

IMPORTANT

The Board of Directors of the Company and each of them individually 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 Interim report. The report has been reviewed and approved by a meeting of the Board of Directors of the Company where two Directors of the Company, Mr. Liu Haitao and Mr. Gan Xiaojing, attended the said meeting by proxy.

The 2003 interim financial report of the Group has not been audited.

Mr. Zhang Jie (Chairman), Mr. Ye Maoxin (Director and General Manager), Mr. Yao Yuming (Director and Financial Controller) and Mr. Mao Faqing (Head of Finance Department) hereby confirm that the financial statements as disclosed in this interim report are true, accurate and complete.

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

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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
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Correspondence address : 701, First Shanghai Centre
39 Liangmaqiao Road
Chaoyang District
Beijing, PRC
Postal code : 100016
Facsimile : 8610 84534135
4. Registered address of the Company : 15 Wucheng Road, Taiyuan
Shanxi Province, PRC
Business address of the Company : Level 7, 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
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 Standards and System (“PRC GAAP”)

	As at 30th June 2003 <i>RMB'000</i> <i>(unaudited)</i>	As at 31st December 2002 <i>RMB'000</i> <i>(audited)</i>	Increase/(decrease) in this reporting period as compared with beginning of the year <i>(%)</i>
Current assets	3,658,317	3,448,990	6.07
Current liabilities	2,553,372	2,386,433	7.00
Total assets	5,064,339	4,774,180	6.08
Shareholders' equity (excluding minority interests)	2,351,285	2,271,549	3.51
Net assets per share (<i>RMB</i>)	3.89	3.76	3.46
Adjusted net assets per share (<i>RMB</i>)	3.74	3.71	0.81

	Six months ended 30th June 2003 <i>RMB'000</i> <i>(unaudited)</i>	Six months ended 30th June 2002 <i>RMB'000</i> <i>(unaudited)</i>	Increase/(decrease) from corresponding period of last year <i>(%)</i>
Net profit	79,758	48,698	63.78
Net profit after extraordinary items	81,114	47,558	70.56
Earnings per share (<i>RMB</i>)	0.13	0.08	62.5
Return on net assets (%)	3.39	2.19	54.79
Net cashflow from operating activities	123,898	(10,426)	N/A

After deducting extraordinary items and related amounts:

	Six months ended 30th June 2003 <i>RMB'000</i> <i>(unaudited)</i>	Six months ended 30th June 2002 <i>RMB'000</i> <i>(unaudited)</i>
Amortisation of equity investment differences	311	311
Subsidy income	335	284
Non-operating (expenses)/income, net	(2,241)	746
Effect of income tax	239	(201)
Total	<u>(1,356)</u>	<u>1,140</u>

2. Schedule to Profit and Loss Account

Profit for the reporting period	Return on net assets (%)				Earnings per share (RMB)			
	Fully diluted		Weighted average		Fully diluted		Weighted average	
	Six months ended 30th June		Six months ended 30th June		Six months ended 30th June		Six months ended 30th June	
	2003	2002	2003	2002	2003	2002	2003	2002
Profit from main operations	15.66	10.01	15.93	10.12	0.61	0.37	0.61	0.37
Operating profit	4.45	2.61	4.53	2.64	0.17	0.10	0.17	0.10
Net profit	3.39	2.19	3.45	2.21	0.13	0.08	0.13	0.08
Net profit after extraordinary items	3.45	2.14	3.51	2.16	0.13	0.08	0.13	0.08

3. Financial information prepared in accordance with the accounting principles generally accepted in Hong Kong ("HK GAAP")
**Condensed Consolidated Profit and Loss Account (Unaudited)
For the six months ended 30th June 2003**

	Unaudited	
	Six months ended 30th June 2003	Six months ended 30th June 2002
	RMB'000	(Restated) RMB'000
Turnover	2,088,081	1,097,772
Cost of sales	(1,712,984)	(870,456)
Gross profit	375,097	227,316
Other revenues	24,887	19,585
Distribution expenses	(47,280)	(35,876)
Administrative expenses	(231,176)	(131,373)
Net other operating expenses	(3,927)	(2,232)
Operating profit	117,601	77,420
Net interest expenses	(8,657)	(19,141)
Share of profits less losses of associated companies	773	120
Profit before taxation	109,717	58,399
Taxation	(24,020)	(8,099)
Profit after taxation	85,697	50,300
Minority interests	(1,061)	(255)
Profit attributable to shareholders	<u>84,636</u>	<u>50,045</u>
	RMB	RMB
Basic earnings per share	<u>0.14</u>	<u>0.08</u>



