082	36,574
Investments in securities		-	-
Cash and bank balances		62,228	78,863
		208,608	225,143
Total assets		715,944	677,685

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at June 30, 2007

(cont'd)

	Notes	June,2007 RMB'000	Dec.,2006 RMB'000
Equity and liabilities			
Capital and reserves			
Share capital		245,124	245,124
Reserves		166,852	116,131
Equity attributable to equity holders of the parent		411,976	361,255
Minority interests		77,590	98,016
Total equity		489,566	459,271
Non-current liability			
Long-term loans, non-current portion		2,500	2,500
Current liabilities			
Long-term loans, current portion		106,972	73,470
Accounts payable		23,022	23,683
Others payable and accrued expenses		83,640	99,844
Dividend payable		10,000	18,118
Provision for taxation		244	799
		223,878	215,914
Total equity and liabilities		715,944	677,685

The financial statements on pages 2 to 34 were approved and authorized for issue by the board of directors on August 8, 2007 and are signed on its behalf by :

Director **Director**

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated statement of changes in equity for the year ended June 30, 2007

	Share capital RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Property revaluation reserve RMB'000	Proposed final dividend RMB'000	Accumulated profit RMB'000	Attributable to equity holders of the parent RMB'000	Minority interests RMB'000	Total RMB'000
Balance as at December 31, 2005	245,124	8,486	17,503	44,294	12,256	36,168	363,831	95,654	459,485
Dividend paid	-	-	-	-	(10,048)	-	(10,048)	(4,088)	(14,136 (
Classified to current liabilities	-	-	-	-	(2,208)	-	(2,208)	-	(2,208
Transfer from statutory public welfare fund to statutory surplus reserve	-	17,503	(17,503)	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	9,680	9,680	6,450	16,130
Appropriations to statutory surplus reserve	-	679	-	-	-	(679)	-	-	-
Balance as at December 31, 2006	245,124	26,668	-	44,294	-	45,169	361,255	98,016	459,271
Effect of additional interest in a subsidiary to shareholders' equity								(21,747)	(21,747)
Net profit for the year	-	-	-	-	-	50,721	50,721	1,321	52,042
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2006	245,124	26,668	-	44,294	-	95,890	411,976	77,590	489,566

The capital reserve and the statutory surplus reserve may be applied only for the following purposes :

i may be used to make up loss; and

ii may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, but when the statutory surplus reserve is converted into share capital, the amount remaining in the reserve shall be no less than 25% of the newly increased registered capital.

The directors do not recommend the payment of final dividend to the shareholders.

Prior to making up the Company's loss and the relevant appropriations to the statutory surplus reserve, no dividend shall be payable.

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended June 30, 2007

	June,2007 RMB'000
Cash flow from operating activities	
Operating profit before taxation	52,866
Adjustment items :	
Depreciation and amortization	10,979
Loss on disposal of property, plant and equipment	(247)
Transfer from construction-in-progress to expenses	-
Share of (profit)/loss from associates	165
Increase in fair value of tradeable listed investment	(45,348)
Profit on disposal of investments in securities	(573)
Provision for impairment loss (reversed)/made	
- property, plant and equipment	-
- unconsolidated subsidiaries	-
- other investments	-
- investments in securities	-
Provision for diminution in value of inventories	-
Provision for doubtful debts	248
Interest income	(243)
Interest expense	2,444
Net operating cash inflow before movements in working capital	20,291
Increase in inventories	(12,970)
(Increase)/decrease in accounts receivable	(9,796)
(Increase)/decrease in bills receivable	66
Increase in prepayments, deposits and others receivable	22,492
Increase/(decrease) in accounts payable	(661)
Increase/(decrease) in others payable and accrued expenses	(29,467)
Cash inflow from operating activities before interest and tax payments	(10,045)
Income tax paid	(1,379)
Interest paid	(2,254)
Net cash inflow from operating activities c/f	(13,678)

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended June 30, 2007

(cont'd)

