SHENZHEN TEXTILE (HOLDINGS) CO., LTD.
’99 ANNUAL REPORT

Important Declaration: The Board of Directors of the Company hereby guarantees that there are no misstatement, misleading representation or important omissions in this report and shall assume joint and several liability for the authenticity, accuracy and completeness of the contents hereof. The summary of this annual report is selected from the annual report. If investors intend to know the detailed contents, they should read the full text of the annual report.

Shenzhen Dahua Certified Public Accountants issued auditors’ report with explanatory notes for the Company. Wu Zhi Kwok Certified Public Accountants issued auditors’ report with reserved opinions. The Board of Directors and the Supervisory Committee of the Company made detailed explanation about relevant matters. Investors are advised to read carefully.

Ⅰ. Brief Introduction of the Company

(I) 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.

Short form in English: STHC

(II) Legal Representative : Guan Tongke

General Manager: Liu Junhou

(III) Secretary of the Board of Directors : Chao Jing

Contact Address: 6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen

Post Code: 518031

Tel : 0755-3776043

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E-mail: cjane@china.com

(IV) Registered Address: 6/F, Shenfang Building, No.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 :textilew@public.szonline.net

(V) Newspapers for Information Disclosure:

Securities Times, Hong Kong Commercial Daily

Internet Web Site for Publishing the Annual Report: http://www.cninfo.com.cn

The Place Where the Annual Report is Prepared and Placed: the Office of the Company

(VI) Stock Exchange with Which the Company' s Stocks Are Listed: Shenzhen Stock Exchange

Short Form of the Stock : SHEN TEXTILE A SHEN TEXTILE B

Stock Code : 0045 2045

Ⅱ. Financial Highlights (adjusted pursuant to international accounting standards, RMB ' 000)

Norm	1999	1998	Increase/decrease
Operating income	208,260	150,541	+57,719
Investment income	11,194	12,646	-1,452
Before-tax profit	27,486	(124,841)	+152,327
After-tax profit	25,188	(125,114)	+150,302
Profit of this year	23,168	(121,932)	+145,100
Earnings per share (RMB)	0.14	(0.75)	+0.89
Total assets	649,339	531，867	+117,472
Shareholders' equity	279,206	221，012	+58,194
Net assets per share (RMB)	1.71	1.35	+0.36

The net profit of the Company was respectively RMB 20.822 million and RMB 23.168 million based on the results of auditing pursuant to Chinese accounting standards and international accounting standards. The difference is RMB 2.346 million. The reason of the difference is that accountants of B shares reversed the entry of over-provided reserve of RMB 2.346 million for depreciation pursuant to international accounting standards.

III. Particulars about the shareholders

(1) As at December 31, 1999, the Company had 15,909 shareholders in total including one state shareholder, 12,682 shareholders of A shares and 3,227 ones of B shares.

(5) Particulars of the top ten shareholders as at December 31, 1999

Name of shareholders	Nature of shares	No. of shares	Proportion of total shares （%）
1、Shenzhen Investment Management Co.	State shares	108，240，000	66.24
2、Victor Onward Printing & Dyeing (HK) Co., Ltd.	B	1，741，500	1.07
3、Top Form China Holdings Ltd. N/A	B	1，056，000	0.65
4、Shinning Year Investments Group Ltd.	B	973，898	0.60
5、Zhao Laifa	A	615，549	0.38
6、Gao Shuying	A	581，311	0.36
7、Wang Qingzhong	A	515，559	0.32
8、JING，NING	B	300，000	0.18
9、Best Reliance Investments Ltd.	B	244,200	0.15
10、Zhao Wenliang	A	223,314	0.14

Among the above shareholders, the one holding shares on behalf of the state is Shenzhen Investment Management Co. No.2, 3, 4, 8 and 9 shareholder are holders of foreign shares (B shares).

The shares held by Shenzhen Investment Management Co. account for 66.24% of the total share capital of the Company. Its legal representative: Li Heihu. It is mainly engaged in the

operation and management of state-owned assets. The shares held by the company were neither changed nor pledged nor frozen in the report period.
The controlling shareholder of the Company did not change in the report period.

IV. Brief Introduction of Shareholders' General Meeting

1. The circular concerning holding 98' Shareholders' General Meeting was published on Securities Times and Hong Kong Commercial Daily on May 29, 1999. The meeting was held at the meeting hall on the 6th floor of Shenfang Building in the morning of June 30, 1999. 13 shareholders and shareholders' representatives attended the meeting, representing 108,430,766 shares that account for 66.35% of the total shares of the Company. Among them, 11 shareholders of A shares attended the meeting, representing 108,415,576 shares that account for 66.34% of the total shares of the Company. 2 shareholders of B shares attended the meeting, representing 15,190 shares that account for 0.01% of total shares of the Company. The meeting complied with the proposals of the Company Law and the Articles of Association of the Company.
2. The following resolutions were examined and adopted at 98' Shareholders' General Meeting of the Company:
(1) 98' Working Report of the Board of Directors;
(2) 98' Working Report of the Supervisory Committee;
(3) 98' Final Accounting Report;
(4) 98' Profit Distribution Preplan: The Company shall not distribute profit for the year 1998. The undistributed profit of RMB –117,306,952.22 shall be covered by the profit of coming years.
(5) The proposal of revising the business scope in the Articles of Association of the Company;
(6) The proposal of engaging auditing organ of the Company for the year 1999;
(7) The resolution concerning electing the directors of the second Board of Directors;
(8) The resolution concerning electing the supervisors of the second Supervisory Committee.

The above resolutions were published on Securities Times and Hong Kong Commercial Daily on July 1, 1999.

V. Report of the Board of Directors

(I) Operation of the Company

1. The industry the Company is engaged in and its position

The Company is mainly engaged in textile industry. The Company successfully entered in the field of production of polaroid products used by liquid crystal display in the report period. According to the appraisal of relevant national departments, the product quality has reached the level of foreign products of same kind and filled up the domestic blank in this field. Being in a leading position, the product has won the national key product certificate granted by the Ministry of Science and Technology, the Ministry of Foreign Trading and Economic Cooperation, General Tax Bureau, State Bureau of Environmental Protection.

