Shenzhen Textile (Holdings) Co., Ltd.

Quarterly Report for the Third Quarter of 2007 (B)

§1 Important notes

1.1. The Board of Directors , Supervisory Committee ,Directors , Supervisors, Senior Executives of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

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

1.3. All directors attended the meeting.

1.4. The Third Quarterly Report is not audited by CPA.

1.5. The board chairman of the Company Mr. Wang Bin, General Manager Mr. Zhu Jun and Deputy general Accountant Mr.Liu Yi represent and warrant the financial and accounting report in the quarterly Report is true and complete.

§2 Basic Information

2.1 Main accounting Highlights and financial indexes

Unit：RMB’000

	At the end of the report period	At the end of the last year	Increase/decrease of the end of report period than that of the end of the last year(%)
Summation assets	710,097	677,685	4.78
Equit attributable to holders of the parent	413,625	365,255	15.12

Interest per share to equity holders of the parent	1.687	1.474	14.45
	Year begin to end of report period		Increase/decrease of the report period than that of the same period of the last year（%）
Net cash flow arising from operating activities	369		-97.83
Net cash flow arising from operating activities per share	0.002		-97.10
	In the report period	Year begin to end of report period	Increase/decrease of the report period than that of the same period of the last year（%）
Profit attributable to equity holders of the parent	1,649	52,370	430.38
Profit per share to equity holders of the parent	0.007	0.214	435.00
Return interest attributable to equity holders of the parent %	0.40%	12.66%	Decrease 0.09

Notes：1) International financial report standards adjusted the influence on profits shared by shareholders

	September 2007（RMB'000）	**September 2006（RMB'000）**
Pursuant to the financial report audited by Chinese C.P.A.	8,917	7,525
Adjustment made for complying with international accounting standards:		
Writeback of over-provision for the depreciation of real estate of investment nature	1,759	1,759
Need not amortization of intangible assets	590	590
Profit generated by the circulation approval of the shares subject to sale restriction	43,148	
Welfare for dismissal of employees	-2,044	
Restated pursuant to international financial report standard	52,370	9,874

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

	September 2007 (RMB'000)	December 2006 (RMB'000)
Pursuant to the financial report audited by Chinese C.P.A.	396,510	344,444
Adjustment made for complying with international accounting standards:		
Writeback of excessive provision for depreciation of real estate for investment	26,941	25,182
Need not amortization of intangible assets	-742	-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	-2,364
No need of calculation of deferred income tax assets for previous years	-6,054	-6,054
Welfare for employee dismissal.	-2,044	
Restated pursuant to international financial report standard	413,625	361,255

2.2 Total number of shareholders in the end of the report period and shares held by the top ten shareholders with unrestricted conditions Unit：Shares

Total number of shareholders	20,633	
Shares held by the top ten shareholders with unrestricted conditions		
Name of shareholder	Amount of unrestricted shares held	Type of shares
Zheng Chuangjian	721,850	Domestically listed foreign share
HSBC BROKING SECURITIES(AISA)LIMITED-CLIENTS A/C	700,000	Domestically listed foreign share
Liu Hong	590,000	Domestically listed foreign share
VICTOR ONWARD PRINTING&DYEING (HK) CO. LTD	455,000	Domestically listed foreign share
Huang Muxiu	454,010	RMB common shares
Wang Feifei	336,150	Domestically listed foreign share
Lai Yuping	330,000	RMB common shares
Zhou Xiaopeng	320,200	RMB common shares
Zhou Xiaohong	283,300	RMB common shares
He Yanling	261,800	Domestically listed foreign share

§3 Significant events

3.1 Particulars about material changes in items of main accounting statement and financial index, and explanations of reasons

√ applicable □not applicable

1、 investment income increased by 1464.76%, mainly because of the circulation overflow profit of the Company shares of Shen Victor Onward. 2、 management expense increased by 36.76%, mainly because of the company withdrawing stock price drop devalue prepare 3、 finance cost increased by 44.86%, mainly because of the increasing of current loan and bank lending rate 4、 overflow profit of this year increased by 255.62%, mainly because of the circulation overflow profit of the Company shares of Shen Victor Onward. 5、 project under construction increased by 447.71%, mainly because of the company increasing to the equipment of knitted underwear 6、 account receivable increased by 37.21%, mainly because of the increasing of sales of credit due to the company's strategy of expanding sales and occupying the market 7、 reserve increased by 45.10%, mainly because of the rapid increase of the mother company's overflow profit 8、 management net cash influx decreased by 97.83%, mainly because of paying the shareholding company's debt and compensation of fired employees which lead to the increase of the cash efflux 9、 Cash and cash equivalents as at end of the year increased by 42.88%, mainly because the bank loans are increased by the financing