	Notes	June,2007 RMB'000
Net cash inflow from operating activities b/f		(13,678)
Investing activities		
Interest received		243
Purchases of property, plant and equipment		(1,417)
Purchases of land use rights		(145)
Increase in construction-in-progress		(13,092)
Proceeds from disposal of property, plant and equipment		440
Proceeds from disposal on construction-in-progress		-
Returns from associates received		1,683
Increase in amounts due from associates		1,217
Increase/(decrease) in amount due to an associate		(19)
Increase in other investments		(22,717)
Proceeds from disposal of other investments and investments in securities		5,466
Increase in investments in securities		-
Net cash outflow from investing activities		(28,341)
Net cash inflow/(outflow) before financing activities		(42,019)
Financing activities		
Dividend paid		(8,118)
Increase in bank and other loans		33,502
Decrease in minority interests		-
Net cash outflow from financing activities		25,384
Increase/(decrease) in cash and cash equivalents		(16,635)
Cash and cash equivalents as at beginning of the year		78,863
Cash and cash equivalents as at end of the year		62,228
Cash and cash equivalents as at end of the year are represented by :		
Cash and bank balances		62,228

Shenzhen Textile (Holdings) Co., Ltd.

Consolidation statement of impairment loss for the year ended June 30, 2007

	Provision for impairment loss	December 31, 2006 RMB' 000	Increase RMB' 000	Decrease RMB' 000	Transfer-out RMB' 000	June 30, 2007 RMB' 000
1.	**Property, plant and equipment**					
	Buildings	-	-	-	-	-
	Leasehold improvements	-	-	-	-	-
	Plant and machinery	414		-	-	414
	Office equipment	-		-	-	-
	Transport equipment	469		-	-	469
		883		-	-	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 consolidated	5,497	-	-	-	5,497
	Associates not accounted for under equity method	5,058	-	-	-	5,058
	Listed shares	14,832	-	-	-	14,832
	Unlisted shares	18,900	-		-	18,900
		44,287	-		-	44,287
7.	**Inventories**					
	Raw materials	98	-	-	-	98
	Work-in-progress	2,321		-	-	2,321
	Finished goods	4,138		-		4,138
		6,557		-		6,557
8.	**Accounts and others receivable**					
	Accounts receivable	7,551	248	-		7,799
	Others receivable	3,190	-			3,190
		10,741	248			10,989
9.	**Investments in securities**					
	Marketable securities	-	-	-		-
	PRC Government bonds	-	-	-	-	-
		-	-	-		-
	Total	62,468	248			62,716

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 Holdings Company Limited, 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

In the current year, the Group has adopted all of the new and revised International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations ("Int.") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB.

The adoption of the above new IAS and Int. does not have any financial impact on the Group's financial statements for the years presented.

The consolidated financial statements have been prepared in accordance with the 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, 2007 and on the operating results for the year then ended are included in notes 35 and 36 to the financial statements. In addition, the financial statements have been prepared under the historical cost convention except for certain fixed asset items that are recorded at valuation less accumulated depreciation and accumulated impairment losses.

3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. Basis of consolidation (cont'd)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries (the "Group") made up to December 31 each year. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(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, 2007, the Company held the following subsidiaries :

i) Subsidiaries consolidated

Company name	Place of establishment/ operation	Effective equity held by the Group		Principal activities
		2007	2006	
Shenzhen Jinlan Decorative Products Ind. Co. Ltd.	PRC	100%	100%	Manufacturing of bedding and decorating products
Shenzhen Lisi Industrial & Development Co., Ltd.	PRC	100%	100%	Material supplies
Shenzhen Huaqiang Hotel Ltd.	PRC	100%	100%	Hotel, catering, and business centre operations
Shenfang Building Estate Management Co.	PRC	100%	100%	Property management
Shenzhen Zhong Xing Fibre Products Co., Ltd.	PRC	75%	75%	Manufacturing and trading of fibre products
Shenzhen Jing Guang Shoes and Hose Co., Ltd.	PRC	70%	70%	Manufacturing and trading of sporting shoes and socks
Jiangxi Xuanli Thread Co., Ltd.	PRC	63.87%	63.87%	Manufacturing and trading of synthetic fibre threads