(2) The Scope of the Company's key business and its operation:

The Company is mainly engaged in the production and trading of textile products, garments, electronic products and in the lease and management of properties. It earned income of RMB 208.26 million, an increase of 30.7% over the same period of the previous year. It earned net profit of RMB 23.168 million. The net profit increased by big margin mainly because: (1) The product quality, economic results and comprehensive strength of the Company has been enhanced steadily; (2) The Company implemented the strategy of focusing on key business and releasing control of minor businesses, decidedly rectified and reorganized trading enterprises and plugged the hole of loss; (3) It effectively activated the assets and recovered accounts receivable; (4) It effectively controlled the cost.

Industry: The wholly-owned and share-holding industrial enterprises of the Company earned income of RMB 52.08 million in the report period, an increase of 18.7% over the same period of the previous year. They earned total profit of RMB 2.18 million. Jiangxi Xuanli Embroidery Line Co., Ltd. smoothly passed ISO9002 quality certification in 1999 and earned profit of RMB 2.02 million. Enterprises that made investment overseas received full orders, produced 5.52 million pieces of garments and earned processing income of USD 13.61

million.

Trading: The Company rectified and reorganized trading enterprises in the report period. The income from trading in 1999 was RMB 115.82 million, an increase of 75.6% of the same period of the previous year. The profit from trading was RMB 2.44 million, an increase of 2.1 million over the same period of the previous year.

Property lease and hotel business: The Company owns Shenfang Building and other properties including commercial berths, factory buildings, office buildings and warehouses, etc. for lease. Influenced by the depressed market of house lease in 1999, the Company's income form property lease decreased by RMB 5.32 million over the same period of the previous year. Huaqiang Hotel adjusted operation strategy and its structure for improving its economic results and turned from deficits to profits. The Company earned income of RMB 42.10 million in total from property lease, warehousing and hotel business.

4. Problems and difficulties occurred in operation and their solutions

Though the situation of the textile industry turned for better to certain extent, the supply still exceeded the demand in domestic textile market. The competition in the market was keen and the price of commodity lowered. Facing the above problems, the Company timely took the following measures: (1) It focused on big projects and enterprises with competing edge and improved its economic results; (2) It continued to implement the strategy of focusing on key business and releasing control of minor businesses, decidedly rectified and reorganized trading enterprises and plugged the hole of loss; (3) It strengthened enterprise management, simplified organizational structure and enhanced efficiency. (4) It activated assets, recovered creditors' rights and enhance asset efficiency.

Through the above measures, the Company successfully turned from deficits to profits in the report period, which earned income of RMB 208.26 million and net profit of 23.168 million.

(Ⅱ) Financial Status of the Company

1. The financial status of the Company

As at December 31, 1999, the total assets of the Company was RMB 649.34 million, an increase of 22.1% over the same period of the previous year mainly due to the improvement of the operational performance of the Company in 1999.

Its shareholders' equity was RMB 279.21 million, an increase of 26.33% mainly due to the increase of profit.

Its net profit was RMB 23.17 million. It turned from deficits to profits mainly due to the improvement of the operational performance of the Company in the report year.

Regarding the matter that the Company provided loan guarantee to Shenzhen Laiyingda Group Co., Ltd., Shenzhen Dahua Certified Public Accountants issued auditors' report with explanatory notes for the Company. Wu Zhi Kwok Certified Public Accountants issued auditors' report with reserved opinions. The Board of Directors made the following explanation about this matter: The Company signed with Shenzhen Laiyingda Group Co., Ltd an agreement on mutual guarantee for loans with total amount of RMB 0.1 billion. As at December 31, 1999, the amount of the loan guarantee provided by the Company to Shenzhen Laiyingda Group Co., Ltd. was RMB 94.45 million. It is hard to estimate the risk of this guarantee. The Board of Directors will pay most attention to this matter.

(III) Investment of the Company

The Company did not made external investment in the report period. The investment of the Company decreased by RMB 8,920, 505.58 over the same period of the previous year.

1. The Company did not raise funds in the report period. The funds raised prior to the report period have been utilized in such projects as promised. The project of Shenzhen Shengbo Polarized Light Device Co., Ltd. that produces polarized products used by LCD was put into production in 1999.

2. The investment of the Company decreased by RMB 8,920, 505.58 over the same period of the previous year. The recovered long-term equity investment was RMB 7,573,500.13 and the loss after adjustment on equity basis was RMB 1,347,005.45.

(IV) The influence of Chinese admission to WTO on the future operation of the Company:

Chinese admission to WTO will bring development opportunities to textile and garment industry. The Company has edge that it is familiar with the price of international market and international practice, owns steady foreign customer source and its products have successfully entered the international market. After China joins WTO, the Company will have more outstanding advantages, whose trading and export business will be consolidated and its economic results will be further improved. Meanwhile, the market competition will be keener after China joins WTO. The Company has enhanced its strength in respects of import and export trading, product quality, technology content, order receiving, etc. and made preparations to seize the opportunities and quicken the pace of development.

(V) Business Development Plan of the New Year

After strategic adjustment and unremitting efforts for years, the Company has begun to and will finally completely withdraw from the rough processing and traditional industries with low added value and keen competition, will gradually release the control of small enterprises with poor economic results and those not relating to the key business, concentrate the limited resources in textile-related high technology and the production of technology-intensive products with high added value, build famous brand and quicken the development pace. The Company will focus on the following work in 2000: (1) To concentrate limited resources and energy to develop key enterprises and products of famous brand according to the strategic policy of "refraining from doing some things in order to be able to do other things"; (2) To constantly innovate and strengthen standardized management (3) To center around the key business, further stress key business and release control of businesses of minor importance and activate assets in inventory and enhance the efficiency of asset operation; (4) To seize the opportunity brought by Chinese admission to WTO, strengthen development research and moderately quicken development pace.

(VI) Routine Work of the Board of Directors

1. Board Meetings and Resolutions in the Report Period

The 11th meeting of the first Board of Directors of the Company was held on April 14, 1999.