3.2 Analysis and explanation of significant events and their influence and solutions

□Applicable √Not applicable

3.3 Implementations of commitments by the Company, shareholders and actual controller

√Applicable □ Not applicable

1.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%. 2.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.

3.4 Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason.

√ Applicable ☐ Not applicable

The accumulative net profit of the Company for the period from the beginning of the year to the end of the next report period is estimated to increase by 50%-60% year on year. The main factor for profit increase: The sale of stocks of Shen Victor Onward in this year will increase investment income by about RMB 30 million. The main factor for profit decrease: The Company made provision for impairment of assets in the year and investment losses will be caused by the suspension of business of an affiliated company. The influence of the above factors on the net profit of the Company for the period from January to December 2007 will increase by 50%-60% year on year.

3.5 Major events needs to be explained

3.5.1 Investment in securities

☐Applicable √Not applicable

3.5.2 Holding of shares in other listed companies

√ Applicable ☐ Not applicable

Unit：RMB

Stock Code	Stock abbreviation	Initial investment	Share portion	Book value at the end of term	Gain/loss of the report term	Change of owners' equity in the report term
000018	Shen Victor Onward	21,497,500.10	11.99%	64,645,926.20	56,360,694.45	56,360,694.45
Total		21,497,500.10	-	64,645,926.20	56,360,694.45	56,360,694.45

3.5.3 Holding of equities in non-listed financial entities and companies about to be listed

☐ Applicable √ Not applicable

3.5.4 Reception of investigations, communications, or interviews

In the report period, the Company strictly abode by the principle of fair information disclosure in respect of the work concerning relationship with investors according to the requirements of Guidelines for Fair Information Disclosure of Listed Companies. In the report period, no institutional investors came to investigate or interview the Company. The Company answered over 40 calls of personal investors. The Company communicated with the investors mainly in respect of the Company's operating status and development prospect and listened to the opinions of the investors.

§4 Appendix

SHENZHEN TEXTILE (HOLDINGS) CO., LTD.

Consolidated income statement for the year ended Sept. 30, 2007

	Notes	Sept.,2007 RMB'000	Sept.,2006 RMB'000
Turnover		344,200	405,253
Cost of sales		(274,827)	(336,047)
Gross profit		69,373	69,206
Other revenue		709	1,117
Other net income		328	1,554
Income from investments		58,397	3,732
Distribution costs		(15,137)	(15,645)
Administrative expenses		(50,773)	(37,125)
Other operating expenses		(89)	(92)
Operating profit		62,808	22,747
Share of profit/(loss) from associates		(721)	(1,463)
Finance costs		(5,871)	(4,053)
Profit before taxation		56,216	17,231
Income tax		(1,322)	(1,795)
Profit for the year		54,894	15,436
Attributable to:			
Equity holders of the parent		52,370	9,874
Share of profit for minority interests		2,524	5,562

Profit attributable to shareholders	54,894	15,436
Profit per share to equity holders of the parent - basic	RMB0.214	RMB0.04

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at Sept. 30, 2007

	Notes	Sept.,2007 RMB'000	Sept.,2006 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		246,358	258,624
Investment properties		101,372	101,372
Land use rights - non-current portion		6,398	6,604
Construction-in-progress		14,131	2,580
Intangible assets		25	27
Goodwill		2,291	
Interests in associates		42,356	41,535
Other investments		80,667	41,800
		493,598	452,542
Current assets			
Land use rights - current portion		475	637
Inventories		57,824	64,610
Accounts receivable		59,477	43,349
Bills receivable		460	1,110
Prepayments, deposits and others receivable		14,216	36,574
Investments in securities		-	-
Cash and bank balances		84,047	78,863
		216,499	225,143
Total assets		710,097	677,685

(to be cont'd)

SHENZHEN TEXTILE (HOLDINGS) CO., LTD.