4. The following illustrates the differences in profit attributable to shareholders for the six months ended 30th June 2003 and net assets as at 30th June 2003 as calculated in accordance with PRC GAAP and HK GAAP:

	Profit attributable to shareholders for the six months ended 30th June 2003		Net assets as at 30th June 2003	
	Group RMB'000 (unaudited)	Company RMB'000 (unaudited)	Group RMB'000 (unaudited)	Company RMB'000 (unaudited)
Prepared in accordance with PRC GAAP	79,758	79,758	2,351,285	2,351,241
Equity accounting for the results and reserves of subsidiaries in the accounts of the Company prepared under PRC GAAP	–	(55,533)	–	(228,238)
Amortisation of negative goodwill not allowed under HK GAAP	–	–	(3,731)	(3,731)
Reversal of revaluation surplus on land use rights under PRC GAAP	–	–	(4,200)	(4,200)
Surplus on revaluation over cost of investment property required under HK GAAP	–	–	4,583	4,583
Reversal of amortisation of revalued land use right under PRC GAAP	51	–	634	–
Capital reserve arising on consolidation under HK GAAP	–	–	9,946	–
Amortisation of long term investment difference over ten years under PRC GAAP	(311)	(311)	(2,253)	(2,253)
Reversal of depreciation of investment property under HK GAAP	3,187	3,187	7,967	7,967
Deferred tax assets recognised under HK GAAP	1,951	1,197	12,770	3,895
Prepared in accordance with HK GAAP	<u>84,636</u>	<u>28,298</u>	<u>2,377,001</u>	<u>2,129,264</u>

Chapter II Movements in Share Capital and Shareholdings of Substantial Shareholders

I. MOVEMENTS IN SHARE CAPITAL

There were 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 registered shareholders as at the end of the reporting period was 104,144, of which 104,073 are holders of A shares and 71 are holders of H shares.

III. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June 2003, 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 Textile Machinery (Group) Company Limited	A Shares	220,000,000	36.44
HKSCC Nominees Limited	H Shares	177,577,999	29.41
招商證券股份有限公司	A Shares	1,461,879	0.24
河南財政證券公司	A Shares	1,372,680	0.23
裕隆證券投資基金	A Shares	1,150,063	0.19
銀豐證券投資基金	A Shares	840,787	0.14
Poon Chiu Leung	H Shares	700,000	0.12
北京亞商投資諮詢有限公司	A Shares	519,966	0.09
第一創業證券有限責任公司	A Shares	500,500	0.08
泰和證券投資基金	A Shares	402,600	0.07

Notes:

- 1) The H Shares registered in the name of HKSCC Nominees Limited as at 30th June 2003 were held by HKSCC Nominees Limited on behalf of various clients and none of them individually held 5% or more interest in the Company's H Shares in issue.
- 2) There was no change in the shareholding held by China Textile Machinery (Group) Company Limited during the period and none of these shares were under pledge, charging order or receiving order.
- 3) Of the ten largest shareholders of the Company, the shares held by China Textile Machinery (Group) Company Limited are State-owned legal entity shares which are unlisted and not traded in any stock 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 is not connected with any of the other general public shareholders. The Company is not aware 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 REPORTING PERIOD

Name	Position	Term of office	No. of Shares held as at 1 January 2003	No. of Shares held as at 30 June 2003
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	-	-
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 Controller	15/8/2001-15/8/2004	9,200	9,200
Wang Weizhi	Director, Deputy General Manager	15/8/2001-15/8/2004	-	-
Liu Haitao	Director	15/8/2001-15/8/2004	-	-
Gong Enqing	Director	15/8/2001-15/8/2004	-	-
Liu Xianming	Director	15/8/2001-28/5/2003	-	-
Zhang Jianguo	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 Xianming	Vice-chairman of the supervisory committee	28/5/2003-15/8/2004	-	-
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		-	-

The Shares held as reported above are all A Shares. There have been no changes in the shareholding of the directors, supervisors and senior management during the reporting 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 and Futures Ordinance), nor had any of them been granted or exercised any rights to subscribe for any interest in the shares capital or debt securities of the Company or any of its associated corporations (as defined in the Securities and Futures Ordinance) which are required to be entered in the register established and maintained in accordance with section 352 of the Securities and Futures Ordinance.