6 directors were supposed to attend the meeting and five of them were actually present. The following resolutions were examined and adopted at the meeting: the Resolution Concerning the Adoption of 98' Annual Report and its Summary of the Company, 98' Final Accounting Report and Profit Distribution Preplan of the Company and the Resolution Concerning the Engagement of Mr. Huang Zhifeng as Deputy General Manager of the Company. The above resolutions were published on Securities Times and Hong Kong Commercial Daily on April 17, 1999.

The 1st meeting of the second Board of Directors of the Company was held on June 30, 1999. All of five directors attended the meeting, at which the following resolutions were examined and adopted: The Resolution Concerning Electing Mr. Guan Tongke as the Chairman of Board of Directors of the Company, the Resolution Concerning the Engagement of General Manager of the Company, the Resolution Concerning the Engagement of Deputy General Manager of the Company and the Resolution Concerning the Engagement of the Secretary of the Board of Directors the Company. The above resolutions were published on Securities Times and Hong Kong Commercial Daily on July 1, 1999.

The 2nd meeting of the second Board of Directors of the Company was held on August 13, 1999. All of five directors attended the meeting, at which the following resolutions were examined and adopted: the Resolution Concerning the Adoption of 99' Interim Report of the Company, the Resolution Concerning 99' Interim Profit Distribution Plan of the Company (the Company shall neither distribute 99' interim profit nor capitalize common reserve fund). The above resolutions were published on Securities Times and Hong Kong Commercial Daily on August 16, 1999.

The provisional meeting of the Board of Directors was held on September 30, 1999. 4 directors attended the meeting, at which the following resolutions were examined and adopted: the Resolution Concerning the Adoption of the Plan of Standardized Operation, Rectification and Reorganization and the Resolution Concerning the Cooperation with Lekai Co. The Company officially signed cooperation agreement on October 8, 1999. The above resolutions were published on Securities Times and Hong Kong Commercial Daily on October 11, 1999.

The 3rd meeting of the second Board of Directors of the Company was held on December 17, 1999. All of five directors attended the meeting, at which the following reports, plans and resolutions were examined and adopted: the Report of 99' Production and Operation of Company and Work Highlights of the Year 2000, Fulfillment of 99' Profit Target, 2000 Profit Plan and Financial Receipt and Expenditure Plan, the Resolution Concerning the Revision of the Articles of Association of the Company, the Resolution Concerning Adoption of Detailed Rules on Manager's Work and the Resolution Concerning the Establishment of Group Technical Development Center. The above resolutions were not published.

2. The implementation by the Board of Directors of the Resolutions of the Shareholders' General Meeting.

The Board of Directors duly implemented all resolutions of Shareholders' General Meeting in accordance with relevant provisions of the Company Law and the Articles of Association in the report period.

(VII) Particulars about Directors, Supervisors and Senior Executives

1. Particulars of directors, supervisors and senior executives

Name	Title	Sex	Age	Term of office	Quantity of shares held
Guan Tongke	Chairman of the Board of Directors & Party Committee Secretary	Male	52	From 1999	37200
Liu Junhou	Director & GM	Male	41	From 1999	0
Sun Furen	Director & Deputy Secretary of Party Committee	Male	56	From 1999	9360
Li Jingqiang	Director & Deputy GM	Male	47	From 1999	30000
Hua Yongshi	Director	Male	68	From 1999	3060
Lu Yitong	Chairman of Supervisory Committee	Male	56	From 1999	0
Guo Jianhua	Supervisor & Chairman of Trade Union	Female	44	From 1999	0
Feng Junbing	Supervisor	Male	37	From 1999	12000
Li Guoqiang	Supervisor (to be confirmed) & Financial Controller	Male	37	From 1999	0

The shares held by the directors, supervisors and senior executives of the Company did not change in the report period.

Division of the amount of the annual remuneration of the directors, supervisors and senior executives of the Company:

Annual remuneration of RMB 74,000: one person

Annual remuneration of RMB 60,000 – 70,000: 5 persons

Annual remuneration of RMB 50,000 – 60,000: 3 persons

Director Hua Yongshi and Supervisor (to be confirmed) Li Guoqiang did not receive remuneration from the Company

The change of the directors, supervisors and senior executives of the Company in the report period:

Name	Post	Reason of leaving
Zhang Yingxue	Chairman of Board of Directors & Party Committee Secretary	Retirement
Qiu Shenming	Supervisor of the first Supervisory Committee	Reelection
He Cailiang	Supervisor of the first Supervisory Committee	Reelection
Chen Lei	Supervisor of the second Supervisory Committee	Work transfer

The engagement or dismissal of the managers and secretary of the Board of Directors of the Company:

The Board of Directors engaged Mr. Liu Junhou as the General Manager, Mr. Li Jingqiang, Zhou Dadong and Huang Zhifeng as the Deputy General Managers and Mdm Chao Jing as the secretary of the Board of Directors of the Company.

(VIII) The Profit Distribution Preplan

As audited, the net profit of the Company in 1999 was RMB 20,822,263.94. As the year-beginning undistributed profit of the Company was RMB –114,520,232.99, the Board of Directors decided that the net profit of the Company in 1999, totaling RMB 20,822,263.93, would be fully utilized to cover the loss of the previous year in accordance with the provisions of the Company Law and the Articles of Association and that it would not capitalize common reserve fund. This profit distribution preplan shall be submitted to 99’

Shareholders' General Meeting for examination.

(IX) The newspapers selected by the Company for information disclosure are Securities Times and Hong Kong Commercial Daily.

VI. Report of the Supervisory Committee

In the report period, the 1st meeting of the second Supervisory Committee of the Company was held on June 30, 1999, at which Mr. Lu Yitong was elected as the Chairman of Supervisory Committee. The 3rd meeting of the second Supervisory Committee was held on August 10, 1999, at which the resolution concerning the replacement of Company's supervisors. The above resolutions were respectively published on Securities Times and Hong Kong Commercial Daily on July 1 and August 16, 1999.

In the report period, the Supervisory Committee duly performed duties and strengthened the supervision over the procedure of making important decisions and the main operating activities and financial conditions of the Company in accordance with the Company Law and the Articles of Association of the Company.