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
		2007	2006	
Anhuei Huapeng Textile Co., Ltd.	PRC	50%*	50%*	Textile products
Shenzhen Shenfang Import and Export Co., Ltd.	PRC	100%	49%*	Import and export trading of textile
Shenzhen Mei Bai Nian Garments Co., Ltd.	PRC	100%	48%*	Knitting and clothing
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
		2007	2006	
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, 2007 are shown in note 19 to the financial statements. Except for the associates that are shown in note 20 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 recognized 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 recognized when goods are delivered and title has passed to customers.
Rental income :	Rental income from investment properties is recognized when the rental is due and receivable.
Hotel income :	Income from hotel services is recognized when services are rendered.
Interest income :	Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.
Dividend income :	Dividend income from investments is recognized when the shareholders' right to receive payment has been established.
Subsidy income :	Subsidy is recognized when the right to receive payment has been established.

(b) Property, plant and 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 capitalized 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.

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

(b) Property, plant and equipment and depreciation (cont'd)

Their estimated useful lives are as follows :

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 realized in respect of previous valuation is released from the property valuation surplus as part of the profit or loss on disposal of such property.

(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) Land use rights

The cost of land use rights is amortized on a straight-line basis over the lease term.

(e) 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.

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

(f) Goodwill

Goodwill arising on the acquisition of a subsidiary or an associate represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Intangible assets

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

(h) Investments

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

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

(h) Investments (cont'd)

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Other unlisted long-term investments with no reference to fair value are stated at cost less provision for diminution in value that is other than temporary.

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises direct materials, direct labour and an attributable proportion of production overheads. Net realizable 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.

(j) Accounts receivable

Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(k) Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

(l) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(m) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(o) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(p) Foreign currency conversion

The financial statements are expressed in Renminbi. Transactions in foreign currencies are translated at the rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates prevailing at the balance sheet date. Exchange differences that are attributable to the translation of foreign currency borrowings for the purpose of financing the construction of factory and office buildings, plant and machinery and other major fixed assets for periods prior to their being in a condition to enter into services are included in the cost of the fixed assets concerned. Other exchange differences are dealt with in the consolidated income statement.

(q) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

(q) Leasing (cont'd)

i) The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

ii) The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(r) 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 recognized as an expense immediately.

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

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

(s) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(t) Income tax

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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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 recognized 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. 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,2007 RMB'000	June,2006 RMB'000
Turnover		
Sales of goods	192,150	234,180
Property rental income	25,499	23,015
Hotel operations	4,137	3,440
	221,786	260,635

6. Business and geographical segments

Business segments

Segment information about businesses in June ,2007 is presented below :

	Sales of goods RMB'000	Leasing RMB'000	Hotel operations RMB'000	Elimination RMB'000	Consolidated RMB'000
External sales	192,150	25,499	4,137	-	555,783
Intragroup sales	2,571	-	-	(2,571)	-
Revenue	194,721	25,499	4,137	(2,571)	555,783
Gross profit segment result	14,115	25,499	4,137	(863)	42,888

Segment information about businesses in June,2006 is presented below :

	Sales of goods RMB'000	Leasing RMB'000	Hotel operations RMB'000	Elimination RMB'000	Consolidated RMB'000
External sales	234,180	23,015	3,440	-	260,635
Intragroup sales	4,389	-	-	(4,389)	-
Revenue	238,569	23,015	3,440	(4,389)	260,635
Gross profit segment result	18,617	23,015	3,440		45,072

6. Business and geographical segments (cont'd)

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,2007 RMB'000	June,2006 RMB'000
Within PRC	106,749	89,307
Outside PRC	117,608	175,717
	224,357	265,024
Intragroup sales	(2,571)	(4,389)
	221,786	260,635

7. Other revenue

	June,2007 RMB'000	June,2006 RMB'000
Interest income	243	295
Subsidy income	-	7
Sundry income	248	295
	491	597

8. Other net income

	June,2007 RMB'000	June,2006 RMB'000
Other operating profit	1,076	1,066
Specified subsidy income	-	62
Sundry income	-	-
	1,076	1,128

9. Income from investments

	,June,2007 RMB'000	June,2006 RMB'000
Returns from investment items	1,683	516
Provision for impairment loss on investments in unconsolidated subsidiaries	-	
Provision for impairment loss on investments ' 'in unlisted investments reversed	-	-
shares previously classified as restricted stocks	45,348	
Profit on disposal of investments in securities	579	1,323
Provision for impairment loss on investments in securities reversed/(made)	--	
	47,610	1,839

