

#### **IMPORTANT NOTE**

**The Board and the Directors of the Company confirm that there are no misrepresentation, misleading statements or material omission in this report and shall be jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this report. The report has been reviewed and approved by the Board of Directors Meeting of the Company where a Director of the Company, Mr. Liu Haitao, appointed in writing the chairman, Mr. Zhang Jie to attend the said meeting on his behalf.**

**The 2002 interim financial report of the Group has not been audited.**

**The report is prepared in both Chinese and English. If there is any discrepancy between the two versions, the Chinese version shall prevail.**

## Chapter I Corporate Information

### I. COMPANY PROFILE

1. Legal name of the Company : 經緯紡織機械股份有限公司  
English name of the Company : Jingwei Textile Machinery Company Limited
2. Legal representative of the Company : Zhang Jie
3. Company secretary to the Board : Ye Xuehua  
Telephone : 8610 84534078-8188  
E-mail address : yxh@jwgf.com  
Stock representative : Qiu Lin  
Telephone : 8610 84534081-8501  
E-mail address : ql@jwgf.com  
Correspondence address : 701, First Shanghai Centre  
39 Liangmaqiao Road  
Chaoyang District  
Beijing, PRC  
Post code : 100016  
Facsimile : 8610 84534135
4. Registered address of the Company : 15 Wucheng Road, Taiyuan  
Shanxi Province, PRC  
Business address of the Company : 701, First Shanghai Centre  
39 Liangmaqiao Road  
Chaoyang District  
Beijing, PRC  
Postal Code : 100016  
Worldwide website : <http://www.jwgf.com>  
E-mail address : [jwgf@jwgf.com](mailto:jwgf@jwgf.com)
5. Newspapers for company information disclosure  
PRC : Securities Times  
Hong Kong : Wen Wei Po (Chinese), The Standard (English)  
Website for publication of interim report : <http://www.cninfo.com.cn>  
Place for inspection of interim report : Secretariat of the Board
6. Stock exchanges on which shares of the Company are listed and stock codes  
A Shares Listed on : Shenzhen Stock Exchange  
Stock Name : Jingwei Textile Machinery  
Stock Code : 000666  
H Shares Listed on : The Stock Exchange of Hong Kong Limited  
Stock Name : Jingwei Textile Machinery  
Stock Code : 0350

**II. KEY FINANCIAL DATA AND INDICATORS****1. Prepared in accordance with the PRC Accounting Principles and Regulations**

Items	Jan-Jun 2002	Jan-Jun 2001
	RMB (unaudited)	RMB (unaudited)
Net Profit	48,698,355	90,487,841
Net Profit after extraordinary items	47,557,783	89,940,503
Earnings per share	0.08	0.15
Return on net assets (%)		
– fully diluted	2.19	4.15
– weighted average	2.21	4.24
Net cashflow from operating activities per share	(0.02)	(0.03)
	30th Jun 2002	31st Dec 2001
	RMB (unaudited)	RMB (audited)
Shareholders' equity	2,224,185,244	2,175,492,270
Net assets per share	3.68	3.60
Adjusted net assets per share	3.54	3.51

After deducting extraordinary items and related amounts:

	Jan-Jun 2002	Jan-Jun 2001
	RMB (unaudited)	RMB (unaudited)
Equity investment difference	310,678	310,678
Amortization of price difference on consolidation of net assets of subsidiaries	–	213,946
Subsidiary income	284,655	–
Non-operating net income	746,516	104,815
Effect of income tax	(201,277)	(82,101)
Total	<u>1,140,572</u>	<u>547,338</u>

**2. Schedule to Profit and Loss Account prepared in accordance with the Information Disclosure Compilation Rules (No. 9) of the China Securities Regulatory Commission (the "CSRC")**

Profit for the reporting period	Return on net assets (%)				Earnings per Share (RMB)			
	Fully diluted		Weighted average		Fully diluted		Weighted average	
	Jan-Jun 2002	Jan-Jun 2001	Jan-Jun 2002	Jan-Jun 2001	Jan-Jun 2002	Jan-Jun 2001	Jan-Jun 2002	Jan-Jun 2001
Profit from principal activities	10.01	11.01	10.12	11.25	0.37	0.40	0.37	0.40
Operating profit	2.61	4.68	2.64	4.78	0.10	0.17	0.10	0.17
Net profit	2.19	4.15	2.21	4.24	0.08	0.15	0.08	0.15
Net profit after extraordinary items	2.14	4.13	2.16	4.21	0.08	0.15	0.08	0.15

**3. Financial information prepared in accordance with the accounting principles generally accepted in Hong Kong**

**Consolidated Profit and Loss Account (Unaudited)**

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	1,097,772	1,234,290
Cost of sales	<u>(870,456)</u>	<u>(991,074)</u>
Gross profit	227,316	243,216
Other revenues	19,585	2,340
Distribution expenses	(35,876)	(26,785)
Administrative expenses	(131,373)	(112,306)
Other operating expenses, net	<u>(2,232)</u>	<u>(41,101)</u>
Operating profit	77,420	65,364
Net interest expenses	(19,141)	(3,263)
Share of profits less losses of associated companies	<u>120</u>	<u>296</u>
Profit before taxation	58,399	62,397
Taxation	<u>(9,506)</u>	<u>(11,145)</u>
Profit after taxation	48,893	51,252
Minority interests	<u>(255)</u>	<u>(664)</u>
Profit attributable to shareholders	<u><u>48,638</u></u>	<u><u>50,588</u></u>
	<i>RMB</i>	<i>RMB</i>
Basic earnings per share	<u><u>0.08</u></u>	<u><u>0.08</u></u>



4. The following illustrates the differences in profit attributable to shareholders for the six months ended 30th June 2002 and net assets as at 30th June 2002 as calculated in accordance with the PRC Accounting Principles and Regulations (“PRC GAAP”) and the accounting principles generally accepted in Hong Kong (“HK GAAP”):

	Profit attributable to shareholders		Net assets	
	Group Jan-Jun 2002 RMB'000 (unaudited)	Company Jan-Jun 2002 RMB'000 (unaudited)	Group 30th Jun 2002 RMB'000 (unaudited)	Company 30th Jun 2002 RMB'000 (unaudited)
Prepared in accordance with PRC GAAP	48,698	48,388	2,224,185	2,222,442
Equity accounting for the results/reserves of subsidiaries under the PRC GAAP	–	(24,482)	–	(116,684)
Amortisation of negative goodwill not allowed under HK GAAP	–	–	(3,731)	(3,731)
Revaluation surplus on land use rights under PRC GAAP	–	–	(4,200)	(4,200)
Revaluation surplus on investment properties under HK GAAP	–	–	17,705	17,705
Adjustment for amortisation of revaluation surplus on land use rights under PRC GAAP	51	–	529	–
Capital reserve arising on consolidation under HK GAAP	–	–	9,946	–
Amortisation of long term stock investment difference over ten years under PRC GAAP	(311)	–	(1,632)	–
Others	200	–	2	–
Prepared in accordance with HK GAAP	<u>48,638</u>	<u>23,906</u>	<u>2,242,804</u>	<u>2,115,532</u>

## Chapter II Movements in Share Capital and Shareholdings of Substantial Shareholders

### I. MOVEMENTS IN SHARE CAPITAL

There have been no changes in the total number of shares and capital structure of the Company during the reporting period.

### II. TOTAL NUMBER OF SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

The number of the registered shareholders as at the end of the reporting period was 102,694, of which 102,622 are shareholders of A shares and 72 are shareholders of H shares.

### III. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June 2002, the ten largest registered shareholders of the Company are as follows:

Name of shareholder	Type	Number of shares held	Percentage of total share capital (%)
China National Textile Machinery (Group) Company Limited	A Shares	220,000,000	36.44
HKSCC Nominees Limited	H Shares	177,763,999	29.44
海通證券股份有限公司	A Shares	4,174,550	0.69
開元證券投資基金	A Shares	3,111,552	0.52
鴻陽證券投資基金	A Shares	2,116,116	0.35
天華證券投資基金	A Shares	1,550,000	0.26
上海技術產權交易所	A Shares	1,463,966	0.24
南方穩健成長證券投資基金	A Shares	1,333,603	0.22
河北三龍企業管理諮詢有限公司	A Shares	1,036,600	0.172
青島弘駿汽車銷售有限公司	A Shares	1,035,000	0.171

*Notes:*

- 1) The H Shares registered in the name of HKSCC Nominees Limited as at 30th June 2002 were held by HKSCC Nominees Limited on behalf of its various clients and none of them held 5% or more interest in the Company's H Shares in issue.
- 2) There was no change in the shareholding held by China National Textile Machinery (Group) Company Limited during the period and none of these shares were under pledge, frozen or held in trust.
- 3) Of the ten largest shareholders of the Company, the shares held by China National Textile Machinery (Group) Company Limited are state-owned corporate shares which are unlisted and not traded in the market, whereas the shares held by the other nine general public shareholders are listed shares traded in the market. Among the ten largest shareholders of the Company, the shareholder of the state-owned corporate shares and the other general public shareholders are not related, however, it is not known if the general public shareholders are related among themselves.



## Chapter III Directors, Supervisors, Senior Management and Staff

### I. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE PERIOD

Name	Position	Term of office	No. of Shares as at 1 January 2002	No. of Shares as at 30 June 2002
Lu Yunliang	Chairman	15/8/2001-23/5/2002	–	–
Zhang Jie	Chairman	23/5/2002-15/8/2004	–	–
Fan Xinmin	Vice-chairman	15/8/2001-15/8/2004	–	–
Liu Hong	Director	15/8/2001-15/8/2004	–	–
Li Shaoping	Director	15/8/2001-23/5/2002	–	–
Pan Shunqun	Director	23/5/2002-15/8/2004	–	–
Ye Maoxin	Director and General Manager	15/8/2001-15/8/2004	10,214	10,214
Yao Yuming	Director, Deputy Managing Director and Financial Director	15/8/2001-15/8/2004	9,200	9,200
Liu Haitao	Director	15/8/2001-15/8/2004	–	–
Gong Enqing	Director	15/8/2001-15/8/2004	–	–
Liu Xianming	Director	15/8/2001-15/8/2004	–	–
Zhang Jianguo	Director	15/8/2001-15/8/2004	–	–
Wang Weizhi	Director	15/8/2001-15/8/2004	–	–
Wang Zengjing	Director	15/8/2001-15/8/2004	–	–
Kon Hiu King	Director	15/8/2001-15/8/2004	–	–
Yin Shouen	Chairman of the supervisory committee	15/8/2001-15/8/2004	–	–
Liu Shitong	Vice-chairman of the supervisory committee	15/8/2001-23/5/2002	12,800	12,800
Tu Kelin	Supervisor	15/8/2001-15/8/2004	–	–
Yan Fuquan	Supervisor	15/8/2001-15/8/2004	–	–
Wu Manju	Supervisor	15/8/2001-15/8/2004	–	–
Zhao Wenjie	Supervisor	15/8/2001-15/8/2004	–	–
Bao Weiguo	Supervisor	15/8/2001-15/8/2004	–	–
Lin Jianwang	Deputy General Manager		–	–
Shu Hong	Deputy General Manager		–	–
Zhang Qingxi	Deputy General Manager		2,370	2,370
Ye Xuehua	Company Secretary		–	–

There have been no changes in the shareholding of the directors, supervisors and senior management during the period. Except as disclosed above, none of the directors, supervisors and their respective spouses or children under the age of 18 had any interest in the shares, bonds or other securities of the Company or its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance), nor had any of them been granted or exercised any rights to subscribe for any interest in the shares capital which are required to be entered in the register established and maintained in accordance with section 29 of the Securities (Disclosure of Interests) Ordinance or debt securities of the Company or any of its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance).