1. The operation of the Company according to law. The decision making procedure and operating activities of the Company in the report period complied with relevant policies, regulations and the Articles of Association of the Company. The directors and managers of the Company were devoted to their duties and honest and clean in performing their duties. No act that violated laws and regulations and harmed the interests of the Company and shareholders was found.

2. The financial status of the Company. The Company established and satisfactorily implemented sound financial system, whose financial statements were complete and true. The auditors' report issued by Shenzhen Dahua Certified Public Accountants in respect of 99' financials statements of the Company objectively and truly reflected the financial status and operating results of the Company.

3. The issue indicated in the auditors' report that the Company provided loan guarantee of RMB 94.45 million to Laiyingda Group Co., Ltd., another subsidiary of the Parent Company,

really existed. The management of the Company paid great attention to this guarantee and took corresponding measures. The Supervisory Committee thought that the loan guarantee might be exposed to risks and will pay most attention to this matter.

4. All related transactions of the Company in the report period were open and fair without harming the interests of the Company.

5. The Company transferred the stock right of the project of Pearl Building in Chengdu Sichuan to another shareholder in the report period. This transaction activated the assets kept long in stock and was made at reasonable price. No insider trading was found.

Ⅶ. Important Events

(I) Material lawsuits and arbitration

(1) Regarding the case that the Company paid RMB 10,600,272.72 as a result of providing loan guarantee to Shenzhen Gangwen Electronic Industrial Co., Ltd., the Company is negotiating with China Huawen Corporation that is the counter-guarantee party of the above company for the purpose of reaching an agreement. In case no agreement can be reached through negotiation, the Company plans to bring an action in the People' s Court.

(2) The case that the Company brought a lawsuit against Hong Kong Jiankang Development Co. for the arrears of RMB 5,371, 290.19 has been settled by Shenzhen Intermediate People' s Court after the first instance. Hong Kong Jiankang Development Co. According to the decision, Hong Kong Jiankang Development Co. was required to repay the arrears.

(3) The case that Shenzhen Textile and Light Industry Trading Co., a wholly-owned subsidiary of the Company, provided loan guarantee with an amount of RMB 3.5 million to Shenzhen Shenbao Textile and Light Industry Trading Co. has been settled. The former was required to assume the liability of guarantee. The case is now under a procedure of enforcement.

(II) The directors and senior executives of the Company observed laws and disciplines in the report period. There was no punishment imposed by supervision and administrative departments on them in the report period.

(III) In the report period, there was no change in the controlling shareholder. The Board of Directors was reelected. Mr. Guan Tongke, Liu Junhou, Sun Furen, Li Jingqiang and Hua Yongshi were elected as the directors of the second Board of Directors. Mr. Guan Tongke was elected as the chairman of the Board of Directors. The Board of Directors engaged Mr. Liu Junhou as the General Manager and Mdm Chao Jing as the secretary of the Board of Directors.

(IV) The Company and Hong Kong Dahong International Co., Ltd., the wholly-owned subsidiary of the Company, fully transferred the shares of Chengdu Pearl Building Co., Ltd. held by them with the value of RMB 31,456,896.64 to Sichuan Pearl Building Co. The Company has recovered the proceeds from the transfer specified in 99' Contract, which improved its cash flow.

(V) Material Related Transactions

The Company signed with Shenzhen Laiyingda Group Co., Ltd., a subsidiary of the Company's controlling shareholder, an agreement on mutual guarantee for loans with total amount of RMB 0.1 billion. As at December 31, 1999, the amount of the loan guarantee provided by the Company to Shenzhen Laiyingda Group Co., Ltd. was RMB 94.45 million.

Refer to the financial report for the details of other related transactions.

(VI) The Company and its controlling shareholder realized complete separation in personnel, assets and finances and respectively had independent personnel, complete assets and independent finances.

(VII) The Company neither took care of nor contracted nor leased the assets of other companies nor did other companies took care of, contract or lease the assets of the Company in the report period.

(VIII) The Company engaged Shenzhen Dahua Certified Public Accountants and Wu Zhi Kwok Certified Public Accountants as the auditing organs for the A shares and B shares of the Company in the report period.

(IX) In the report period, the Company signed Contract for the Establishment of Joint Venture Company Named Shenfang Lekai Photoelectron Materials Co., Ltd. with China Lekai Film (Group) Co. for operating the joint venture company through cooperation. The joint venture company is located in Shenzhen with registered capital of RMB 68 million. Its business scope: R&D and production of various polarized light products and materials and parts related to LCD, conducting technical and engineering consulting and service. The funds for the project have now completely available and the project is under construction preparation as planned.

(X) The Company did not change its name or the abbreviation of the stock name in the report period.

(XI) The Company implemented Accounting System for Joint Stock Company Limited from 1998 and provided relevant reserves in accordance therewith. Therefore, the financial status and operating results of the Company in 1999 was not influenced by the implementation of the Supplementary Regulations on the Accounting System of Joint Stock Company Limited in respect of Handling of Accounting Issues" issued by the Ministry of Finance.

Ⅷ. Financial Reports

Auditors' report (attached hereafter)

Ⅸ. Other Relevant Information of the Company

1. The date on which the Company made its first registration: August 1994

Registered Address: 6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen

2. Registration No. of Legal Entity Business License: 4403011013060

3. Tax Registration No.: 44030111001108

4. Organization holding the unlisted shares (shares held by senior executives) in trust: Shenzhen Securities Registration Co. Ltd.

5. The Certified Public Accountants engaged by the Company:

Shenzhen Dahua Certified Public Accountants

Address: Block C, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen

Wu Zhi Kwok Certified Public Accountants

Address: Rm 1, 8/F, New Xianli Building, No. 10, Xuechang Street, Central, Hong Kong.

X. Documents Available for Inspection

1. Financial statements bearing the seal and signature of legal representative, financial controller and accounting clerks.
3. The original of the auditors' report bearing the seal of the certified public accountants and the seal and signature of C.P.A.
4. The original of all Company's documents and the original manuscripts of announcements publicly disclosed on Hong Kong Commercial Daily and Securities Times in the report period.