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

At the 2002 Annual General Meeting of the Company held on 28th May 2003, the resignation of Mr. Liu Xianming as a Director of the Company and the appointment of Mr. Liu Xianming as the supervisor representing the shareholders of the Company were approved. On the same date, Mr. Liu Xianming was appointed as Vice Chairman of the Supervisory Committee at the Supervisory Committee Meeting.

III. STAFF

As at 30th June 2003, the Group had 12,457 staff (as at 31st December 2002: 12,822). For the six months ended 30th June 2003, total staff cost of the Group amounted to RMB196,638,000 (corresponding period in 2002: RMB130,478,000). 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

Under the positive national fiscal policy and the priority accorded to the textile industry, the textile industry has seen substantial growth since last year. Given this market trend, the Company was packed with production orders for its major products during the reporting period. On the one hand, the Company made every effort in overcoming SARS through preventive measures and, on the other hand, capitalised on the market sentiment by enhancing its core competences in pursuit of stronger market presence through more emphasis on innovative technology, product development and technology intensiveness. As such, the Company recorded better operating results. Meanwhile, the Company made good progress in strengthening its business management, whereby efforts of rationalisation, centralised purchase and capital management and information management were increased. The Company also achieved good result in computer-assisted innovation of technology and management.

As stated in the financial statements prepared in accordance with HK GAAP, turnover and profit attributable to shareholders of the Group for the six months ended 30th June 2003 were RMB2,088,081,000 and RMB84,636,000 respectively, representing an increase of 90.21% and 69.12% over the corresponding period of the previous year. As at 30th June 2003, bank balances of the Group amounted to RMB879,483,000. Short-term and long-term borrowings amounted to RMB224,900,000 and RMB85,800,000 respectively. Gearing ratio (long-term borrowings divided by net assets) was 3.61%.

As at 30th June 2003, none of the cash and bank balances of the Group were pledged as security for any short-term bank borrowings (as at 31st December 2002: RMB23,026,000).

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, revenue from main operations of the Group for the six months ended 30th June 2003 amounted to RMB2,088,081,000, representing an increase of 90.21% over the corresponding period in last year. Profit from main operations amounted to RMB368,268,000, representing an increase of 65.45% over the corresponding period in last year, of which:

Revenue from main operations of the Company amounted to RMB749,843,000, representing an increase of 64.82% over the corresponding period in last year while its profit from main operations amounted to RMB108,335,000, representing an increase of 38.96% over the corresponding period in last year.

Subsidiaries: Revenue and profits from main operations of Zhengzhou Hongda New Textile Machinery Company Limited amounted to RMB305,543,000 and RMB32,906,000 respectively.

Revenue and profits from main operations of Qingdao Hongda Textile Machinery Company Limited amounted to RMB455,403,000 and RMB64,108,000 respectively.

Revenue and profits from main operations of Shenyang Hongda Textile Machinery Company Limited amounted to RMB130,165,000 and RMB34,186,000 respectively.

Revenue and profits from main operations of Tianjin Hongda Textile Machinery Company Limited amounted to RMB220,160,000 and RMB44,699,000 respectively.

Revenue and profits from main operations of Changde Textile Machinery Company Limited amounted to RMB175,551,000 and RMB58,878,000 respectively.

**I. OPERATING RESULTS AND FINANCIAL ANALYSIS (continued)****1. Operating Results (continued)**

Revenue and profits from main operations of Wuxi Jingwei Textile Technology Testing Company Limited amounted to RMB6,782,000 and RMB792,000 respectively.

Revenue and profits from main operations of Beijing Jingwei Textile New Technology Company Limited were RMB15,885,000 and RMB3,669,000 respectively.

Revenue and profits from main operations of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited were RMB40,849,000 and RMB10,037,000 respectively.