### II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE PERIOD

Due to changes in their work portfolio, approvals were given resignations of Mr Lu Yunliang, Mr Li Shaoping and Mr Liu Shitong as the Chairman, Director and Supervisor of the Company respectively were approved at the 2001 Annual General Meeting of Shareholders held on 23rd May 2002. Mr Zhang Jie and Mr Pan Shunqun were appointed as Directors of the Company and Mr Zhang Jie was also appointed as the Chairman of the Company by the third session of the Board of Directors at its eighth meeting.

### III. STAFF

As at 30th June 2002, the Group had 12,508 staff (as at 31st December 2001: 9,323). For the six months ended 30th June 2002, total staff cost of the Group amounted to RMB93.240 million (corresponding period in 2001: RMB85.681 million). Wage level was determined based on the individual performance of the staff.

## Chapter IV Management Discussion and Analysis

### I. OPERATING RESULTS AND FINANCIAL ANALYSIS

#### 1. Operating Results

In the period under review, owing to the downward trend of the product prices of the PRC textile machinery, coupled with the intense competition in both the domestic and overseas markets, profits of the Group declined as compared with the same period of the previous year. Nevertheless, the Group has made certain achievements regarding the business objectives for the year 2002 by modifying its business structure, product structure and organization structure, better utilizing its working capital, enhancing resource allocation, strengthening management, monitoring quality control strictly and opening up both the domestic and overseas markets aggressively.

As stated in the financial statements prepared in accordance with HK GAAP, as at 30th June 2002, cash and bank balances of the Group was approximately RMB1,059.542 million (as at 31st December 2001: RMB1,329.574 million). Total borrowings of the Group amounted to approximately RMB815.174 million (as at 31st December 2001: RMB816.633 million), comprising long term bank loans of approximately RMB119.029 million (as at 31st December 2001: RMB122.663 million), and short term bank loans of approximately RMB696.145 million (as at 31st December 2001: RMB693.970 million).

Properties of the Group with a carrying value of RMB73.326 million and machines of the Group with a carrying value of RMB115.488 million were pledged as security of the Group's bank loan.

The gearing ratio (total long term liabilities/net assets) of the Group as at 30th June 2002 was 5.3% (as at 31st December 2001: 5.5%).

The Group's business transactions, assets and liabilities are mainly denominated in Renminbi. The Group does not engage in foreign currency speculative activities.

As stated in the financial report prepared in accordance with the PRC GAAP for the period under review, revenue from principal activities of the Group amounted to RMB1,097.772 million, representing a decrease of 11.06% over the corresponding period in last year. Profit from principal activities amounted to RMB222.591 million, representing a decrease of 7.25% over the corresponding period in last year.

of which:

Revenue from principal activities of the Company amounted to RMB454.95 million, representing an increase of 2.15% over the corresponding period in last year while its profit from principal activities amounted to RMB77.96 million, representing a decrease of 18.12% over the corresponding period in last year.

Subsidiaries: Revenue from principal activities of Zhengzhou Hongda New Textile Machinery Company Limited amounted to RMB136.858 million while profit from principal activities amounted to RMB19.381 million.

Revenue from principal activities of Qingdao Hongda Textile Machinery Company Limited amounted to RMB271.969 million while profit from principal activities amounted to RMB56.522 million.

Revenue from principal activities of Shenyang Hongda Textile Machinery Company Limited amounted to RMB60.144 million while profit from principal activities amounted to RMB12.068 million.

Revenue from principal activities of Tianjin Hongda Textile Machinery Company Limited amounted to RMB87.519 million while profit from principal activities amounted to RMB18.58 million.

Revenue from principal activities of Yichang Textile Machinery Company Limited amounted to RMB20.058 million while profit from principal activities amounted to RMB6.865 million.

Revenue from principal activities of Changde Hongda Textile Machinery Company Limited amounted to RMB52.008 million while profit from principal activities amounted to RMB19.626 million.



**2) Financial Position (under the PRC GAAP)**

Reasons for fluctuations in major accounting items (unit: RMB'000)

Indicator	30th June 2002	31st December 2001	Increase/ (decrease) changes	Increase/ (decrease) changes
			+ / (-)	(%)
Total assets	4,636,357	4,012,056	624,301	15.56
Accounts receivable	722,867	483,917	238,950	49.38
Net inventory	1,091,984	885,566	206,418	23.31
Net long term investment	62,456	60,521	1,935	3.20
Total fixed assets	1,084,289	879,195	205,094	23.33
Long term liabilities	44,661	93,075	(48,414)	(52.02)
Shareholders' equity	2,224,185	2,175,492	48,693	2.24
Indicator	Six months ended 30th June 2002	Six months ended 30th June 2001	Increase/ (decrease) changes	Increase/ (decrease) changes
			+ / (-)	(%)
Profit from principal activities	222,591	239,993	(17,402)	(7.25)
Net profit	48,698	90,488	(41,790)	(46.18)

Reasons for the above changes:

Increases in total assets, accounts receivable and net inventory are attributed to the acquisition of Changde Textile Machinery Company Limited and Yichang Textile Machinery Company Limited.

Decrease in long term liabilities is attributed to the reclassification of long term liabilities due within one year.

Increase in net long term investment is attributed to new investments in joint ventures by the subsidiaries of the Company.

Increase in fixed assets is attributed to the acquisition of Changde Textile Machinery Company Limited, Yichang Textile Machinery Company Limited and the Company and its subsidiaries Zhengzhou Hongda New Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited and Tianjin Hongda Textile Machinery Company Limited for the acquisition of the fixed assets of Jingwei Machinery (Group) Company Limited, Zhengzhou Textile Machinery Factory, Qingdao Textile Machinery Factory, Shenyang Textile Machinery Factory and Tianjin Textile Machinery Factory.

Increase in shareholders' equity is attributed to the increase in profits during the current period.

Decrease in profit from principal activities is caused by revenue decline as a result of down-sizing of the textile industry for the period.

Decrease in net profit is caused by profit shrinkage from principal activities, expansion of the scope of consolidation and increase in expenses for the period.

**II. OPERATIONS IN THE REPORTING PERIOD**

The Company is one of the largest textile machinery manufacturers in the PRC. It is principally engaged in the manufacture and sale of textile machinery and components and parts.

During the reporting period, revenue derived from principal operations in the domestic market in PRC amounted to RMB957.704 million and cost amounted to RMB757.200 million. Revenue from principal operations for overseas markets amounted to RMB140.068 million and cost amounted to RMB113.256 million.

### III. INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD

#### 1. Use of proceeds from the issue of shares during the reporting period

The Company issued 180,000,000 additional A Shares in May 2000 and the net proceeds raised was RMB1,234.8 million after deducting the expense relating to the issue. In the period under review, the Company utilized the proceeds as set out in the prospectus. A total of RMB193,587,000 was invested and the details are as follows:

RMB8,494,000 for investing in a new complete set of cotton yarn textile equipment;

RMB439,000 for the development of new shuttleless loom project;

RMB9,779,000 for investing in the CIMS project;

RMB52,000,000 for investing in the state project of localization of the production of major technological equipment;

RMB80 million for the acquisition of equity interests in Yichang Textile Machinery Company Limited and Changde Textile Machinery Company Limited;

RMB25.875 million has been utilized by the Company and its subsidiaries Zhengzhou Hongda New Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited and Tianjin Hongda Textile Machinery Company Limited for the acquisition of the fixed assets of Jingwei Machinery (Group) Company Limited, Zhengzhou Textile Machinery, Qingdao Textile Machinery Factory, Shenyang Textile Machinery Factory and Tianjin Textile Machinery Factory;

RMB17 million for additional working capital.

As at 30th June 2002, RMB334.183 million raised by the Company which has not been utilized, has been deposited in the bank. To make the best use of the fund raised, the Company will utilize the fund in phases with respect to the actual progress of the projects.

#### 2. Significant investments utilized proceeds not related to the issue of shares proceeds

There was no significant investments were made, which was not utilized proceeds from the issue of shares during the reporting period.

### IV. COMPARISON BETWEEN ACTUAL OPERATING RESULTS AND BUDGET FOR THE PERIOD

In the reporting period, the quantity of textile machinery products imported saw a considerable increase, which in turn brought about certain impacts on the demand of domestic produced products. Meanwhile, there was still a discrepancy between the technological standard of textile machinery in PRC and that in overseas countries, thus the need for upgrading the development in the textiles industry was not satisfied. Competition from imported textile machinery affected the PRC market causing a general price cut in the existing products of the Company. In view of the tough market competition, the operating system of “more spinning, more weaving and diversified developments” was enhanced by more efficient use of working capital and expansion of business scope. Management integration was achieved by more intensive operations in the Company through restructuring of production and integration of internal resources. Product development was enhanced, production organization and management were improved, and product restructuring was basically completed, most of the products were able to satisfy the market demand and in some cases, some products were even in short supply.

### V. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR

In the second half of the year, the Company will continue to implement the business plans disclosed in the Annual Report 2001, build up the operating system of “more spinning, more weaving and diversified developments”, accelerate the restructuring process, expand the mix of products to grasp the opportunities arising from the participation in the 2002 Beijing International Textile Machinery Exhibition and to take advantage of the Company’s complete set of cotton yarn textile equipment to launch new market-oriented textile machinery products as soon as possible for marketing promotions and expansion of market share.