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.
April 20, 2000

Enclosed: Auditors' Report

Shenzhen Textile (Holdings) Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China)

Auditors' report and financial statements for the year ended December 31, 1999

Shenzhen Textile (Holdings) Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China)

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Report of the auditors to the members of

Shenzhen Textile (Holdings) Co., Ltd.

(A joint stock limited company incorporated in the People's Republic of China)

We have audited the financial statements on pages 3 to 22 which have been prepared in accordance with International Accounting Standards.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

(to be cont'd)

Report of the auditors to the members of

Shenzhen Textile (Holdings) Co., Ltd.

(A joint stock limited company incorporated in the People's Republic of China)

(cont'd)

Qualified opinion

As described in note 16 to the financial statements, as at December 31, 1999, the Company had given guarantees to certain banks in favour of a fellow subsidiary, Shenzhen Lionda Holdings Co., Ltd. in respect of banking facilities amounting to approximately RMB94,450,000. As at December 31, 1999, this fellow subsidiary was in severe financial difficulties. It is probable that the Company would be liable for the liabilities arisen from the guarantees. No provision for this contingency loss has been made in the accompanying financial statements although International Accounting Standard No. 10 requires such a provision.

In our opinion, except for the effect of not providing for the contingency loss referred to in the preceding paragraph, the financial statements give a true and fair view of the state of the Group's affairs as at December 31, 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with International Accounting Standards.

K. C. Oh & Company
Certified Public Accountants

Hong Kong :

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated profit and loss account for the year ended December 31, 1999

	Notes	1999 RMB' 000	1998 RMB' 000
Turnover	3	208,260	150,541
Cost of sales		(149,808)	(104,238)
Gross profit		58,452	46,303
Selling, general and administrative expenses		(58,507)	(81,889)
Other operating incomes/(expenses), net		13,322	(103,697)
Investment income		11,194	12,646
Income from associates		3,025	1,796
Profit/(loss) before taxation	4	27,486	(124,841)
Taxation	5	(2,298)	(273)
Profit/(loss) after taxation		25,188	(125,114)
Minority interests		(2,020)	3,182
Net profit/(loss) for the year		23,168	(121,932)
Earnings/(loss) per share	6	RMB0.14	RMB(0.75)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated balance sheet as at December 31, 1999

	Notes	1999	1998
		RMB' 000	RMB' 000
Non-current assets			
Property, plant and equipment	7	161,825	158,990
Investment properties	8	101,372	101,372
Interests in associates	9	57,351	70,045
Long-term investments	10	77,643	62,146
Other non-current assets		22,731	12,854
		420,922	405,407
Current assets			
Cash and bank balances		118,675	64,338
Investment in securities	11	308	308
Accounts receivable, net	12	28,870	16,015
Inventories	13	43,106	38,574
Prepayments, deposits and others receivable, net	14	31,414	6,475
Other current assets		6,044	750
Total current assets		228,417	126,460
Total assets		649,339	531,867
Equity and liabilities			
Capital and reserves			
Share capital	15	163,416	163,416
Reserves	18	115,790	57,596
		279,206	221,012
Minority interests		13,225	10,092
Non-current liability			
Long-term loans	19	15,689	18,578
Current liabilities			
Short-term loans	19	207,470	185,361
Accounts payable		46,667	10,928
Others payable and accruals		68,244	67,058
Dividends payable	20	18,838	18,838
		341,219	282,185
Total equity and liabilities		649,339	531,867

The financial statements on pages 3 to 22 were approved by the board of directors on and are signed on its behalf by :

Director	**Director**

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended December 31, 1999

	Notes	1999 RMB' 000	1998 RMB' 000
Cash inflow from operating activities	(a)	142,796	23,939
Investing activities			
Additions in property, plant and machinery		(27,649)	(23,734)
Increase in interests in associates		(11,344)	(11,390)
Increase in long-term investments		(63,806)	(7,305)
Increase in other non-current assets		(14,196)	(5,030)
Net proceeds on disposal of property, plant and machinery		8,203	-
Net cash outflow from investing activities		(108,792)	(47,459)
Financing	(b)		
Net proceeds from/(repayments to) borrowings		19,220	(11,979)
Increase in minority interests		1,113	9,109
Net cash inflow/(outflow) from financing		20,333	(2,870)
Increase/(decrease) in cash and cash equivalents		54,337	(26,390)
Cash and cash equivalents as at beginning of the year		64,338	90,728
Cash and cash equivalents as at end of the year		118,675	64,338
Cash and cash equivalents as at end of the year are represented by :			
Cash and bank balances		118,675	64,338

(to be cont'd)

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated cash flow statement for the year ended December 31, 1999

(cont'd)

(a) Reconciliation of profit/(loss) before taxation to net cash inflow from operating activities	1999 RMB'000	1998 RMB'000
Profit/(loss) before taxation and minority interests	27,486	(124,841)
Adjustments for :		
Interest income	(1,600)	(2,025)
Interest expense	13,835	19,734
Amortisation	4,319	2,202
Depreciation	16,488	9,530
Loss on disposal of property, plant and equipment	123	3,486
Provision for permanent diminution in value/loss of		
- associates	27,063	58,305
- long-term investments	48,309	8,501
Provision for doubtful debts and bad debts written off	29,862	28,257
Provision for inventory obsolescence made/(reversed)	(2,467)	14,225
Loss on guarantees issued	-	24,678
Income from associates	(3,025)	(1,796)
	160,393	40,256
(Increase)/decrease in accounts receivable	(17,676)	145
Increase in inventories	(2,065)	(10,989)
(Increase)/decrease in prepayments, deposits and others receivable	(49,980)	8,342
(Increase)/decrease in other current assets	(5,294)	24,016
Increase/(decrease) in accounts payable and accruals	36,925	(19,849)
	122,303	41,921
Interest income	1,600	2,025
Interest expense	(13,835)	(19,734)
Income tax	(2,298)	(273)

Reversal of prior period effect for subsidiaries not consolidated (note 18)	35,026	-
Cash inflow from operating activities	142,796	23,939

(b) Cash flows from financing

	Loans payable RMB' 000	**Minority interests RMB' 000**
Balance as at beginning of the year	203,939	10,092
Cash inflow from financing	19,220	1,113
Minority interests' share of results	-	2,020
Balance as at end of the year	223,159	13,225

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 principal activity of the Company is investment holding and the principal activities of the subsidiaries and associates (which together with the Company comprise the "Group") are set out in note 22.

2. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standards ("IAS") as if those standards had been applied consistently throughout the year. This basis of accounting differs from the statutory accounts of the Group which are in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the PRC.

(b) Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries made up to December 31, 1999 and include the Group's attributable share of post-acquisition results of its associates. Results of subsidiaries and associates acquired or disposed of during the year are accounted for from or to their effective dates of acquisition or disposal, respectively. All significant intra-group transactions and balances are eliminated on consolidation.

(c) 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 and/or has the power to cast the majority of votes at meetings of the board of directors/management committee.

(d) Associates

An associate is a company, not being a subsidiary, in which the Company holds, directly or indirectly, not less than 20% or more than 50% equity interest as a long-term investment and is able to exercise significant influence on this company. Investment in associates is stated at cost plus the Group's share of post-acquisition reserves. Income from associates represents the Group's share of post-acquisition profits earned by the associates during the year.

2. Principal accounting policies (cont'd)

(e) Property, plant, 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 profit and loss account 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 capitalised 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 profit and loss account.

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.

The estimated useful lives of property, plant and equipment are as follows :

Leasehold land and buildings	35 to 40 years
Plant and machinery	10 years
Office equipment	8 years
Motor vehicles	8 years

Certain above assets are stated at valuation. Independent valuation is performed periodically with the last valuation performed in 1993. In the intervening years, the directors review the carrying value of these assets and adjustment is 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 realised in respect of previous valuation is released from the property valuation surplus and directly transferred to retained earnings.

2. Principal accounting policies (cont'd)

(f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their long-term investment potential.

Investment properties are stated at their open market value, on the basis of an annual valuation by professional qualified executives of the Company and by independent valuers periodically. Changes in the value of investment properties are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a reduction in the open market value on a portfolio basis, the excess is charged to the results of operations.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the property revaluation reserve to the results of operations as part of the profit and loss on disposal of the investment property.

No depreciation is provided on investment properties unless the unexpired lease term is 20 years or less, in which case depreciation is provided on their carrying value over the unexpired lease term.

(g) Investments

Investments, whether they are held on a long-term or a short-term basis, are stated at cost less provision for any permanent diminution in value considered necessary by the directors.

Income from investments is accounted for to the extent of dividends received or receivable.

(h) Inventories

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

(i) Intangible assets

Intangible assets, included in other non-current assets, comprise pre-operating expenses and deferred assets which are amortised on a straight line basis for a period from 3 to 10 years.

2. Principal accounting policies (cont'd)

(j) Revenue recognition

Sales of goods : Sales of goods are recognised when goods are delivered and title has passed to customers.

Rental income : Rental income from investment properties is recognised when the rental is due and receivable.

Hotel services income : Revenue from hotel services is recognised when services are rendered.

(k) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets. Capitalisation of such borrowing costs ceases when 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 borrowing costs capitalised.

(l) Foreign currency transactions

The PRC Group companies maintain their books and records in Renminbi. Foreign currency transactions are translated into Renminbi at the applicable rates of exchange prevailing at the first of January every year. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the applicable rates of exchange prevailing at the balance sheet date. Exchange differences arising from changes of exchange rates subsequent to the dates of transactions are included in the determination of the current year's results.

(m) Cash equivalents

Cash equivalents represent short-term highly liquid investments that have insignificant risk of changes in value.

(n) Taxation

The Group provides for taxation on the basis of its income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The PRC income tax rate is 33%. The PRC Group companies located in the Shenzhen Special Economic Zone are subject to an income tax rate of 15%.

3. Segment analysis of turnover, results and assets

The analyses of the Group's turnover, results and assets are as follows :

	1999 RMB'000	1998 RMB'000
Turnover		
Sales of goods	171,158	105,136
Rental income from investment properties	31,409	40,460
Hotel operations	5,693	4,945
	208,260	150,541
Gross profit		
Sales of goods	21,184	9,570
Rental income from investment properties	36,409	33,739
Hotel operations	859	2,994
	58,452	46,303
Net assets		
Sales of goods	261,305	203,010
Rental income from investment properties	8,575	8,691
Hotel operations	9,326	9,311
	279,206	221,012

All of the Group's turnover and operating results are derived in the PRC where all of its operating assets are located.

4. Profit/loss before taxation

	1999	1998
	RMB' 000	RMB' 000
The Group's profit/loss before taxation		
is arrived at after crediting :		
Exchange gain, net	102	-
Interest income on bank deposits	1,600	2,025
Reversal of provision for inventory obsolescence	2,467	-
And after charging :		
Amortisation	4,319	2,202
Depreciation	16,488	9,530
Exchange loss, net	-	683
Interest expense	13,835	19,734
Loss on disposal of property, plant and equipment	123	3,486
Loss on guarantees issued	-	24,678
Provision for doubtful debt and bad debts written off	29,862	28,257
Provision for inventory obsolescence	-	14,225
Provision for permanent diminution in value/loss of		
- associates	27,063	58,305
- long-term investments	48,309	8,501

5. Taxation

	1999	1998
	RMB' 000	RMB' 000
Income tax		
- Company and subsidiaries	1,300	273
- Associates	998	-
	2,298	273

6. Earnings/loss per share

Earnings/loss per share is calculated by dividing the profit for the year of RMB23,168,000 (1998 - loss of RMB121,932,000) attributable to shareholders by 163,416,000 shares which were in issue during the years concerned.