2. Financial Position (under the PRC GAAP)

Changes in major accounting items (unit: RMB'000)

Indicator	30th June 2003	31st December 2002	Increase/ (decrease) + / (-)	Increase/ (decrease) (%)
Total assets	5,064,339	4,774,180	290,159	6.08
Accounts receivables	533,295	457,714	75,781	16.51
Net inventory	1,313,419	1,308,194	5,225	0.40
Net long term investments	82,441	64,989	17,452	26.85
Total fixed assets	1,182,296	1,133,521	48,775	4.30
Long term liabilities	85,800	65,667	20,133	30.66
Shareholders' equity	2,351,285	2,271,549	79,736	3.51

Indicator	Six months ended 30th June 2003	Six months ended 30th June 2002	Increase/ (decrease) + / (-)	Increase/ (decrease) (%)
Profit from main operations	368,268	222,591	145,677	65.45
Net profit	79,758	48,698	31,060	63.78

Reasons for changes:

Increase in accounts receivables was mainly due to the increase in sales revenue during the period.

Increase in net long-term investments was mainly due to an investment of RMB17,000,000 in Zhengzhou Hongda Non-woven Fabric Company Limited.

Increase in long-term liabilities was mainly due to the recent drawdown of a low interest loan of National Technological Upgrading made during the reporting period in the amount of RMB40,000,000.

Increases in profit from main operations and net profit were mainly due to increase in sales during the period, which resulted in the accumulated capital.

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 development, manufacture and sale of textile machinery and related components and parts.

Analysis of main operations by industries and product (Unit: RMB'000)

	Revenue from main operations	Cost of main operations	Gross profit margin (%)	Increase/ (decrease) in revenue from main operations as compared with the corresponding period in the previous year (%)	Increase/ (decrease) in cost of main operations as compared with the corresponding period in the previous year (%)	Increase/ (decrease) in gross profit margin as compared with the corresponding period in the previous year (%)
Natural fibre textile machinery	1,647,481	1,376,641	16.44	93.38	109.47	(21.20)
Of which being connected transactions	4,992	4,442	11.02	(25.03)	(25.17)	1.57
Chemical fibre machinery	46,294	41,269	10.85	20.59	28.97	(34.81)
Weaving machinery	125,841	104,483	16.97	143.45	115.50	173.56
Special parts and accessories for weaving machinery	170,761	114,887	32.72	52.02	41.49	18.06
Processing fee, labour and others	97,704	75,704	22.52	71.08	46.79	9.64
Total	2,088,081	1,712,984	17.96	90.21	96.79	(13.25)

Pricing basis for connected transactions:

- 1). the market price of the relevant services or products to be bought or supplied; or
- 2). the cost (including administrative and finance costs) of such services or products, if there is no readily available market price for the service or product; or
- 3). the prices prescribed by the State; and the annual cost increase shall not exceed the rate of increase in the relevant municipal households consumer price index.

Main operations by regions

Region	Revenue from main operations RMB'000	Increase/ decrease in revenue from main operations as compared with the corresponding period in the previous year (%)
PRC	1,904,250	98.83
Asia	174,252	30.01
Africa	3,823	481.88
Other continents and regions	5,756	7.05
Total	2,088,081	90.21

III. OPERATING PROBLEM AND DIFFICULTY

Since the year of 2003, the textile industry has maintained its course of rapid growth. However, price fluctuation of major raw materials for textile production affected the textile industry in one way or another and created uncertainties over the demand for textile machinery. Besides, the Company's complete collection of cotton textile machinery had been in short supply and the Company was under considerable pressure to meet production orders. Accordingly, the Company took active measures to alleviate such pressure and maintain the market share of its products, including the active development of the core technology of such complete collection of cotton textile machinery to increase its production capacity, as well as subcontracting the manufacture of general spare parts.

IV. INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD

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

1.1 Use of proceeds (in RMB'000)

Aggregate proceeds	Total amount utilised during the reporting period			Accumulative total utilised amount	Whether it is in line with the project progress and expected revenue
	Intended funding	Any project change	Actual funding		
1,234,800			83,600		1,114,980
Committed project	Intended funding	Any project change	Actual funding	Revenue generated (Sales revenue)	Whether it is in line with the project progress and expected revenue
New cotton and textile equipment package	149,200	No	160,300	906,337.3	Yes
Non-weaving cloth and post-finish equipment	43,000	No	37,000	61,000	Yes
Establishment of technology development centre	72,200	No	101,400	110,000	Yes
Development of new non-knitting machine	65,600	No	38,790	205,260	Yes
Localisation of major technology equipment	82,500	No	92,080	70,000	Yes
Industrialisation of new technology (note 1)	110,000 (of which RMB65,000,000 to be used for a changed purpose)	Yes	82,930	32,000	No
Information centre and CIMS system	22,700	No	23,520	4,700	Yes
Replenished liquidity	–	No	370,820	–	Yes
Additional appropriation	183,730	No	208,140	348,000	Yes
Total	728,930		1,114,980	1,737,297.3	

Reasons for not being in line with the project progress and expected revenue

Note 1: Changes being made to the use of part of the proceeds (please refer to the following paragraph and paragraph 1.2), hence not allowing the planned progress and results.