## Chapter V Significant Events

- I. The Board of Directors of the Company has resolved not to recommend the payment of interim dividend for the period ended 30th June 2002 and no surplus reserves would be capitalised.

### II. CORPORATE GOVERNANCE

The Company is operated according to the relevant requirements and rules of the modern corporate governance system, ensuring production operation and capital utilization of the Company are well managed. During the reporting period, the Company has formulated the “Rules of Board of Directors Meeting” and the “Rules of Supervisory Board Meeting”. The Board of Directors has studied and implemented the guidelines contained in the “Notice of establishing modern corporate governance system for listed companies from China Securities Regulatory Commission and State Economic & Trade Commission” and have completed the “Self examination report on the establishment of modern corporate governance system for listed companies”.

### III. IMPLEMENTATION OF PROFIT DISTRIBUTION PROPOSAL FOR THE PREVIOUS YEAR

At the Annual General Meeting 2001 held on 23rd May 2002, the profit distribution proposal for 2001 was passed. According to the PRC accounting rules and regulations, realized net profit of the Company in 2001 amounted to RMB122.204 million. 10% of the net profit, amounting to RMB12.22 million was transferred to the statutory surplus reserve and another 10%, amounting to RMB12.22 million was transferred to the statutory welfare fund in accordance with the Articles of Association of the Company. The balance of the profit available for distribution amounted to RMB97.764 million, together with the undistributed profit of RMB135.721 million available at the beginning of the year, total profits available for distribution to shareholders amounted to RMB233.485 million. A final dividend of RMB0.06 (inclusive of tax) per share was proposed, amounting to RMB36.228 million in total. The balance of undistributed profit amounted to RMB197.257 million was to be carried forward to the following year. The said profit distribution was completed on 18th July 2002.

### IV. LITIGATION AND ARBITRATIONS

During the reporting period, the Company was not involved in any material litigation or arbitration nor any ongoing prior material litigation and arbitration.

### V. ACQUISITIONS, INVESTMENTS AND DISPOSALS

Progress of the acquisitions, investments and disposals (details of which were published in China Securities Post and Securities Times in PRC and Wen Wei Po and The Standard in Hong Kong on 7th February and 13th March 2002 as well as in the internet website: <http://www.cninfo.com.cn>) approved by the extraordinary general meeting on 28th March 2002 are as follows:

1. Regarding the acquisition of 95% equity interest of Changde Textile Machinery Company Limited by the Company from its holding company China Textile Machinery (Group) Company Limited, the Company has fully paid the consideration of RMB47.88 million and completed the changes in the business registration in April 2002. Regarding the acquisition of 64.38% equity interest of Yichang Textile Machinery Company Limited from its holding company China Textile Machinery (Group) Company Limited, the Company has paid RMB32.12 million of the acquisition price and is in the progress of changing the business registration. The balance of RMB8.028 million will be paid upon the completion of the changes in the business registration. The acquisition has increased revenue from principal operations and net profit of the Company by RMB64.72 million and RMB4.239 million respectively.
2. Regarding the acquisition of the fixed assets of each of Jingwei Machinery (Group) Company Limited, Zhengzhou Textile Machinery Factory, Qingdao Textile Machinery Factory, Shenyang Textile Machinery Factory and Tianjin Textile Machinery Factory, all being subsidiaries of China Textile Machinery (Group) Company Limited, by the Company and its subsidiaries, namely, Zhengzhou Hongda New Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited and Tianjin Hongda Textile Machinery Company Limited, the Company has paid RMB25.875 million of the acquisition price and the balance of RMB45.02 million will be paid by instalments. The acquired fixed assets have been incorporated into the Company and the various subsidiaries for use in operations. As a result of this acquisition, no rental of equipment needs to be paid. This change led to a direct increase in total profit by RMB2.05 million.
3. The proposal for the Company to establish Wuxi Textile Technology Testing Company Limited jointly with its holding company China Textile Machinery (Group) Company Limited has not yet been implemented.
4. The proposal for the Company to establish Hongda Non-woven Fabric Engineering Technology Company Limited, at Jiangsu jointly with the holding company China Textile Machinery (Group) Company Limited has been in the progress of making adjustments to the project due to the change of investment environment.
5. The proposal for the Company to sell the operating assets of its chemical fibre production business to its holding company China Textile Machinery (Group) Company Limited is in progress.

## VI. RELATED PARTY TRANSACTIONS

### 1. Related party transactions arising from procurement and sales

Details are set out in Note 3 of the Financial Statements.

### 2. Related party transactions arising from the transfer of assets or equity

- (i) Acquisition of 95% equity interest of Changde Textile Machinery Company Limited and 64.38% shareholding of Yichang Textile Machinery Company Limited from the holding company China Textile Machinery (Group) Company Limited. The acquisition price was arrived at by multiplying the percentage of equity interest acquired by the audited net asset value of Changde Textile Machinery Company Limited and Yichang Textile Machinery Company Limited as at 31st March 2002. The total purchase price was RMB88.028 million of which RMB80 million was paid during the reporting period.
- (ii) The Company and its subsidiaries Zhengzhou Hongda New Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited and Tianjin Hongda Textile Machinery Company Limited had acquired the fixed assets of Jingwei Machinery (Group) Company Limited, Zhengzhou Textile Machinery Factory, Qingdao Textile Machinery Factory, Shenyang Textile Machinery Factory and Tianjin Textile Machinery Factory, all being subsidiaries of China Textile Machinery (Group) Company Limited. The acquisition price was calculated by using the valuation price as at 30th November 2001 ("basic valuation date") calculated by the PRC valuers in accordance with the relevant PRC laws and regulations minus the depreciation of the relevant fixed assets between the basic valuation date and the actual acquisition date. The total price amounted to RMB70.895 million of which RMB25.875 million was paid during the reporting period.

### 3. Creditors' rights, liabilities and guarantees between the Group and related parties (including subsidiaries not consolidated)

	<b>30th Jun 2002</b> <i>RMB'000</i> <i>(unaudited)</i>	<b>31st Dec 2001</b> <i>RMB'000</i> <i>(audited)</i>
Amount due from the ultimate holding company	13,284	140,755
Amounts due from fellow subsidiaries	94,151	109,698
Amounts due to fellow subsidiaries	46,163	50,478
Amounts due to the Jingwei Group	71,381	23,539
Amounts due from the Jingwei Group and associated companies	5,978	-
Bank loans of the Group guaranteed by the ultimate holding company	-	16,000
Bank loans of the Group guaranteed by the Jingwei Group	525,020	533,300
Bank loans of the Group guaranteed by fellow subsidiaries	<u>20,000</u>	<u>24,600</u>
	<b>Company</b>	
	<b>30th Jun 2002</b> <i>RMB'000</i> <i>(unaudited)</i>	<b>31st Dec 2001</b> <i>RMB'000</i> <i>(audited)</i>
Bank loan guarantees for subsidiaries	<u>67,650</u>	<u>44,520</u>
	<b>Group</b>	
	<b>30th Jun 2002</b> <i>RMB'000</i> <i>(unaudited)</i>	<b>31st Dec 2001</b> <i>RMB'000</i> <i>(audited)</i>
Bank loan guarantees for third parties	75,000	15,000
Bank bills guarantees for third parties	<u>11,800</u>	<u>27,700</u>
	<u>86,800</u>	<u>42,700</u>

Except as disclosed above, the Group had no other significant guarantees during the reporting period.



## VII. MATERIAL CONTRACTS AND PERFORMANCE

1. During the reporting period, there were no significant or ongoing significant contracts for entrustment, contracting and leasing of assets of the Group to other companies or vice versa.
2. Except as disclosed above, the Group had no other significant guarantees during the reporting period.
3. During the reporting period, there were no significant or ongoing significant entrustment of cash to third parties for cash asset management purposes.

All deposits held by the Group were placed with the top four commercial banks of the PRC during the reporting period. On 31st December 2001, the Group had outstanding entrusted loans of RMB93 million granted to China Textile Machinery (Group) Company Limited through CTMC Finance Company. As at 29th April 2002, China Textile Machinery (Group) Company Limited had repaid all the principal and interest to the Group.

## VIII. PURCHASE, SALE AND REDEMPTION OF SHARES

There were no purchase, sale or redemption of shares or other securities of the Company or any of its subsidiaries by the Company or any of its subsidiaries during the reporting period.

## IX. COMPLIANCE TO CODE OF BEST PRACTICE

During the reporting period, the directors of the Company have complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## X. AUDIT COMMITTEE

The Audit Committee has, together with the management, reviewed the accounting principles, accounting standards and methods adopted by the Group, and have discussed the issues regarding auditing, internal control and financial reporting including the review of the unaudited interim accounts of the Group for the six months ended 30th June 2002.

## XI. ACCOUNTING FIRMS ENGAGED BY THE COMPANY IN 2002

Mainland: PricewaterhouseCoopers Zhong Tian, PRC Certified Public Accountants  
Hong Kong: PricewaterhouseCoopers, Hong Kong Certified Public Accountants

## XII. OTHER SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

At the 2001 Annual General Meeting convened on 23rd May 2002, special resolutions were passed to amend the scope of business stipulated in Article 15 of the Articles of Association of the Company and to authorize the Board of Directors of the Company, generally and unconditionally, to exercise the powers of the Company to allot, issue or otherwise deal with up to a maximum of 20% of the H Shares issued as at the date of the passing of the resolution at the Annual General Meeting. Relevant details were published on 24th May 2002 in China Securities Post and Securities Times in the PRC, in Wen Wei Po and The Standard in Hong Kong and at the internet website: <http://www.cninfo.com.cn>.