Consolidated balance sheet as at Sept. 30, 2007

(cont'd)

	Notes	Sept.,2007 RMB'000	Dec.,2006 RMB'000
Equity and liabilities			
Capital and reserves			
Share capital		245,124	245,124
Reserves		168,501	116,131
Equity attributable to equity holders of the parent		413,625	361,255
Minority interests		77,612	98,016
Total equity		491,237	459,271
Non-current liability			
Long-term loans, non-current portion		2,500	2,500
Current liabilities			
Long-term loans, current portion		105,902	73,470
Accounts payable		20,645	23,683
Others payable and accrued expenses		77,903	99,844
Dividend payable		10,000	18,118
Provision for taxation		1,910	799
		216,360	215,914
Total equity and liabilities		710,097	677,685

Shenzhen Textile (Holdings) Co., Ltd.
Consolidated statement of changes in equity for the year ended Sept 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	-	-	-	-	-	52,370	52,370	2,524	54,894
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2007	245,124	26,668	-	44,294	-	97,539	413,625	78,793	492,418

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 Sept 30, 2007

	Sept,2007 RMB'000
Cash flow from operating activities	
Operating profit before taxation	56,216
Adjustment items :	
Depreciation and amortization	16,018
Loss on disposal of property, plant and equipment	(193)
Transfer from construction-in-progress to expenses	-
Share of (profit)/loss from associates	721
Increase in fair value of tradeable listed investment	(43,148)
Profit on disposal of investments in securities	(513,212)
Provision for impairment loss (reversed)/made	
- property, plant and equipment	-
- unconsolidated subsidiaries	-
- other investments	-
- investments in securities	-
Provision for diminution in value of inventories	12,775
Provision for doubtful debts	250
Interest income	(460)
Interest expense	3,970
Net operating cash inflow before movements in working capital	32,937
Increase in inventories	(5,989)
(Increase)/decrease in accounts receivable	(16,128)
(Increase)/decrease in bills receivable	650
Increase in prepayments, deposits and others receivable	22,358
Increase/(decrease) in accounts payable	(3,038)
Increase/(decrease) in others payable and accrued expenses	(24,817)
Cash inflow from operating activities before interest and tax payments	5,973
Income tax paid	(1,740)
Interest paid	(3,864)
Net cash inflow from operating activities c/f	369

(to be cont'd)

SHENZHEN TEXTILE (HOLDINGS) CO., LTD.

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

(cont'd)

	Notes	Sept,2007 RMB'000
Net cash inflow from operating activities b/f		369
Investing activities		
Interest received		460
Purchases of property, plant and equipment		(1,450)
Purchases of land use rights		(145)
Increase in construction-in-progress		(16,104)
Proceeds from disposal of property, plant and equipment		246
Proceeds from disposal on construction-in-progress		-
Returns from associates received		2,241
Increase in amounts due from associates		1,287
Increase/(decrease) in amount due to an associate		(28)
Increase in other investments		(22,717)
Proceeds from disposal of other investments and investments in securities		17,343
Increase in investments in securities		-
Net cash outflow from investing activities		(18,867)
Net cash inflow/(outflow) before financing activities		(18,498)
Financing activities		
Dividend paid		(8,118)
Increase in bank and other loans		32,432
Decrease in minority interests		(632)
Net cash outflow from financing activities		23,682
Increase/(decrease) in cash and cash equivalents		5,184
Cash and cash equivalents as at beginning of the year		78,863
Cash and cash equivalents as at end of the year		84,047

Cash and cash equivalents as at end of the year
are represented by :

Cash and bank balances	84,047

SHENZHEN TEXTILE (HOLDINGS) CO., LTD.

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

	Provision for impairment loss	December 31, 2006 RMB' 000	Increase RMB' 000	Decrease RMB' 000	Transfer-out RMB' 000	Sept 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	12,775	-	-	15,096
	Finished goods	4,138		-		4,138
		6,557		-		19,332
8.	**Accounts and others receivable**					
	Accounts receivable	7,551	250	-		7,801
	Others receivable	3,190	-			3,190
		10,741	250			10,989
9.	**Investments in securities**					
	Marketable securities	-	-	-		-
	PRC Government bonds	-	-	-	-	-
	Total	62,468	250			75,493

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

October 31, 2007