Reasons for and procedures of changes

It was originally intended that the project of commercialising for industrial use new technology be approached through investing RMB110,000,000 out of the proceeds into the establishment of 金圖辦公自動化有限公司. Based on the principle of prudent use of the proceeds, the outstanding amount after the initial investment of RMB45,097,000 was scheduled to be paid by instalments. However, given the operating condition of that company and the market condition during the past two years, the Company considered that it would be rather risky to make further investment in this project and the remaining amount remains outstanding. The proposal of such change of plan had been submitted to the general meeting by the Board and was approved.

IV. INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD (continued)**1. Use of proceeds from the issue of shares during the reporting period (continued)****1.2 Changes in projects (in RMB'000)**

Aggregate funds in revised investment projects	65,000				
Revised projects	Corresponding projects originally committed	Intended funding in revised projects	Actual funding	Revenue generated	Whether it is in line with the project progress and expected revenue
Research and development of new model of high-end jet loom	Industrialisation of new technology	27,000	-	-	Yes
Equity acquisition of Shanxi Jingwei Heli Machinery Manufacturing Company	Industrialisation of new technology	38,000	37,935	Investment made in July 2003. No revenue generated yet	Yes
Total		<u>65,000</u>	<u>37,935</u>		

2. There were no significant investments not related to issue of shares during the reporting period.**V. COMPARISON BETWEEN ACTUAL OPERATING RESULTS AND PROJECTION FOR THE PERIOD**

- During the reporting period, the Company followed closely the 2003 Business Plan and posted good operating results. The financial strength of the Company was further enhanced and its new products gained larger market share as a result of increased efforts in technology innovation and acceleration of the development and commercialization of products. Meanwhile, the Company further rationalized its marketing network while digitalization was actively pursued to facilitate technology and management innovation. Accordingly, the Company had sharpened its comparative advantage. Through the acquisition of part of the equity interests of Shanxi Jingwei Heli Machinery Manufacturing Company, the Company had strengthened its manoeuvring over its associated companies and thus assured its flexibility in responding to market needs as the quantity, quality and speed in which the Company undertook external processing in partnership were upgraded and the transformation of its organization structure was achieved.



Chapter V Significant Events

- I. The Board of Directors of the Company has resolved not to pay any interim dividend for the period ended 30th June 2003 and no surplus reserves would be capitalised.
- II. Pursuant to CSRC's Guiding Principles for Listing Companies in Establishment of Independent Directors, at least one third of the board of directors of a listed company should be independent directors. The number of independent directors of the Company has not yet reached such proportion. Having regard to the actual circumstances, the Company is currently seeking suitable candidates for independent directors to be nominated for election at the 2003 annual general meeting to make up for the shortfall.

III. IMPLEMENTATION OF PROFIT DISTRIBUTION PROPOSAL FOR THE PREVIOUS YEAR

At the 2002 Annual General Meeting held on 28th May 2003, the profit distribution proposal for 2002 was passed. The said profit distribution was completed on 18th July 2003.

- IV. During the reporting period, there was not any material litigation or arbitration commenced against the Company nor was there any material litigation and arbitration carried forward and which involved the Company.

V. ACQUISITIONS AND INVESTMENTS

1. In June 2003, the Company contributed RMB27,240,000 to the joint establishment of Wuxi Jingwei Textile Technology Testing Company Limited with China Textile Machinery (Group) Company Limited, the controlling shareholder of the Company. Details of the joint venture were set out in the Securities Times and Wen Wei Po and The Standard in Hong Kong on 7th February and 13th March 2002 respectively.
2. In June 2003, the Company injected RMB17,000,000 into the joint establishment of Zhengzhou Hongda Non-woven Fabric Company Limited in Zhengzhou, Henan Province with Zhengzhou Textile Machinery Company Limited, a subsidiary of China Textile Machinery (Group) Company Limited, the controlling shareholder of the Company, and Hongda Research Company Limited. Details of the joint venture were set out in the Securities Times on 25th December 2002 and Wen Wei Po and The Standard in Hong Kong on 27th December 2002.
3. In July 2003, the Company acquired a 28% interest in Shanxi Jingwei Heli Machinery Manufacturing Company from Jingwei Machinery (Group) Company Limited at a consideration of RMB37,935,000, which was based on the net asset value of Shanxi Jingwei Heli Machinery Manufacturing Company as stated in the report of the PRC independent accountants as at 30th November 2002 of RMB135,484,000, multiplied by the acquired shareholding of 28%. Details of the acquisition were set out in the Securities Times and Wen Wei Po and The Standard in Hong Kong on 27th March 2003.