## Chapter VI Accounts Prepared in Accordance with the PRC Accounting Rules and Regulations (Unaudited)

### I. FINANCIAL STATEMENTS

#### Balance Sheet

As at 30th June 2002

	Notes	Group 2002.06.30 (Unaudited)	Group 2001.12.31 (Audited)	Company 2002.06.30 (Unaudited)	In Rmb Company 2001.12.31 (Audited)
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and bank balance	17	1,074,581,744	1,344,655,341	779,585,031	1,017,452,531
Short term investment	4	85,390,603	117,871,794	20,708,076	114,002,136
Notes receivable		164,379,612	62,407,426	78,257,380	36,144,917
Dividends receivable		-	-	45,774,046	45,774,046
Interest receivable		-	-	-	-
Accounts receivable	5	538,368,405	329,334,838	261,991,179	197,510,080
Other receivables	6	184,498,839	154,582,624	331,303,999	194,465,426
Advances to suppliers		214,329,426	105,278,568	114,491,685	100,964,631
Subsidy receivable		-	-	-	-
Inventories	7	1,091,983,892	885,565,519	553,525,101	506,655,744
Deferred and prepaid expenses	8	3,736,058	3,466,774	1,352,342	1,748,217
Long term investment maturing within one year		-	-	-	-
Other current assets		-	-	-	-
<b>Total current assets</b>		<u>3,357,268,579</u>	<u>3,003,162,884</u>	<u>2,186,988,839</u>	<u>2,214,717,728</u>
<b>LONG TERM INVESTMENTS</b>					
Long term equity investments		62,246,847	60,311,269	611,557,630	501,074,239
Long term debenture investments		209,600	209,600	209,600	209,600
<b>Total long term investments</b>		<u>62,456,447</u>	<u>60,520,869</u>	<u>611,767,230</u>	<u>501,283,839</u>
Including: Consolidation difference		<u>(4,581,926)</u>	<u>(4,892,604)</u>	<u>-</u>	<u>-</u>
<b>FIXED ASSETS</b>					
Fixed assets-cost		1,766,695,780	986,197,608	1,026,503,225	633,605,760
Less: Accumulated depreciation		<u>(742,442,580)</u>	<u>(446,794,213)</u>	<u>(298,259,801)</u>	<u>(255,740,021)</u>
Fixed assets-net book value		1,024,253,200	539,403,395	728,243,424	377,865,739
Provision for fixed assets impairment loss		<u>(37,829,623)</u>	<u>(39,537,633)</u>	<u>(34,196,194)</u>	<u>(35,904,205)</u>
Fixed assets-net of provision		986,423,577	499,865,762	694,047,230	341,961,534
Materials for construction in progress		29,258,083	16,752,662	9,197,880	7,253,435
Construction in progress	9	68,606,851	362,576,436	34,976,878	347,288,440
<b>Total fixed assets</b>		<u>1,084,288,511</u>	<u>879,194,860</u>	<u>738,221,988</u>	<u>696,503,409</u>
<b>INTANGIBLE AND OTHER ASSETS</b>					
Intangible assets		129,708,879	67,064,414	48,902,715	49,566,207
Long term deferred expenses	10	2,634,268	2,112,693	1,757,755	1,579,025
Other long term assets		-	-	-	-
<b>Total intangible and other assets</b>		<u>132,343,147</u>	<u>69,177,107</u>	<u>50,660,470</u>	<u>51,145,232</u>
<b>DEFERRED TAXES</b>					
Deferred tax charges		-	-	-	-
<b>TOTAL ASSETS</b>		<u>4,636,356,684</u>	<u>4,012,055,720</u>	<u>3,587,638,527</u>	<u>3,463,650,208</u>

The accompanying notes form an integral part of these financial statements.

Legal Representative: <b>Ye Maoxin</b>	Person in charge of accounting function: <b>Yao Yuming</b>	Person in charge of accounting department: <b>Mao Faqing</b>
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**Balance Sheet (continued)**  
**As at 30th June 2002**

	Group 2002.06.30 <i>(Unaudited)</i>	Group 2001.12.31 <i>(Audited)</i>	Company 2002.06.30 <i>(Unaudited)</i>	In Rmb Company 2001.12.31 <i>(Audited)</i>
<i>Notes</i>				
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short term loans	696,145,161	693,970,000	528,020,000	583,300,000
Notes payable	92,823,989	85,100,000	29,500,000	55,200,000
Accounts payable	376,703,232	285,117,299	190,181,954	164,421,036
Advances from customers	778,136,756	448,824,424	400,179,113	285,206,773
Accrued payroll	6,306,565	864,528	-	-
Staff welfare payable	22,070,467	14,310,217	9,383,201	6,003,016
Dividend payable	37,167,989	37,688,616	37,167,989	37,173,500
Taxes payable	16,013,829	20,966,858	7,602,311	13,420,698
Other accruals	908,030	442,613	-	-
Other payables	175,785,298	84,198,396	95,433,383	37,008,010
Accrued expenses	24,633,180	3,045,720	3,479,723	1,200,000
Estimated Liability	-	-	-	-
Portion of long term liabilities due within one year	74,368,000	29,588,000	26,000,000	23,588,000
Other current liabilities	-	-	-	-
<b>Total current liabilities</b>	<u>2,301,062,496</u>	<u>1,704,116,671</u>	<u>1,326,947,674</u>	<u>1,206,521,033</u>
<b>LONG TERM LIABILITIES</b>				
Long term loans	44,661,000	93,075,000	38,249,000	83,075,000
Debentures payable	-	-	-	-
Long term payables	-	-	-	-
Specific item liabilities	-	-	-	-
Other long term liabilities	-	-	-	-
<b>Total long term liabilities</b>	<u>44,661,000</u>	<u>93,075,000</u>	<u>38,249,000</u>	<u>83,075,000</u>
<b>DEFERRED TAXES</b>				
Deferred tax credits	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>2,345,723,496</u>	<u>1,797,191,671</u>	<u>1,365,196,674</u>	<u>1,289,596,033</u>
Minority interest	66,447,944	39,371,779	-	-
<b>OWNER'S EQUITY</b>				
Share capital	11 603,800,000	603,800,000	603,800,000	603,800,000
Capital surplus	12 1,252,154,114	1,252,154,114	1,252,154,114	1,252,154,114
Surplus reserve	151,546,853	151,546,853	120,843,341	120,843,341
Including: statutory welfare fund	61,891,903	61,891,903	46,540,147	46,540,147
Undistributed profit	216,634,617	167,936,262	245,644,398	197,256,720
Foreign exchange difference reserve	49,660	55,041	-	-
<b>Total shareholders' equity</b>	<u>2,224,185,244</u>	<u>2,175,492,270</u>	<u>2,222,441,853</u>	<u>2,174,054,175</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>4,636,356,684</u>	<u>4,012,055,720</u>	<u>3,587,638,527</u>	<u>3,463,650,208</u>

The accompanying notes form an integral part of these financial statements.

Legal Representative:  
**Ye Maoxin**

Person in charge of accounting function:  
**Yao Yuming**

Person in charge of accounting department:  
**Mao Faqing**

**Profit and Loss Accounts**  
**For the six months ended 30th June 2002**

	Notes	In Rmb			
		Group		Company	
		For the six months ended 30th June		For the six months ended 30th June	
		2002	2001	2002	2001
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>SALES REVENUE</b>	13	1,097,771,973	1,234,290,247	454,950,043	445,382,626
Less: Cost of sales	13	(870,456,043)	(991,074,060)	(375,497,744)	(349,768,198)
Sales tax		(4,724,999)	(3,222,723)	(1,492,364)	(400,000)
<b>GROSS PROFIT ON SALES</b>		222,590,931	239,993,464	77,959,935	95,214,428
Add: Other operating income	14	17,690,880	4,438,012	15,516,535	3,034,376
Less: Selling expenses		(31,151,337)	(26,785,087)	(9,534,712)	(6,664,289)
General and administrative expenses		(131,623,044)	(112,357,077)	(41,193,319)	(29,809,217)
Financial expenses-net	15	(19,486,683)	(3,263,105)	(13,452,210)	(407,397)
<b>OPERATING PROFIT</b>		58,020,747	102,026,207	29,296,229	61,367,901
Add: Investment income	16	761,066	1,684,326	24,481,808	36,495,067
Subsidy income		284,655	-	-	-
Non-operating income		1,239,244	535,447	326,874	431,170
Less: Non-operating expenses		(1,886,462)	(1,949,592)	(1,446,016)	(1,764,223)
<b>TOTAL PROFIT</b>		58,419,250	102,296,388	52,658,895	96,529,915
Less: Income tax		(9,465,626)	(11,144,613)	(4,271,217)	(6,352,753)
Minority interests		(255,269)	(663,934)	-	-
<b>NET PROFIT</b>		<u>48,698,355</u>	<u>90,487,841</u>	<u>48,387,678</u>	<u>90,177,162</u>

**Supplementary Information**

ITEMS	In Rmb			
	Group		Company	
	For the six months ended 30th June		For the six months ended 30th June	
	2002	2001	2002	2001
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
1. Revenue from sale, disposal of investee company	-	-	-	-
2. Loss due to natural disaster	-	-	-	-
3. Decrease in total profit due to a change in accounting policy	-	-	-	-
4. Increase / (decrease) in total profit due to a change in accounting estimate	-	-	-	-
5. Loss from debt restructuring	-	-	-	-
6. Others	-	-	-	-

The accompanying notes form an integral part of these financial statements.

Legal Representative: <b>Ye Maoxin</b>	Person in charge of accounting function: <b>Yao Yuming</b>	Person in charge of accounting department: <b>Mao Faqing</b>
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**Profit Appropriation Statement**  
**For the six months ended 30th June 2002**

	In Rmb			
	Group		Company	
	For the six months ended 30th June		For the six months ended 30th June	
	2002	2001	2002	2001
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>NET PROFIT</b>	48,698,355	90,487,841	48,387,678	90,177,162
Add: Undistributed profit at the beginning of the period	<u>167,936,262</u>	<u>107,466,212</u>	<u>197,256,720</u>	<u>131,446,971</u>
<b>DISTRIBUTABLE PROFIT</b>	216,634,617	197,954,053	245,644,398	221,624,133
Less: Transfer to statutory surplus reserve	—	—	—	—
Transfer to statutory public welfare fund	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>PROFIT AVAILABLE FOR DISTRIBUTION TO SHAREHOLDERS</b>	216,634,617	197,954,053	245,644,398	221,624,133
Less: Dividend for preferred stock	—	—	—	—
Transfer to discretionary surplus fund	—	—	—	—
Dividend for common stock	—	—	—	—
Dividend for common stock transferred to shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>UNDISTRIBUTED PROFIT AT END OF PERIOD</b>	<u><u>216,634,617</u></u>	<u><u>197,954,053</u></u>	<u><u>245,644,398</u></u>	<u><u>221,624,133</u></u>

The accompanying notes form an integral part of these financial statements.