10. Finance costs

	,June,2007 RMB'000	June,2006 RMB'000
Interest expense	2,444	2,199
Bank charges	207	141
Exchange loss	757	14
	3,408	2,354

11. Profit before taxation

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

	June,2007 RMB'000	June,2006 RMB'000
After charging :		
Interest expense	2,444	2,199
Depreciation and amortization	10,979	9,002
Loss on disposal of property, plant and equipment	247	--
Provision for impairment loss on property, plant and equipment	-	-
Provision for impairment loss on other investments	-	
Provision for impairment loss on investments in securities	-	
Provision for diminution in value of inventories	-	115
Provision for doubtful debts	248	107
Staff costs	26,816	20,872
Exchange loss	757	14

12. Income tax

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,2007 RMB'000	June,2006 RMB'000
Current tax		
Company and subsidiaries	861	950
Deferred tax	(37)	
	824	950

The reconciliation between tax expense and accounting profit at is as follows :

	June,2007 RMB'000	June,2006 RMB'000
Profit before taxation	52,866	11,171
Tax at the income tax rate of 15% (2006 - 15%)	7,930	1,676
Tax effect :		
- disallowable expenses		
- non-taxable revenue	(7,117)	(716)
- tax losses unrecognized	175	
- tax losses utilized		(30)
- benefit from tax recession period	(391)	(213)
- different tax rates of subsidiaries operating in different jurisdictions	227	233
Actual tax expense with effective tax rate of 12.9% (2005 - 11.4%)	824	950

13. Profit per share

Profit per share is calculated by dividing the net profit for the half a year of RMB50,721,000 (June,2006 – RMB8,090,000) attributable to equity holders of the parent by 245,124,000 shares (June,2006 - 245,124,000 shares) in issue during the year concerned.

14. Property, plant and equipment

	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 December 31, 2005	159,893	26,561	149,761	10,629	6,863	353,707
Increase	13,527	156	1,909	4,591	709	20,892
Decrease	-	-	(307)	(761)	(105)	(1,173)
Transfer from construction-in-progress (note 17)	28,871	4,637	16,111	-	-	49,619
Balance as at December 31, 2006	202,291	31,354	167,474	14,459	7,467	423,045
Increase	689	261	1,132	52		2,134
Decrease	-	-		(21)	(1577)	(1,598)
Transfer from construction-in-progress (note 17)				-	-	
Balance as at June 30, 2007	202,980	31,615	168,606	14,490	5,890	423,581
Accumulated depreciation/impairment loss						
Balance as at December 31, 2005	(55,542)	(19,439)	(58,774)	(6,800)	(5,561)	(146,116)
Increase	(4,831)	(1,694)	(11,290)	(1,094)	(482)	(19,391)
Decrease		-	286	695	105	1,086
Balance as at December 31, 2006	(60,373)	(21,133)	(69,778)	(7,199)	(5,938)	(164,421)
Increase	(2,604)	(883)	(5,550)	(549)	(233)	(9,819)
Decrease	-	-		21	1522	1,543
Balance as at June 30,2007	(62,977)	(22,016)	(75,328)	(7,727)	(4,649)	(172,697)
Net book value						
Balance as at December 31, 2006	141,918	10,221	97,696	7,260	1,529	258,624
Balance as at June 30,2007	141,918	9,599	93,278	6,763	1,241	250,884

The directors are of the opinion that the carrying value of above assets as at June 30, 2007 approximates the prevailing open market value.

15. Investment properties

	June 2007 RMB'000	2006 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, 2007 approximates the prevailing market value.