VI. RELATED PARTY TRANSACTIONS

1. Related party transactions arising from procurement and sales

Details are set out in Note (II) 6(4) in Chapter VI.

2. Related party transactions arising from asset acquisition and capital contribution

See item 5 in Chapter V.

VI. RELATED PARTY TRANSACTIONS (continued)

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

- (1) Creditors' rights and liabilities between the Group and related parties are as follows:

in RMB '000

Related Party	Funding to the related party		Funding to the Company from the related party	
	Amount incurred	Balance	Amount incurred	Balance
Due from ultimate holding company	125,851	7,446	–	–
Due from fellow subsidiary	242,873	198,177	–	–
Due to ultimate holding company	–	–	(9,180)	–
Due to fellow subsidiary	–	–	(153,185)	(70,155)
Total	368,724	205,623	(162,365)	(70,155)

Their causes and effects on the Company:

The above unsettled sums arose as a result of accrued payments from connected transactions. As such need for settlement arose in the ordinary course of business, no delinquency would result. The RMB29,072,000 due from the controlling shareholder for its purchase of the Company's chemical fibre assets, as disclosed in the 2002 annual report of the Company, was recovered during the reporting period.

- (2) There existed no guarantees provided by the Group in favour of any related parties.

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. Guarantees:

in RMB '000

Party under Guarantee	Date of agreement	Guarantee amount	Type of guarantee	Period of guarantee	Completion or not	Whether in favour of any related party (Y or N)
Zhengzhou Hongda New Textile Machinery Company Limited	20th December 2002	20,000	Surety liability	20th December 2002 to 25th December 2003	No	No
Qingdao Hongda Textile Machinery Company Limited	29th May 2002	22,800	Surety liability	29th May 2002 to 28 May 2005	No	No
Changde Textile Machinery Company Limited	23rd January 2003	20,000	Surety liability	23rd January 2003 to 22nd January 2006	No	No
Yichang Textile Machinery Company Limited	7th May 2003	20,000	Surety liability	7th May 2003 to 7th May 2007	No	No
Beijing Jingwei Textile New Technology Company Limited	23rd October 2002	16,820	Surety liability	23rd October 2002 to 23rd October 2003	No	No
Beijing Jingwei Textile New Technology Company Limited	13th December 2002	50,000	Surety liability	13th December 2002 to 13th December 2003	No	No
Beijing Jingwei Textile New Technology Company Limited	18th December 2002	70	Surety liability	18th December 2002 to 18th December 2003	No	No
北京華聯商廈股份有限公司 Beijing Hualuen Commercial Buildings Joint Stock Co. Ltd.	25th March 2003	200,000	Surety liability	25th March 2003 to 25th March 2004	No	No
Beijing Hualian Commerce and Trade Development Company Limited	16th April 2003	40,000	Surety liability	16th April 2003 to 15th April 2004	No	No
Total Actual Guaranteed Amount		389,690				
Total Actual Guaranteed Balance		389,690				

Including, total guaranteed balance in favour of related parties –



VII. MATERIAL CONTRACTS AND PERFORMANCE (continued)

3. During the reporting period, there were no significant or ongoing significant entrustment of cash to third parties for cash asset management purposes.

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 of the Company 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 2003.

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 annual general meeting held on 28th May 2003, a resolution was passed by the shareholders to approve the change of the registered address of the Company from 15 Wucheng Road, Taiyuan, Shanxi Province to the Economic Development Zone in Beijing. Such change of address was approved by the PRC Ministry of Commerce. Formalities as to the change of address are currently in progress.