Legal Representative:  
Ye Maixin

Person in charge of accounting function:  
Yao Yuming

Person in charge of accounting department:  
Mao Faqing

**Cash Flow Statements**  
**For the six months ended 30th June 2002**

	For the six months ended 30th June		In Rmb For the six months ended 30th June	
	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from sales of goods or rendering of services	1,411,876,219	1,222,687,053	621,714,401	385,130,796
Refund of tax	1,808,284	330,793	–	–
Other cash received relating to operating activities	895,127,052	178,368,570	509,838,367	92,298,864
<b>Sub-total of cash inflows</b>	<b>2,308,811,555</b>	<b>1,401,386,416</b>	<b>1,131,552,768</b>	<b>477,429,660</b>
Cash paid for goods and services	1,021,983,310	1,029,265,807	435,618,903	296,732,956
Cash paid to and on behalf of employees	110,882,416	86,206,599	40,682,915	41,473,800
Taxes paid	70,886,065	39,297,222	30,456,081	12,752,495
Other cash paid relating to operating activities	1,115,485,893	268,825,558	735,586,249	36,941,284
<b>Sub-total of cash outflows</b>	<b>2,319,237,684</b>	<b>1,423,595,186</b>	<b>1,242,344,148</b>	<b>387,900,535</b>
<b>Net cash from operating activities</b>	<b>(10,426,129)</b>	<b>(22,208,770)</b>	<b>(110,791,380)</b>	<b>89,529,125</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash received from return on investments	500,000	12,500,000	–	12,500,000
Cash received for gain on investment	80,600	1,602,087	–	1,508,337
Net cash received from disposal of fixed assets, intangible assets and other long term assets	225,000	405,193	225,000	405,193
Other cash received from relating to investing activities	138,632,226	202,730	93,000,000	202,730
<b>Sub-total of cash inflows</b>	<b>139,437,826</b>	<b>14,710,010</b>	<b>93,225,000</b>	<b>14,616,260</b>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	71,135,630	30,585,241	25,112,736	11,346,439
Cash paid to acquire investments	63,407,054	72,466,416	–	152,466,416
Other cash paid relating to investing activities	88,000,000	–	80,000,000	–
<b>Sub-total of cash outflows</b>	<b>222,542,684</b>	<b>103,051,657</b>	<b>105,112,736</b>	<b>163,812,855</b>
<b>Net cash from investing activities</b>	<b>(83,104,858)</b>	<b>(88,341,647)</b>	<b>(11,887,736)</b>	<b>(149,196,595)</b>
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuing shares	300,000	–	–	–
Proceeds from borrowings	141,906,067	287,180,000	86,000,000	205,180,000
Other proceeds relating to financing activities	2,484,841	22,025,901	2,446,737	1,951,460
<b>Sub-total of cash inflows</b>	<b>144,690,908</b>	<b>309,205,901</b>	<b>88,446,737</b>	<b>207,131,460</b>
Cash repayments of amounts borrowed	253,915,500	275,575,000	183,694,000	214,180,000
Cash payment for distribution of dividends or profit or interest expenses	11,436,386	1,998,795	7,029,836	–
Other cash payments relating to financing activities	13,042,160	10,422,016	12,911,285	10,422,017
<b>Sub-total of cash outflows</b>	<b>278,394,046</b>	<b>287,995,811</b>	<b>203,635,121</b>	<b>224,602,017</b>
<b>Net cash from financing activities</b>	<b>(133,703,138)</b>	<b>21,210,090</b>	<b>(115,188,384)</b>	<b>(17,470,557)</b>
<b>4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH</b>	<b>(7,246)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>5. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(227,241,371)</b>	<b>(89,340,327)</b>	<b>(237,867,500)</b>	<b>(77,138,027)</b>

The accompanying notes form an integral part of these financial statements.

Legal Representative: **Ye Maoxin**      Person in charge of accounting function: **Yao Yuming**      Person in charge of accounting department: **Mao Faqing**



**Supplementary Information**  
**For the six months ended 30th June 2002**

	Group		Company	
	For the six months ended 30th June 2002 <i>(Unaudited)</i>	2001 <i>(Unaudited)</i>	For the six months ended 30th June 2002 <i>(Unaudited)</i>	2001 <i>(Unaudited)</i>
			In Rmb	
<b>1. RECONCILIATION OF NET PROFIT TO CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit	48,698,355	90,487,841	48,387,678	90,177,162
Add: Minority interests	(225,269)	(663,934)	-	-
Provision for assets loss	4,694,123	7,787,128	-	-
Depreciation of fixed assets	30,817,689	22,291,254	14,901,210	12,364,482
Amortization of intangible assets	928,284	642,698	663,492	642,698
Amortization of deferred assets	521,575	-	-	-
Decrease in deferred and prepaid expenses (or deduct: increase)	(269,284)	(2,512,650)	(124,192)	(2,456,407)
Increase in accrued expense (or deduct: decrease)	15,198,903	13,207,845	2,279,722	2,981,510
Loss on disposal of fixed assets, intangible assets and other long term assets (or deduct: gain)	249,591	1,452,616	280,205	(89,045)
Loss on scrapping of fixed assets	4,443	-	-	-
Financial expenses	23,844,139	3,263,105	17,407,965	697,350
Loss arising from investments (or deduct: gain)	(761,066)	(1,684,327)	(24,481,807)	(36,495,067)
Deferred tax credit (or deduct: debit)	-	-	-	-
Decrease in inventories (or deduct: increase)	(206,418,373)	43,652,578	(46,869,357)	(10,512,040)
Decrease in operating receivables (or deduct: increase)	(449,972,826)	(114,814,696)	(256,959,189)	(30,179,776)
Increase in operating payables (or deduct: decrease)	528,403,204	(68,640,864)	171,014,918	47,253,248
Others	(6,109,617)	(16,677,364)	(37,292,025)	15,145,010
<b>Net cash flows from operating activities</b>	<u>(10,426,129)</u>	<u>(22,208,770)</u>	<u>(110,791,380)</u>	<u>89,529,125</u>
<b>2. INVESTING AND FINANCING ACTIVITIES THAT DID NOT INVOLVED CASH RECEIPTS AND PAYMENTS</b>				
Conversion of debt in to capital	-	-	-	-
Convertible bonds due within one year	-	-	-	-
Fixed assets financed by finance lease	-	-	-	-
<b>3. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
Cash at the end of the period	1,056,081,744	1,539,041,412	779,585,031	1,314,579,305
Less: Cash at the beginning of the period	1,283,323,115	1,628,381,739	1,017,452,531	1,391,717,332
Plus: Cash equivalents at the ending of the period	-	-	-	-
Less: Cash equivalents at the beginning of the period.	-	-	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(227,241,371)</u>	<u>(89,340,327)</u>	<u>(237,867,500)</u>	<u>(77,138,027)</u>

The accompanying notes form an integral part of these financial statements.

Legal Representative:  
Ye Maoxin

Person in charge of accounting function:  
Yao Yuming

Person in charge of accounting department:  
Mao Faqing

## II. NOTES TO FINANCIAL STATEMENTS

### 1. Principal accounting policies

These financial statements are prepared in accordance with the Enterprise Accounting Standards and Enterprise Accounting System and supplemental provisions.

### 2. Scope of consolidation

During the reporting period, the accounts of the newly acquired subsidiaries, Changde Textile Machinery Company Limited and Yichang Textile Machinery Company Limited, were consolidated into the Group's financial statements as compared with the 2001 Annual Report.

### 3. Related Parties and related party transactions

#### (1) Related parties with controlling relationship

##### a. New related party with controlling relationship

Name	Principal activities	Relationship with the Company	Equity interest % held	Nature or type	Legal representative
Changde Textile Machinery Company Limited	Manufacturing and trading of textile machinery and other machinery, powder metallurgy (regulated by the special regulations)	Subsidiary	95%	Limited Company	Chang Xu
Yichang Textile Machinery Company Limited	Manufacturing, trading and designing of textile machinery and special fittings	Subsidiary	64.38%	Limited Company	Peng Zeqing

##### b. Changes in the registered capital of related party with controlling relationship

Name	Beginning balance RMB	Increase RMB	Decrease RMB	Ending balance RMB
Changde Textile Machinery Company Limited	—	42,349,900	—	42,349,900
Yichang Textile Machinery Company Limited	—	64,007,600	—	64,007,600

##### c. Except for the two newly acquired subsidiaries, there were no changes in the other related party with controlling relationship compared with the annual report of 2001.

**(2) Fellow subsidiaries:**

<b>Name of related party</b>	<b>Relationship with the Company</b>
Jingwei Machinery (Group) Company Limited	Fellow subsidiaries
China National Textile Machinery Group Finance company	Fellow subsidiaries
Changde Textile Machinery Plant	Fellow subsidiaries
Yichang Textile Machinery Plant	Fellow subsidiaries
Weinan Textile Machinery Plant	Fellow subsidiaries
Hengyang Textile Machinery Plant	Fellow subsidiaries
Qingdao Textile Machinery Plant	Fellow subsidiaries
Handan Textile Machinery Plant	Fellow subsidiaries
Changzhou Textile Machinery Plant	Fellow subsidiaries
Taicang Textile Machinery Plant	Fellow subsidiaries
Xianyang Textile Machinery Plant	Fellow subsidiaries
Shenyang Textile Machinery Plant	Fellow subsidiaries
Tianjin Textile Machinery Plant	Fellow subsidiaries
Zhengzhou Textile Machinery Plant	Fellow subsidiaries
Wuxi Textile Machinery & Special Parts Plant	Fellow subsidiaries
China National Textile Machinery Group Guangzhou Company	Fellow subsidiaries
China National Textile Machinery Group Zhengzhou Company	Fellow subsidiaries
China National Textile Machinery Group Sales Company	Fellow subsidiaries

The above fellow subsidiaries other than Jingwei Machinery (Group) Company Limited are collectively referred to as "other fellow subsidiaries".

**(3) New associated companies**

<b>Name</b>	<b>Principal activities</b>	<b>Registered Capital RMB</b>	<b>Equity interest % Held</b>
Qingdao Jinshan City Company Limited	Provision of accommodation, restaurant, hair and beauty care services, wholesale and retailing of drinks, wine, cigarettes and food	1,000,000	20%
Shenyang Jingxing Textile Machinery Company Limited	Manufacturing of textile machinery, metal construction materials and developing of related component	3,200,000	31.25%

Except for the two new associated companies, there were no changes in the other associated companies compared with the annual report of 2001.