16. Land use rights

		RMB'000
Cost		
Balance as at December 31, 2005		5,904
Increase		3,885
Balance as at December 31, 2006		9,789
Increase		145
Balance as at June 30, 2007		9,934
Accumulated amortization		
Balance as at December 31, 2005	(1,975)	
Increase	(573)	
Balance as at December 31, 2005	(2,548)	
Increase	(344)	
Balance as at December 31, 2006		(2,892)
Net book value		
Balance as at December 31, 2006		7,042
Balance as at December 31, 2005		7,241

	June 2007 RMB'000	2006 RMB'000
Net book value	6,513	7,241
Current portion	(529)	(637)
Non-current portion	7,042	6,604

17. Construction-in-progress

	RMB'000
Cost	
Balance as at December 31, 2005	41,846
Increase	14,937
Transfer to property, plant and equipment (note 14)	(49,619)
Transfer to expenses	(4,584)
Balance as at December 31, 2006	2,580
Increase	11,338
Transfer to property, plant and equipment (note 14)	(569)
Transfer to expenses	
Balance as at December 31, 2006	13,350

18. Intangible assets

		RMB'000
Trademark and technical know-how, at cost		
Balance from December 31, 2006 to June30, 2007		118
Accumulated amortization		
Balance as at December 31, 2005	(87)	
Increase	(4)	
Balance as at December 31, 2006	(91)	
Increase	(2)	
Balance as at June 30, 2007		(93)
Net book value		
Balance as at June 30, 2007		25
Balance as at December 31, 2006		27

19. Interests in associates

	June 2007 RMB'000	2006 RMB'000
Share of net assets	37,067	37,442
Premium in associates	6,890	6,890
Amortization of premium	(4,823)	(4,823)
	2,067	2,067
	39,134	39,509
Amounts due from associates	3,770	2,553
Amount due to an associate	(509)	(527)
Interests in associates	42,395	41,535

As at June 30, 2007, the details of the principal associates are listed out as follows :

Company name	Place of establishment/ operation	Effective equity held by the Group		Principal activities
		2007	2006	
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

19. Interests in associates (cont'd)

Summarized financial information in respect of the Group's associates is set out below :

	June 2007 RMB'000	2006 RMB'000
Total assets	155,993	173,623
Total liabilities	(68,818)	(71,224)
Net assets	87,175	102,399
Group's share of associates' net assets	37,067	37,442
Premium in associates	2,067	2,067
Amounts due from associates	3,770	2,553
Amount due to an associate	(509)	(527)
Interest in associates	42,395	41,535

	June 2007 RMB'000	June 2006 RMB'000
Turnover	89,367	108,030
Group's share of associates' profit/(loss) for the year	(165)	1,369

20. Other investments

	June 2007 RMB'000	2006 RMB'000
Subsidiaries not consolidated, at cost	9,425	9,425
Associates not accounted for under equity method, at cost	8,775	8,775
Listed shares, at cost	92,000	39,064
Unlisted shares, at cost	24,593	28,823
	134,793	86,087
Provision for impairment loss	(44,287)	(44,287)
	90,506	41,800

20. Other investments (cont'd)

As at June 30, 2007, the details of the subsidiaries not consolidated are listed out as follows :

Company name	Place of establishment/ operation	Effective equity held by the Group		Principal activities
		2007	2006	
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.

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
		2006	2005	
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.

21. Inventories

	June 2007 RMB'000	2006 RMB'000
Raw materials	25,549	16,059
Work-in-progress	11,986	10,869
Properties under development	22,675	22,675
Finished goods	23,927	21,564
	84,137	71,167
Provision for inventory obsolescence	(6,557)	(6,557)
	77,580	64,610

22. Accounts receivable

	June 2007 RMB'000	2006 RMB'000
Amounts receivable	60,944	50,900
Provision for doubtful debts	(7,799)	(7,551)
	53,145	43,349

23. Prepayments, deposits and others receivable

	June 2007 RMB'000	2006 RMB'000
Advance payments	1,984	24,822
Prepayments	-	52
Others receivable	15,288	14,890
	17,272	39,764
Provision for doubtful debts	(3,190)	(3,190)
	14,082	36,574

24. Investments in securities

	June 2007 RMB'000	2006 RMB'000
Marketable securities in the PRC, at cost	-	- - -
Provision for impairment loss	-	- - -
Market value	-	- - -

25. Share capital

	June 2007 RMB'000	2006 RMB'000
Registered, issued and paid-up		
"A" shares of RMB1 each	195,624	195,624
"B" shares of RMB1 each	49,500	49,500
	245,124	245,124
"A" shares, listed and tradable	46,760	46,760
"B" shares, listed and tradable	49,500	49,500
	96,260	96,260
Listed but temporarily not tradable	148,864	148,864
	245,124	245,124

The "A" and "B" shares carry equal rights with respect to the distribution of the Company's assets and profits, and rank pari passu in all other respects. The "A" shares are held by PRC investors with settlement in Renminbi, whereas "B" shares are held by both PRC investors and foreign investors, and are settled in Hong Kong dollars.