Chapter VI Accounts Prepared in Accordance with the PRC Accounting Standards and System (Unaudited)

Balance Sheet

(Prepared in accordance with the PRC Accounting Standards and System)

As at 30th June 2003

	Notes	Group		Company	
		30th June 2003 (Unaudited)	31st December 2002 (Audited)	30th June 2003 (Unaudited)	31st December 2002 (Audited)
In Rmb Yuan					
Company					
31st December 2002					
(Audited)					
ASSETS					
CURRENT ASSETS					
Cash		886,932,303	967,504,852	665,947,491	646,487,786
Short-term investments		20,605,255	72,950,088	10,935,255	22,980,463
Notes receivable		421,704,741	147,418,744	135,855,917	36,530,980
Dividends receivable		—	—	29,295,765	14,542,746
Interest receivable		—	—	—	—
Accounts receivable		533,294,814	457,714,246	278,950,162	270,019,593
Other receivables		263,287,814	267,350,067	208,984,506	258,746,150
Advances to suppliers		215,579,332	225,125,985	160,851,735	109,570,422
Subsidy receivable		—	—	—	—
Inventories		1,313,419,160	1,308,194,135	715,006,379	633,522,474
Prepaid expenses		3,493,287	2,731,681	2,070,030	551,651
Long-term investments maturing within one year		—	—	—	—
Other current assets		—	—	—	—
Total current assets		3,658,316,706	3,448,989,798	2,207,897,240	1,992,952,265
LONG-TERM INVESTMENTS					
Long-term equity investments		82,441,357	64,989,165	890,684,870	886,582,422
Long-term debt investments		—	—	—	—
Total long-term investments		82,441,357	64,989,165	890,684,870	886,582,422
Including: Consolidation difference		(3,960,570)	(4,271,248)	—	—
FIXED ASSETS					
Fixed assets-cost		1,900,029,240	1,787,662,147	1,179,105,059	1,003,542,413
Less: Accumulated depreciation		(798,386,033)	(736,711,344)	(418,404,562)	(278,796,967)
Fixed assets-net amount		1,101,643,207	1,050,950,803	760,700,497	724,745,446
Less: Fixed assets impairment provision		(40,619,218)	(40,639,006)	(32,280,789)	(32,300,577)
Fixed assets-net book value		1,061,023,989	1,010,311,797	728,419,708	692,444,869
Construction supplies		24,986,001	27,119,527	3,023,914	7,490,007
Construction in progress		96,285,967	96,089,906	21,711,742	19,120,045
Fixed assets pending disposal		—	—	—	—
Total fixed assets		1,182,295,957	1,133,521,230	753,155,364	719,054,921
INTANGIBLE AND OTHER ASSETS					
Intangible assets		140,318,864	124,798,605	84,432,135	47,874,148
Long-term deferred expenses		966,382	1,881,272	392,491	1,329,030
Other long-term assets		—	—	—	—
Total intangible and other assets		141,285,246	126,679,877	84,824,626	49,203,178
DEFERRED TAXES					
Deferred tax debits		—	—	—	—
TOTAL ASSETS		5,064,339,266	4,774,180,070	3,936,562,100	3,647,792,786

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

Balance Sheet (continued)

(Prepared in accordance with the PRC Accounting Standards and System)