- (4) The following is a summary of the significant related party transactions entered into by the Group in the normal course of business:

	For the six months ended 30th June	
	2002 RMB	2001 RMB
<b>Transactions with the ultimate holding company</b>		
Purchase of raw materials and components	–	525,230
Sale of finished goods	–	1,558,541
Equity Acquisition of Changde and Yichang	88,027,584	–
Bank loan guarantee in favour of the Company	–	5,000,000
	<u>–</u>	<u>6,523,771</u>
<b>Transactions with Jingwei (Group) Company</b>		
Purchase of tools	8,537,084	6,012,959
Purchase of raw materials and components	699,630	2,675,274
Sale of raw materials and components	1,975,816	5,837,903
Sale of finished goods	26,662,950	22,087,838
Fees paid for transportation services	579,872	1,118,198
Fees paid for repairs and maintenance services	9,284,597	5,284,836
Fees paid for other supporting services	5,768,525	8,144,870
Processing fees paid	18,979,196	34,000,456
Fees received for the provision of supporting services	3,843,165	5,969,027
Rental income	–	288,000
Rental expenses	300,000	325,000
Acquisition of fixed assets	20,403,600	–
Bank loan guarantees in favour of the Company	86,000,000	155,180,000
	<u>163,900,297</u>	<u>252,373,450</u>
<b>Transactions with other fellow subsidiaries</b>		
Purchase of raw materials and components	45,019,270	69,447,327
Sale of components and special parts	777,423	2,089,139
Sale of finished goods	20,612,605	17,796,19
Purchase of tools model	4,627,320	4,740,025
Purchase of castings	32,841,388	24,527,148
Purchase of package	911,742	–
Purchase of energy	5,693,525	7,204,807
Processing fees paid	23,072,424	48,369,860
Fees paid for transportation services	1,782,884	295,170
Fees paid for repairs and maintenance services	623,372	65,193
Fees paid for other supporting services	7,161,898	5,755,603
Fees received for the provision of supporting services	–	150,000
Processing fees received	55,296	254,453
Rental expenses	10,676,112	15,017,839
Acquisition of fixed assets	50,491,590	–
Bank loan guarantees in favour of the Company	20,000,000	24,600,000
	<u>148,487,309</u>	<u>145,502,754</u>
<b>Transactions with subsidiaries and associated companies of Jingwei (Group) Company</b>		
Purchase of raw materials	8,736,024	9,640,765
Sale of raw materials	217	–
	<u>8,736,241</u>	<u>9,640,765</u>

- (5) All transactions between the company and its related parties were carried on in the normal course of business of the Company and on normal commercial terms.

#### 4 Short term investment

	2002.06.30		2001.12.31	
	Investment RMB	Provision RMB	Investment RMB	Provision RMB
Trading Securities	29,129,542	(5,276,562)	28,515,083	(5,180,912)
Bonds	60,000,000	–	–	–
Entrusted Loans	–	–	93,000,000	–
Futures	1,537,623	–	1,537,623	–
Total	<u>90,667,165</u>	<u>(5,276,562)</u>	<u>123,052,706</u>	<u>(5,180,912)</u>

#### 5 Accounts receivable

##### (1) Ageing analysis of accounts receivable is as follows:

	2002.06.30			2001.12.31		
	RMB	%	Provision	RMB	%	Provision
Within 1 year	394,699,583	63	(3,763,848)	214,240,195	55	(2,424,497)
Within 1 to 2 years	86,767,643	14	(7,187,108)	77,083,620	20	(7,026,479)
Within 2 to 3 years	63,608,227	10	(18,739,584)	49,718,716	12	(17,117,529)
Over 3 years	79,136,955	13	(56,153,463)	50,868,079	13	(36,007,267)
Total	<u>624,212,408</u>	<u>100</u>	<u>(85,844,003)</u>	<u>391,910,610</u>	<u>100</u>	<u>(62,575,772)</u>

##### (2) Accounts receivable from the related companies are as follows:

	2002.06.30 RMB	2001.12.31 RMB
– due from the ultimate holding company	16,109,018	21,658,738
– due from fellow subsidiaries	1,907,481	5,259,641
– due from Jingwei (Group) Company and its subsidiaries and associated companies	3,024,262	–
Total	<u>21,040,761</u>	<u>26,918,379</u>

#### 6 Other receivables

##### (1) Ageing analysis of other receivables is as follows:

	2002.06.30			2001.12.31		
	RMB	%	Provision	RMB	%	Provision
Within 1 year	151,543,825	81	(108,550)	122,753,305	78	–
Within 1 to 2 years	26,456,316	14	(70,944)	26,343,012	17	–
Within 2 to 3 years	6,101,602	4	–	5,265,648	4	–
Over 3 years	2,452,463	1	(1,875,873)	1,305,471	1	(1,084,812)
Total	<u>186,554,206</u>	<u>100</u>	<u>(2,055,367)</u>	<u>155,667,436</u>	<u>100</u>	<u>(1,084,812)</u>

**(2) Other receivables from the related companies are as follows:**

	<b>2002.06.30</b>	<b>2001.12.31</b>
	<i>RMB</i>	<i>RMB</i>
– due from the ultimate holding company	21,841,739	22,858,301
– due from fellow subsidiaries	57,717,635	53,842,362
– due from Jingwei (Group) Company and its subsidiaries and associated companies	1,133,626	3,516,327
<b>Total</b>	<b><u>80,693,000</u></b>	<b><u>80,216,990</u></b>

**7 Inventories**

	<b>2002.06.30</b>		<b>2001.12.31</b>	
	<b>Cost</b>	<b>Provision</b>	<b>Cost</b>	<b>Provision</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Raw materials	230,723,494	(7,274,743)	184,750,053	(4,811,276)
Work in progress	222,322,254	(1,879,587)	243,900,369	(2,712,054)
Finished goods	654,890,668	(11,004,691)	470,950,537	(8,177,520)
Goods in transit	4,206,497	–	1,665,410	–
<b>Total</b>	<b><u>1,112,142,913</u></b>	<b><u>(20,159,021)</u></b>	<b><u>901,266,369</u></b>	<b><u>(15,700,850)</u></b>

Provision for inventories is calculated on the basis of lower of cost and net realisable value of inventories at year ended.

**8 Deferred and prepaid expenses**

	<b>2002.06.30</b>	<b>2001.12.31</b>
	<i>RMB</i>	<i>RMB</i>
Heating expense	283,783	832,528
Insurance	276,910	–
Tax pending to deduct	1,311,907	1,300,384
Rental expense	421,564	440,144
Others	1,441,894	893,718
<b>Total</b>	<b><u>3,736,058</u></b>	<b><u>3,466,774</u></b>

**9 Construction in progress**

<b>Projects</b>	<b>1st January 2002</b>	<b>Addition</b>	<b>Deduction</b>	<b>30th June 2001</b>	<b>Source of funds</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	
Machine tools	3,260,950	–	–	3,260,950	Loan
Commercial Building for leasing	322,294,900	51,002,040	(373,296,940)	–	Self-financing and loan
Construction of production ground	11,134,893	13,832,831	–	24,967,724	Self-financing
35 tons boiler project	3,994,015	340,000	–	4,334,015	Loan
CNC (Computer numerical control) lathe	1,939,616	23,400	–	1,963,016	Loan
New plant renovation	351,626	3,614,604	–	3,966,230	Self-financing
Plano-Type Milling Machine	24,775	1,132,251	–	1,157,026	Loan
Laser cutting machine	–	4,393,608	–	4,393,608	Loan
Others ( <i>note:1</i> )	19,575,661	4,988,621	–	24,564,282	Self-financing and Loan
<b>Total</b>	<b><u>362,576,436</u></b>	<b><u>79,327,355</u></b>	<b><u>(373,296,940)</u></b>	<b><u>68,606,851</u></b>	

*Note1:* Others include projects less than Rmb1,000,000.



**10 Long term deferred expenses**

	<b>2002.06.30</b> <i>RMB</i>	<b>2001.12.31</b> <i>RMB</i>
Others	2,634,268	2,112,693
Total	<u>2,634,268</u>	<u>2,112,693</u>

**11 Share capital**

	<b>2002.06.30</b> <i>RMB</i>	<b>2001.12.31</b> <i>RMB</i>
<b>Share not yet permitted to be traded</b>		
Shares held by promoter	220,000,000	220,000,000
Including: State-owned shares	—	—
Shares owned by domestic legal persons	220,000,000	220,000,000
Total of share not yet permitted to be traded	<u>220,000,000</u>	<u>220,000,000</u>
<b>Shares permitted to be traded</b>		
Domestically listed domestic shares	203,000,000	203,000,000
Overseas listed foreign shares (H shares)	180,800,000	180,800,000
Total shares in market	<u>383,800,000</u>	<u>383,800,000</u>
<b>Total number of shares in issue</b>	<u>603,800,000</u>	<u>603,800,000</u>

There is no change in the share structure and numbers during the reporting period.

**12 Capital surplus**

	<b>2002.06.30</b> <i>RMB</i>	<b>2001.12.31</b> <i>RMB</i>
Share premium	1,247,952,996	1,247,952,996
Other capital surplus	4,201,118	4,201,118
Total	<u>1,252,154,114</u>	<u>1,252,154,114</u>

**13 Sales revenue and Cost of goods sold**

The group principle activities are the manufacturing and sale of textile machinery. Revenue from other operations is less than 10%.

Location	For the six months ended 30 June 2002		For the six months ended 30 June 2001	
	Sales Revenue <i>RMB</i>	Cost of Goods Sold <i>RMB</i>	Sales Revenue <i>RMB</i>	Cost of Goods Sold <i>RMB</i>
China	957,704,023	757,198,984	1,099,770,247	882,618,893
Africa	83,918,600	68,118,000	56,450,000	45,651,115
Asia	48,406,300	40,374,700	38,520,000	31,066,380
Others	7,743,050	4,764,359	39,550,000	31,737,672
Total	<u>1,097,771,973</u>	<u>870,456,043</u>	<u>1,234,290,247</u>	<u>991,074,060</u>

**14 Other operating income**

	<b>For the six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB</i>	<i>RMB</i>
Sales of materials	2,566,988	2,927,635
Transportation expenses	75,181	23,893
Processing fee	–	151,479
Rental	14,643,678	–
Other	405,033	1,335,005
Total	<u>17,690,880</u>	<u>4,438,012</u>

**15 Financial expenses-net**

	<b>For the six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB</i>	<i>RMB</i>
Interest expense	28,879,190	16,242,205
Less: Interest income	<u>(9,739,047)</u>	<u>(13,276,006)</u>
Net interest expense	19,140,143	2,966,199
Exchange loss	113,171	164,945
Others	233,369	131,961
Total	<u>19,486,683</u>	<u>3,263,105</u>

**16 Investment income**

	<b>For the six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB</i>	<i>RMB</i>
Amortisation of the difference in stock investment	310,678	310,678
Gain on investment in debenture	21,660	(645,115)
Gain on investment in associated company	80,000	296,480
Gains from the futures	348,728	–
Amortisation of the difference on net assets of investment in subsidiary company	–	213,946
Other	–	1,508,337
Total	<u>761,066</u>	<u>1,684,326</u>