7. Property, plant and equipment

	Land and buildings RMB' 000	Plant and machinery RMB' 000	Office equipment RMB' 000	Motor vehicles RMB' 000	Total RMB' 000
Cost/valuation					
As at January 1, 1999	159,642	45,377	6,936	11,689	223,644
Additions	10,111	14,909	2,236	393	27,649
Disposals	(3,429)	(13,127)	(484)	(1,267)	(18,307)
As at December 31, 1999 (*)	166,324	47,159	8,688	10,815	232,986
Accumulated depreciation					
As at January 1, 1999	(26,966)	(29,290)	(3,298)	(5,100)	(64,654)
Charged for the year	(5,878)	(9,534)	(564)	(512)	(16,488)
Eliminated on disposals	896	7,911	244	930	9,981
As at December 31, 1999	(31,948)	(30,913)	(3,618)	(4,682)	(71,161)
Net book value					
As at December 31, 1999	134,376	16,246	5,070	6,133	161,825
As at December 31, 1998	132,676	16,087	3,638	6,589	158,990

(*) Representing

At cost	71,378	24,696	8,688	8,416	113,178
At revaluation	94,946	22,463	-	2,399	119,808
	166,324	47,159	8,688	10,815	232,986

Certain above assets of the Group were appraised by Zhonghua (Shekou) Certified Public Accountants, professional valuers in 1993. They were appraised on the open market basis and carried in the consolidated balance sheet at valuation. As a result of the appraisal, an increase in value of the Group's assets by approximately RMB44,294 ,000 as at December 31, 1994 was credited to property revaluation reserve. The directors were of the opinion that the carrying value of these revalued assets as at December 31, 1999 approximated the open market value since 1994.

8. Investment properties

Certain investment properties of the Group were appraised by Zhonghua (Shekou) Certified Public Accountants, professional valuers in 1993. These properties were appraised on the open market basis and carried in the consolidated balance sheet at valuation. As a result of the appraisal, an increase in value of the Group's investment properties by approximately RMB37,345,000 as at December 31, 1994 was credited to property revaluation reserve. The directors were of the opinion that the carrying value of the investment properties as at December 31, 1999 approximated the open market value since 1994.

9. Interests in associates

	1999 RMB'000	1998 RMB'000
Unlisted investments		
Share of net assets	79,994	87,839
Amounts due from associates	10,311	17,204
Amounts due to associates	(1,295)	(1,794)

	89,010	103,249
Provision for permanent diminution in value	(31,659)	(4,596)
Loss on investment in associates	-	(28,608)
	57,351	70,045

10. Long-term investments

	1999	1998
	RMB' 000	RMB' 000
"A" shares listed in the PRC, at cost	49,884	27,243
Investment in unconsolidated subsidiaries, at cost	33,105	31,619
Other unlisted equity investments, at cost	51,464	49,983
	134,453	108,845
Provision for permanent diminution in value	(56,810)	(8,501)
Loss on long-term investments	-	(38,198)
	77,643	62,146

Certain subsidiaries of the Group were excluded from consolidation because they were either dormant or held temporarily by the Company with a view to their subsequent disposal in the near future. In the opinion of the directors, their exclusion form consolidation would not have a material impact on the overall presentation of the financial statements of the Group as a whole.

11. Investment in securities

	1999 RMB' 000	1998 RMB' 000
Marketable securities, at cost	402	402
Debentures, at cost	104	104
	506	506
Provision for diminution in value	(198)	(198)
	308	308

12. Accounts receivable, net

	1999 RMB' 000	1998 RMB' 000
Accounts receivable	38,102	20,426
Provision for doubtful debts	(9,232)	(4,411)
	28,870	16,015

13. Inventories

	1999 RMB' 000	1998 RMB' 000
Raw materials	8,875	10,272
Work in progress	3,121	1,649
Finished goods	44,168	42,178
	56,164	54,099

Provision for inventory obsolescence	(13,058)	(15,525)
	43,106	38,574

14. Prepayments, deposits and others receivable, net

	1999	**1998**
	RMB' 000	**RMB' 000**
Prepayments, deposits and others receivable	78,189	28,209
Provision for doubtful debts	(46,775)	(21,734)
	31,414	6,475

15. Share capital

	1999 RMB'000	1998 RMB'000
Registered, issued and fully paid, at par value of RMB1 each		
108,332,000 (1998 -108,332,000) domestic shares	108,332	108,332
22,084,000 (1998 - 22,084,000) "A" shares	22,084	22,084
33,000,000 (1998 - 33,000,000) "B" shares	33,000	33,000
	163,416	163,416

16. Contingent liabilities

As at December 31, 1999, the Group had the following contingent liabilities :

	1999 RMB'000	1998 RMB'000
Guarantees to bankers in favour of :		
- A fellow subsidiary	100,000	100,000
- An associate	3,300	-
- A related party	1,500	7,000
	104,800	107,000

The Company has given guarantees to certain banks in favour of a fellow subsidiary, Shenzhen Lionda Holdings Co., Ltd. in respect of banking facilities amounting to RMB100,000,000 of which

RMB94,450,000 had been utilised. As at December 31, 1999, this fellow subsidiary was in financial difficulties and the Group had no information available to reasonably determine as to whether the Group would have any ultimate obligations under these guarantees. Accordingly, no provision for this contingency loss has been made.

17. Pledge of assets

As at December 31, 1999, the Group had pledged its building with a net book value of RMB172,372,000 to banks to secure general banking facilities.

18. Reserves

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Property revaluation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at beginning of the year	69,685	4,951	13,636	81,639	(112,315)	57,596
Profit for the year	-	-	-	-	23,168	23,168
Reversal of prior period effect	-	-	-	-	35,026	35,026
As at end of the year	69,685	4,951	13,636	81,639	(54,121)	115,790

According to the Company's Articles of Association and the PRC's relevant laws and policies, the Company is required to make a transfer at the rate of 10% from the profit after taxation, determined in accordance with the PRC accounting standards, of the Company to the statutory surplus reserve until the reserve balance has reached 50% of the registered capital of the Company. The Company is also required to transfer 5% to 10% from the profit after taxation to the statutory public welfare fund.

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

- i the statutory surplus reserve may be used to make up loss; and
- ii a reserve 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 new increased registered capital.

The statutory public welfare fund shall only be applied for the collective welfare of the Company's employees; and upon utilisation, an amount equal to expenditure spent on the collective staff welfare shall be transferred from the statutory public welfare fund to discretionary surplus reserve.