26. Minority interests

	2006 RMB'000	2006 RMB'000
Minority interests	77,590	98,016
Dividend payable to minority interests	-	-
	77,590	98,016

27. Short-term and long-term loans

	June 2007 RMB'000	2006 RMB'000
Bank loans, secured	91,612	68,000
Bank loans, guaranteed	15,000	5,000
Other loans, secured	360	470
Others payable	2,500	2,500
	109,472	75,970
Portion classified under current liabilities	(106,972)	(73,470)
Long-term portion	2,500	2,500

The bank loans bear interest at various rates ranging from 5.58% to 6.57% (2006 - from 5.58% to 6.12%) per annum.

The interest rate of other loans is 9.63% (2006 - 9.63%) per annum.

28. Dividend payable

It represents dividend payable to the holding company, Shenzhen Investment Holdings Company Limited with a sum of RMB10,000,000 (2006 - RMB18,118,000).

29. Cash flow from financing

	Bank & other loans RMB'000	Minority interests RMB'000
Balance as at beginning of the year	75,970	98,016
Cash flows from financing activities	33,502	-
Dividend paid to minority shareholders	-	
Effect of additional interest in a subsidiary to shareholders' equity		(21,747)
Profit attributable to minority interests	-	1,321
Balance as at end of the year	109,472	77,590

30. Related party transactions

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

Related party	Transactions	June 2007 RMB'000	June 2006 RMB'000
Shenzhen Tianlong Industrial and Trading Co., Ltd.	Sales	5,715	4,299
	Interest income	18	18
Shenzhen Hengsheng Investment Co., Ltd.	Purchase of shareholders' interests	16,912	-

31. Assets held under security

As at June 30, 2007, the Group had used its buildings and investment properties with a total carrying value of RMB105,057,000 (2006 - RMB105,057,000) as security for the general banking facilities.

32. Contingent liabilities

Hip Lee (H.K.) Repairing Co., the foreign investor of the Group's associate Shenzhen Xieli Automobile Co., Ltd., had taken legal action against the Group for compensation of RMB6,300,000 by reason of tort. The case is still under proceeding. No provision has been made in these financial statements as the management considers that the resulting loss is remote.

33. 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.

33. Financial instruments (cont'd)

(b) Interest rate risk

Bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

(c) 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 judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

34. Ultimate holding company

In the opinion of the directors, the ultimate holding company of the Group is Shenzhen Investment Holdings Company Limited, a state-owned enterprise established in the PRC.

35. Impact of IFRS adjustments on profit attributable to shareholders

	June 2007 RMB'000	**June 2006 RMB'000**
As reported by PRC Certified Public Accountants	5,370	6,524
Adjustments to conform to IFRS :		
Over-provision of depreciation of investment properties reversed	1,173	1,173
Amortization of intangible assets	738	393
shares previously classified as restricted stocks	45,348	
Retirement benefit costs	(1,908)	
As restated in conformity with IFRS	50,721	8,090

36. Impact of IFRS adjustments on net asset value

	2006 RMB'000	2006 RMB'000
As reported by PRC Certified Public Accountants	392,798	344,444
Adjustments to conform to IFRS :		
Over-provision of depreciation of investment properties reversed	26,355	25,182
Amortization of intangible assets	(593)	(1,331)
Premium in associates not amortized	1,378	1,378
Distribution of listed shares as expenses in share reform		(2,364)
Deferred tax assets in previously years	(6,054)	(6,054)
Retirement benefit costs	(1,908)	
As restated in conformity with IFRS	361,255	361,255

37. Language

The translated English version of the financial statements is for reference only. Should any disagreement arise, the Chinese version shall prevail.

38. Comparative figures

Certain comparative figures have been reclassified so as to conform to the current year's presentation.