**17. Cash and cash equivalents**

	<b>2002.06.30</b>	<b>2001.12.31</b>
	<i>RMB</i>	<i>RMB</i>
Cash in bank	1,074,581,744	1,344,655,341
Less: Time deposit with maturity of more than 3 months	<u>(18,500,000)</u>	<u>(61,332,226)</u>
Total	<u>1,056,081,744</u>	<u>1,283,323,115</u>



## Chapter VII Interim Financial Statements Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong (Unaudited)

### I. CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### Consolidated Profit and Loss Account For the six months ended 30th June 2002

	Note	Unaudited Six months ended 30th June	
		2002 RMB'000	2001 RMB'000
Turnover	2	1,097,772	1,234,290
Cost of sales		<u>(870,456)</u>	<u>(991,074)</u>
Gross profit		227,316	243,216
Other revenues	2	19,585	2,340
Distribution expenses		(35,876)	(26,785)
Administrative expenses		(131,373)	(112,306)
Other operating expenses, net		<u>(2,232)</u>	<u>(41,101)</u>
Operating profit	3	77,420	65,364
Net interest expenses	4	(19,141)	(3,263)
Share of profits less losses of associated companies		<u>120</u>	<u>296</u>
Profit before taxation		58,399	62,397
Taxation	5	<u>(9,506)</u>	<u>(11,145)</u>
Profit after taxation		48,893	51,252
Minority interests		<u>(255)</u>	<u>(664)</u>
Profit attributable to shareholders		<u><u>48,638</u></u>	<u><u>50,588</u></u>
		<i>RMB</i>	<i>RMB</i>
Basic earnings per share	7	<u><u>0.08</u></u>	<u><u>0.08</u></u>

**Condensed Consolidated Balance Sheet**  
**As at 30th June 2002 and 31st December 2001**

	<i>Note</i>	<b>Unaudited 30th June 2002 RMB'000</b>	<b>Audited 31st December 2001 RMB'000</b>
<b>Non-current assets</b>			
Intangible assets	8	876	1,250
Fixed assets	8	1,227,157	958,992
Investments in associated companies		66,828	64,954
Investment securities		210	460
		<u>1,295,071</u>	<u>1,025,656</u>
<b>Current assets</b>			
Inventories		1,091,982	885,565
Trade and bills receivables	9	681,707	359,139
Prepayments to suppliers		187,107	65,972
Amount due from ultimate holding company		13,284	140,755
Amounts due from fellow subsidiaries		94,151	109,698
Amounts due from Jingwei Group Company and associated companies		5,978	–
Deposits, other receivables and prepayments		110,179	81,030
Short-term investments		85,391	24,872
Bank balances and cash		1,059,542	1,329,574
		<u>3,329,321</u>	<u>2,996,605</u>
<b>Current liabilities</b>			
Trade payables	10	347,922	230,243
Advances from customers		725,579	423,590
Amounts due to fellow subsidiaries		46,163	50,478
Amount due to Jingwei Group Company		71,381	23,539
Other payables and accruals		256,679	187,040
Current portion of long-term bank loans	11	74,368	29,588
Taxation payable		16,014	20,967
Dividend payable		36,228	–
Bank loans			
– secured		86,925	–
– unsecured		609,220	693,970
		<u>2,270,479</u>	<u>1,659,415</u>
Net current assets		<u>1,058,842</u>	<u>1,337,190</u>
Total assets less current liabilities		<u><u>2,353,913</u></u>	<u><u>2,362,846</u></u>
<b>Financed by:</b>			
Share capital	12	603,800	603,800
Reserves	13	1,639,004	1,590,371
Proposed dividend		–	36,228
Shareholders' funds		<u>2,242,804</u>	<u>2,230,399</u>
Minority interests		66,448	39,372
<b>Non-current liabilities</b>			
Long-term bank loans	11	44,661	93,075
		<u><u>2,353,913</u></u>	<u><u>2,362,846</u></u>



**Condensed Consolidated Cash Flow Statement  
For the six months ended 30th June 2002**

	<b>Unaudited</b>	
	<b>Six months ended 30th June 2002</b>	<b>2001 (restated)</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Net cash used in operating activities	(21,743)	(16,137)
Net cash used in investing activities	(83,185)	(90,146)
Net cash (used in)/from financing activities	(122,267)	33,630
Decrease in cash and cash equivalents	(227,195)	(72,653)
Cash and cash equivalents at 1st January	1,268,242	1,611,694
Effect of foreign exchange rate changes	(5)	-
Cash and cash equivalents at 30th June	<u>1,041,042</u>	<u>1,539,041</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	1,059,542	1,539,041
Time deposits with maturity more than three months from the date of deposit	(18,500)	-
	<u>1,041,042</u>	<u>1,539,041</u>

**Condensed Consolidated Statement of Changes in Equity  
For the six months ended 30th June 2002**

	<b>Unaudited</b>								
	<b>Share capital</b>	<b>Capital reserve</b>	<b>Investment property revaluation reserve</b>	<b>Statutory surplus reserve</b>	<b>Statutory public welfare fund</b>	<b>Discre- tionary surplus reserve</b>	<b>Exchange difference</b>	<b>Retained profit</b>	<b>Total</b>
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
At 1st January 2001									
As previously reported	603,800	1,249,865	-	48,800	48,800	27,764	-	150,916	2,129,945
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	-	66,418	66,418
Effect of adopting new PRC accounting policy	-	-	-	(4,317)	(4,317)	-	-	8,634	-
As restated	603,800	1,249,865	-	44,483	44,483	27,764	-	225,968	2,196,363
Profit for the period	-	-	-	-	-	-	-	50,588	50,588
2000 final dividend	-	-	-	-	-	-	-	(66,418)	(66,418)
At 30th June 2001	<u>603,800</u>	<u>1,249,865</u>	<u>-</u>	<u>44,483</u>	<u>44,483</u>	<u>27,764</u>	<u>-</u>	<u>210,138</u>	<u>2,180,533</u>
At 1st January 2002	603,800	1,249,865	17,705	61,895	61,895	27,764	55	207,420	2,230,399
Net loss not recognised in the profit and loss account									
Exchange difference	-	-	-	-	-	-	(5)	-	(5)
Profit for the period	-	-	-	-	-	-	-	48,638	48,638
2001 final dividend (note 6(b))	-	-	-	-	-	-	-	(36,228)	(36,228)
At 30th June 2002	<u>603,800</u>	<u>1,249,865</u>	<u>17,705</u>	<u>61,895</u>	<u>61,895</u>	<u>27,764</u>	<u>50</u>	<u>219,830</u>	<u>2,242,804</u>

## II NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants (“HKSA”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of these new SSAPs does not have material effect to the Group except for the restatement of the cash flow statement for the six months ended 30th June 2001 in accordance with the SSAP 15 (revised) and the presentation of condensed consolidated statement of changes in equity for each of the six months ended 30th June 2001 and 2002.

### 2 Turnover, revenue and segment information

Turnover represents the value of goods sold, net of value added tax (“VAT”). VAT represents sales tax which was assessed on the Group’s sales at the rate of 17% (2001: 17%).

The Group is principally engaged in the manufacture and sale of textile machinery. Revenues recognised during the period are as follows:

	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
Sales of goods	1,097,772	1,234,290
Other revenues		
Gross rental income from investment property	14,283	–
Others	5,302	2,340
	<u>19,585</u>	<u>2,340</u>
Total revenues	<u>1,117,357</u>	<u>1,236,630</u>

In accordance with the Group’s internal financial reporting, the Group has determined that business segments are presented as the primary reporting format, and the geographical segments are presented as the secondary reporting format.

### Primary reporting format – business segments

An analysis of the Group's revenues and results for the period by business segments is as follows:

	Six months ended 30th June 2002		
	Manufacture and sales of textile machinery# RMB'000	Property investment RMB'000	Group RMB'000
Turnover	<u>1,097,772</u>	<u>–</u>	<u>1,097,772</u>
Trading results	227,316	–	227,316
Other revenues			
– Gross rental income		14,283	14,283
– Others			5,302
Unallocated costs			<u>(169,481)</u>
Operating profit			77,420
Net interest expenses			(19,141)
Share of profits less losses of associated companies			<u>120</u>
Profit before taxation			58,399
Taxation			(9,506)
Minority interests			<u>(255)</u>
Profit attributable to shareholders			<u>48,638</u>

# Included sales of textile machinery components, special parts and other products.

No analysis on business segments for the six months ended 30th June 2001 is presented as the Group was engaged only in the manufacture and sale of textile machinery during that period.

### Secondary reporting format – geographical segments

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segment is as follows:

	Turnover		Trading results	
	Six months ended 30th June 2002 RMB'000	2001 RMB'000	Six months ended 30th June 2002 RMB'000	2001 RMB'000
China	957,704	1,099,773	200,505	217,154
Other countries	<u>140,068</u>	<u>134,517</u>	<u>26,811</u>	<u>26,062</u>
	<u>1,097,772</u>	<u>1,234,290</u>	227,316	243,216
Other revenues				
– Gross rental income			14,283	–
– Others			5,302	–
Unallocated costs			<u>(169,481)</u>	<u>(177,852)</u>
Operating profit			<u>77,420</u>	<u>65,364</u>

Sales are based on the country in which the ultimate customer is located.

### 3 Operating profit

Operating profit is stated after crediting and charging the following:

	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Crediting</b>		
Gain on disposal of fixed assets	617	14
Unrealised and realised gain on short-term investments	<u>370</u>	<u>1,508</u>
<b>Charging</b>		
Amortisation of patents and trademarks ( <i>note 8</i> )	126	100
Depreciation ( <i>note 8</i> )	30,818	22,794
Provision for impairment of machinery and equipment (included in other operating expenses, net)	–	39,538
Cost of inventories sold	<u>870,456</u>	<u>991,074</u>

### 4 Net interest expenses

	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense	28,879	16,242
Less: Interest income	<u>(9,738)</u>	<u>(12,979)</u>
Net interest expenses	<u>19,141</u>	<u>3,263</u>

### 5 Taxation

No Hong Kong profits tax has been provided as the Group had no taxable profits in Hong Kong for the period (2001: Nil). The Company and its subsidiaries are subject to PRC income tax on their assessable profits.