Prior to making up the Company's loss and the relevant appropriations to the statutory surplus reserve and the statutory public welfare fund, no dividend may be paid.

19. Short-term and long-term loans

	1999 RMB'000	1998 RMB'000
Bank loans	207,470	182,861
Other loans	15,689	21,078
	223,159	203,939
Portion classified as current liabilities	(207,470)	(185,361)
Long-term portion	15,689	18,578

The bank loans bear interest at various rates ranging form 5.36% to 6.34% per annum.

The Group's properties and investment properties are pledged for bank loans with an aggregate sum of RMB207,470,000 (1998 - RMB140,670,000). The details of other loans are as follows :

Guarantee	Interest rate	Maturity date	RMB'000
Guaranteed	0.8025% p.a.	April 13, 2000	5,000
Guaranteed	0.6280% p.a.	June 25, 1995	3,261
Un-guaranteed	interest fee	no fixed repayment terms	7,428
			15,699

20. Dividends payable

Dividends are payable to the Company's certain shareholders which have agreed not to demand for the payments until the Company has sufficient financial capability.

21. Related party transactions

Sales : During the year, the Group sold inventories of RMB20,060,000 (1998 - RMB4,407,000) to an associate.

Purchases : During the year, the Group purchased inventories of RMB10,654,000 (1998 - RMB1,141,000) from an associate.

Guarantees : As at December 31, 1999, the Group had guarantees on banking facilities of RMB94,450,000 which were utilised by a group company.

22. Principal subsidiaries and associates

The details of the principal subsidiaries are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activity
Hong Kong Dahong International Co., Ltd.	Hong Kong	100%	Import and export trading*
Shenfang Building Estate Management Co.	PRC	100%	Property management
Shenzhen Dahong Textile Co., Ltd.	PRC	100%	Manufacturing and trading of textile products*
Shenzhen Fangzhi Baoshui Trading Co.	PRC	100%	Warehouse service*
Shenzhen Feng Sheng Garments Co., Ltd.	PRC	100%	Manufacturing of clothing
Shenzhen Goldland Decorative Co. Ltd.	PRC	100%	Manufacturing of bedding and decorating products
Shenzhen Huaqiang Hotel	PRC	100%	Hotel operations and management
Shenzhen Jing Guang	PRC	100%	Manufacturing and trading

Shoes and Hose Co., Ltd.

of shoes and socks

Shenzhen Lifeng Jeineng PRC 100%

Manufacturing of energy Equipment Co.,

Ltd. saving

equipment*

Shenzhen Light & Textile PRC 100%

Import and export*

Industry & Trading Co.

22. Principal subsidiaries and associates (cont'd)

The details of the principal subsidiaries are as follows : (cont'd)

Name	Place of establishment/ operation	Attributable equity interest	Principal activity
Shenzhen Lisi Industrial & Development Co., Ltd.	PRC	100%	Material supplies
Shenzhen Risen Textile Technology Development Co., Ltd.	PRC	100%	Manufacturing of dyeing materials
Shenzhen Textile (Holding) Moscow Diana Co., Ltd.	Moscow	100%	Trading*
Shenzhen Textile Industry Import & Export Co.	PRC	100%	Import and export
Shenzhen Fenghua Zhi Dai Chang Co., Ltd.	PRC	75%	Manufacturing of fasteners
Shenzhen Shengbo Bian Guang Qi Jian Co., Ltd.	PRC	75%	Manufacturing of digital monitor and relevant consumables and parts*
Shenzhen Zhong Xing Fibre Products Co., Ltd.	PRC	75%	Manufacturing and trading of fibre

products

Shenzhen Lianaoni PRC 51% Trading of textile

Trading Co., Ltd. materials, products and

garments*

Jiangxi Suanli Thread PRC 50.1%

Manufacturing and trading

Co., Ltd. of synthetic fibre threads

Hong Kong Ye Hui International Co., Ltd.	Hong Kong	35%	Trading

* Not required to be consolidated as the company has ceased the business or is under liquidation

22. Principal subsidiaries and associates (cont'd)

The details of the principal associates are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activity
Shenzhen China East Electronics Co. Ltd.	PRC	50%	Manufacturing of electronic toys
Shenzhen Label Weaving Factory Co., Ltd.	PRC	50%	Manufacturing and trading of label tags
Shenzhen Tianlong Industrial and Trading Co.	PRC	50%	Manufacturing and trading of health balls, pickled dates, and textile related products
Shenzhen Xieli Automobile Co., Ltd.	PRC	50%	Motor vehicle repair and maintenance services
Mirage (Sampan) Co., Ltd.	Commonwealth of Northern Mariana Islands	35%	Manufacturing and trading of knitting apparel
Longwell Development Printing and Dyeing Co. Ltd.	PRC	30%	Processing of corduroy
Shenzhen Top Form Underwear Co. Ltd.	PRC	30%	Manufacturing and trading of lady knitting apparel
Shenzhen Zhong Guang Textile Equipment Co., Ltd.	PRC	22.7%	Textile equipment
Shenzhen Hualian Fangzhi (Holding) Co., Ltd.	PRC	20%	Investment holding

Shenzhen Shen Hu Textile Co., Ltd.	PRC	20%	Textile products

Note : Certain company names are direct translation of their Chinese registered names

23. Ultimate holding company

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

24. Impact of IAS adjustments on profit/(loss) attributable to shareholders

	1999 RMB' 000	1998 RMB' 000
As reported by PRC Certified Public Accountants	20,822	(119,191)
Adjustments to conform to IAS :		
Write-back of over-provided depreciation	2,346	2,346
Reversal of sales of property recognised in prior years	-	(3,743)
Others	-	(1,344)
As restated in conformity with IAS	23,168	(121,932)

25. Impact of IAS adjustments on net assets

	1999 RMB' 000	1998 RMB' 000
As reported by PRC Certified Public Accountants	256,130	233,530
Adjustments to conform to IAS :		
Reversal of revaluation surplus on long-term investments and associates	-	(23,325)
Write-back of over-provided depreciation	8,760	6,414
Others	14,316	4,393
As restated in conformity with IAS	279,206	221,012

26. Comparative figures

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