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Company and subsidiaries		
– PRC taxation ( <i>note</i> )	9,466	11,047
Share of taxation attributable to associated companies	<u>40</u>	<u>98</u>
	<u>9,506</u>	<u>11,145</u>

*Note:* In accordance with an approval document issued by the State Administration of Taxation of Shanxi Province on 28th September 1995, income tax rate of 15% is applicable to the Company during the period (2001: 15%). The subsidiaries of the Company are subject to income tax rates range from 15% to 33% (2001: 15% to 33%). A subsidiary of the Company enjoyed tax exemption from 1999 to 2004 and will subject to a preferential income tax rate of 7.5% from 2005 to 2009. Three other subsidiaries of the Company enjoyed tax exemption from 1999 to 2000 and are subject to a preferential tax rate of 15% from 2001 to 2003. Two other subsidiaries of the Company enjoyed tax exemption from 2000 to 2001 and from 2001 to 2002 respectively and are subject to a preferential tax rate of 15% from 2002 and from 2003 onwards respectively.

No deferred taxation has been accounted for during the period as there were no material timing differences (2001: Nil).



**6 Dividends**

- a) No dividend was proposed by the Company for the six months ended 30th June 2002 (2001: Nil).
- b) At a meeting held on 28th March 2002, the directors have proposed a final dividend of RMB0.06 per share for all A, H and domestic shares. This proposed dividend is not reflected as dividend payable as at 31st December 2001, but has been reflected as an appropriation of retained profits for the six months ended 30th June 2002.

**7 Basic earnings per share**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB48,638,000 (2001: RMB50,588,000) and on the weighted average number of 603,800,000 (2001: 603,800,000) shares in issue during the period.

No diluted earnings per share is presented as the Group does not have any dilutive potential shares as at 30th June 2002 (2001: Nil).

**8 Capital expenditure**

	<b>Patents and trademarks</b> <i>RMB'000</i>	<b>Fixed assets</b> <i>RMB'000</i>
Six months ended 30th June 2002		
Opening net book amount	1,250	958,992
Acquisition of subsidiaries ( <i>note 14</i> )	–	146,276
Purchase from related parties ( <i>note 18</i> )	–	70,895
Other additions	–	84,402
Disposals	–	(2,590)
Write-off	(248)	–
Amortisation charge/depreciation ( <i>note 3</i> )	(126)	(30,818)
Closing net book amount	<u>876</u>	<u>1,227,157</u>

**9 Trade and bills receivables**

	<b>30th June 2002</b> <i>RMB'000</i>	<b>31st December 2001</b> <i>RMB'000</i>
Trade and bills receivables	767,551	422,799
Less: Provision	(85,844)	(63,660)
	<u>681,707</u>	<u>359,139</u>

The ageing analysis of the gross trade and bills receivables is as follows:

	<b>30th June 2002</b> <i>RMB'000</i>	<b>31st December 2001</b> <i>RMB'000</i>
Less than 1 year	552,640	245,128
1-2 years	72,168	77,084
2-3 years	63,608	49,719
Over 3 years	79,135	50,868
Total	<u>767,551</u>	<u>422,799</u>

The Group requires advance deposit from customers. Settlement is normally due on presentation of sales invoices.

**10 Trade payables**

The ageing analysis of the trade payables is as follows:

	<b>30th June 2002</b> <i>RMB'000</i>	<b>31st December 2001</b> <i>RMB'000</i>
Less than 1 year	302,687	196,789
1-2 years	16,237	10,794
2-3 years	8,310	11,582
Over 3 years	20,688	11,078
Total	<u>347,922</u>	<u>230,243</u>

**11 Long-term bank loans**

	<b>30th June 2002</b> <i>RMB'000</i>	<b>31st December 2001</b> <i>RMB'000</i>
Bank loans		
Secured	47,229	–
Unsecured	71,880	122,663
	<u>119,029</u>	<u>122,663</u>
Current portion of long-term bank loans	(74,368)	(29,588)
	<u>44,661</u>	<u>93,075</u>

At 30th June 2002, the group's bank loans were repayable as follows:

	<b>30th June 2002</b> <i>RMB'000</i>	<b>31st December 2001</b> <i>RMB'000</i>
Within one year	74,368	29,588
In the second year	718	–
In the third to fifth year	43,943	93,075
	<u>119,029</u>	<u>122,663</u>

**12 Share capital**

	<b>No. of shares</b>	<b>RMB'000</b>
Registered, issued, and fully paid		
Domestic shares of RMB1.00 each	220,000,000	220,000
H shares of RMB1.00 each	180,800,000	180,800
A shares of RMB1.00 each	203,000,000	203,000
At 30th June 2002 and 31st December 2001	<u>603,800,000</u>	<u>603,800</u>



### 13 Reserves

The Company's board of directors does not recommend an appropriation of net profit for the six months ended 30th June 2002 or any transfer of reserves.

### 14 Acquisition

On 1st April 2002 the Group acquired from its ultimate holding company of 95% and 64.38% equity interests in Changde Textile Machinery Company Limited ("Changde") and Yichang Textile Machinery Company Limited ("Yichang") respectively, which are principally engaged in the manufacture of textile machinery and were established in the People's Republic of China. The total purchase consideration was approximately RMB88,028,000. As at the date of acquisition, the Group's share in the aggregate net identifiable assets of Changde and Yichang was approximately RMB88,028,000. The acquired subsidiaries contributed revenues of approximately RMB72,066,000 and operating profit of approximately RMB10,594,000 to the Group for the period from 1st April 2002 to 30th June 2002.

The assets and liabilities arising from the acquisition are as follows:

	<i>RMB '000</i>
Fixed assets ( <i>note 8</i> )	146,276
Borrowings	(114,305)
Other assets less liabilities	80,790
Minority interests	(24,733)
	<u>88,028</u>
Total purchase consideration	<u><u>88,028</u></u>

### 15 Discontinuing operation

The Company entered into a business disposal agreement dated 5th February 2002 and a business disposal supplemental agreement dated 10th March 2002 whereby the Company has conditionally agreed to dispose of its chemical fibre machinery production business to its ultimate holding company at a consideration of RMB29,226,200.

### 16 Contingent liabilities

	<b>30th June 2002</b>	<b>31st December 2001</b>
	<i>RMB '000</i>	<i>RMB '000</i>
		<b>Group</b>
Guarantees for bank loans of third parties	75,000	15,000
Guarantees for bank bills of third parties	11,800	27,700
	<u>86,800</u>	<u>42,700</u>
		<b>Company</b>
	<b>30th June 2002</b>	<b>31st December 2001</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Guarantees for bank loans of subsidiaries	<u>67,650</u>	<u>44,520</u>

**17 Capital commitments**

	<b>Group</b>	
	<b>30th June 2002</b>	<b>31st December 2001</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for		
Construction and equipment purchases	<u>58,745</u>	<u>13,958</u>
Authorised but not contracted for		
Investments ( <i>note</i> )	68,684	–
Construction and equipment purchases	<u>34,800</u>	<u>24,738</u>
	<u>103,484</u>	<u>24,738</u>

*Note:* During the period, the Company and its ultimate holding company entered into an agreement to set up two new companies – Wuxi Textile Technology Experiment Company Limited and Honda New Textile Manufacturing Technology Company Limited.

**18 Significant related party transactions**

The following is a summary of significant related party transactions, which in the opinion of the directors, were entered into by the Group in the normal course of business.

		<b>Six months ended 30th June</b>	
		<b>2002</b>	<b>2001</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Transactions with the ultimate holding company</b>			
Purchase of raw materials and components	(i)	–	525
Sale of finished goods	(i)	–	1,559
Purchase of equity interests in Changde and Yichang	(iii)	88,028	–
Bank loan guarantee in favour of the Company	(iv)	<u>–</u>	<u>5,000</u>
<b>Transactions with Jingwei Group Company</b>			
Purchase of tools	(i)	8,537	6,013
Purchase of raw materials and components	(i)	700	2,657
Sale of raw materials and components	(i)	1,976	5,838
Sale of finished goods	(i)	26,663	22,088
Fees paid for transportation services	(i)	580	1,118
Fees paid for repairs and maintenance services	(i)	9,285	5,285
Fees paid for other supporting services	(i)	5,769	8,145
Processing fees paid	(i)	18,979	34,000
Fees received for the provision of supporting services	(i)	3,843	5,969
Rental income	(i)	–	288
Rental expenses	(i)	300	325
Purchase fixed assets	(ii)	20,404	–
Bank loan guarantees in favour of the Company	(iv)	<u>86,000</u>	<u>155,180</u>
<b>Transactions with other fellow subsidiaries</b>			
Purchase of raw materials and components	(i)	45,019	69,447
Sale of components and special parts	(i)	777	2,089
Sale of finished goods	(i)	20,613	17,796
Purchase of tools model	(i)	4,627	4,740
Purchase of castings	(i)	32,841	24,527
Purchase of package	(i)	912	–
Purchase of energy	(i)	5,694	7,205
Processing fees paid	(i)	23,072	48,370
Fees paid for transportation services	(i)	1,783	295
Fees paid for repairs and maintenance services	(i)	623	65
Fees paid for other supporting services	(i)	7,162	5,756
Fees received for the provision of supporting services	(i)	–	150
Processing fees received	(i)	55	254
Rental expenses	(i)	10,676	15,018
Purchase of fixed assets	(ii)	50,491	–
Bank loan guarantees in favour of the Company	(iv)	<u>20,000</u>	<u>24,600</u>
<b>Transactions with subsidiaries and associated company of Jingwei (Group) company</b>			
Purchase of raw materials	(i)	<u>8,736</u>	<u>9,641</u>



*Notes:*

- (i) The transactions for the six months ended 30th June 2002 were conducted in accordance with the composite service agreement dated 5th February 2002.
- (ii) The purchase of fixed assets was carried out in accordance with assets acquisition agreements dated 5th February 2002.
- (iii) The purchase of Changde and Yichang was carried out in accordance with an interests acquisition agreement dated 5th February 2002.
- (iv) Bank loans guarantee granted by CTMC, Jingwei Group Company and other fellow subsidiaries in favour of the Company were executed in accordance with the related guarantee agreements.

## Chapter VIII Documents Available for Inspection

The following documents are available for inspection at the Secretariat to the Board of Directors of the Company:

1. the interim report for year 2002 duly signed by the directors;
2. the financial reports duly signed and sealed by the person in charge of the Company, the person in charge of the Company's accounts and the person in charge of accounting department;
3. all documents which had been disclosed in the newspapers and magazines specified by the China Securities Regulatory Commission during the reporting period;
4. Memorandum and Articles of Association of the Company.

The Board of Directors  
**Jingwei Textile Machinery Company Limited**

19th August 2002