As at 30th June 2003

	Group 30th June 2003 (Unaudited)	Group 31st December 2002 (Audited)	Company 30th June 2003 (Unaudited)	In Rmb Yuan Company 31st December 2002 (Audited)
LIABILITIES AND OWNERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans	224,900,000	314,720,000	147,900,000	209,400,000
Notes payable	271,959,450	309,717,420	199,481,662	208,385,703
Accounts payable	581,221,335	543,453,837	343,786,276	337,787,468
Advances from customers	1,134,528,583	923,485,087	656,401,119	488,065,483
Accrued payroll	3,855,999	3,195,739	118,877	-
Welfare benefits payable	41,588,085	36,068,235	17,832,947	13,312,079
Dividends payable	36,269,222	36,426,831	36,239,607	36,239,607
Interest payable	-	-	-	-
Taxes payable	26,580,430	16,818,185	4,291,580	6,954,216
Other accruals	1,241,170	1,314,218	515,771	568
Other payables	203,866,973	179,328,800	126,060,959	16,053,701
Accrued expenses	27,360,728	7,697,110	9,692,171	3,036,000
Provisions for foreseeable liabilities	-	-	-	-
Portion of long-term liabilities due within one year	-	14,208,000	-	14,208,000
Other current liabilities	-	-	-	-
Total current liabilities	<u>2,553,371,975</u>	<u>2,386,433,462</u>	<u>1,542,320,969</u>	<u>1,333,442,825</u>
LONG-TERM LIABILITIES				
Long-term loans	85,800,000	65,667,000	43,000,000	42,867,000
Debentures payable	-	-	-	-
Long-term payables	-	-	-	-
Government grants payable	-	-	-	-
Other long-term liabilities	-	-	-	-
Total long-term liabilities	<u>85,800,000</u>	<u>65,667,000</u>	<u>43,000,000</u>	<u>42,867,000</u>
DEFERRED TAXES				
Deferred tax credits	-	-	-	-
TOTAL LIABILITIES	<u>2,639,171,975</u>	<u>2,452,100,462</u>	<u>1,585,320,969</u>	<u>1,376,309,825</u>
Minority interests	73,882,657	50,530,543	-	-
OWNER'S EQUITY				
Share capital	603,800,000	603,800,000	603,800,000	603,800,000
Capital surplus	1,252,154,114	1,252,154,114	1,252,154,114	1,252,154,114
Surplus reserve	193,783,720	193,783,720	147,574,699	147,574,699
Including: Statutory public welfare fund	83,010,336	83,010,336	59,905,826	59,905,826
Undistributed profits	301,503,297	221,745,127	347,712,318	267,954,148
Foreign exchange difference reserve	43,503	66,104	-	-
Total shareholders' equity	<u>2,351,284,634</u>	<u>2,271,549,065</u>	<u>2,351,241,131</u>	<u>2,271,482,961</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>5,064,339,266</u>	<u>4,774,180,070</u>	<u>3,936,562,100</u>	<u>3,647,792,786</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

(Prepared in accordance with the PRC Accounting Standards and System)

For the six months ended 30th June 2003

ITEMS	Group		In Rmb Yuan Company	
	For the six months ended 30th June		For the six months ended 30th June	
	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)
Revenues from main operations	2,088,081,104	1,097,771,973	749,842,841	454,950,043
Less: Cost of main operations	(1,712,984,274)	(870,456,043)	(640,612,836)	(375,497,744)
Tax and levies on main operations	(6,828,941)	(4,724,999)	(894,805)	(1,492,364)
Profit from main operations	368,267,889	222,590,931	108,335,200	77,959,935
Add: Profit from other operations	21,220,414	17,690,880	17,106,433	15,516,535
Less: Selling expenses	(40,451,450)	(31,151,337)	(12,469,987)	(9,534,712)
General and administrative expenses	(234,413,703)	(131,623,044)	(78,805,084)	(41,193,319)
Financial expenses-net	(9,885,138)	(19,486,683)	(4,380,780)	(13,452,210)
OPERATING PROFIT	104,738,012	58,020,747	29,785,782	29,296,229
Add: Income from investment	3,929,849	761,066	55,899,007	24,481,808
Subsidy income	334,923	284,655	—	—
Non-operating income	458,517	1,239,244	211,665	326,874
Less: Non-operating expenses	(2,699,320)	(1,886,462)	(1,269,556)	(1,446,016)
TOTAL PROFIT	106,761,981	58,419,250	84,626,898	52,658,895
Less: Income tax	(25,942,857)	(9,465,626)	(4,868,728)	(4,271,217)
Loss of minority shareholders	(1,060,954)	(255,269)	—	—
NET PROFIT	<u>79,758,170</u>	<u>48,698,355</u>	<u>79,758,170</u>	<u>48,387,678</u>

Supplementary Information

ITEMS	Group		Company	
	For the six months ended 30th June		For the six months ended 30th June	
	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)
1. Profit/(Loss) from sale, disposal of a business unit or investments	—	—	—	—
2. Loss due to natural disaster	—	—	—	—
3. Increase/(decrease) in total profit/(loss) as a result of changes in accounting policies	—	—	—	—
4. Increase/(decrease) in total profit/(loss) as a result of changes in accounting estimates	—	—	—	—
5. Losses from debt restructuring	—	—	—	—
6. Other	—	—	—	—

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 Appropriation Statement**

(Prepared in accordance with the PRC Accounting Standards and System)

For the six months ended 30th June 2003

ITEMS	Group		In Rmb Yuan Company	
	For the six months ended 30th June		For the six months ended 30th June	
	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)
Net profit	79,758,170	48,698,355	79,758,170	48,387,678
Add: Undistributed profit at the beginning of the year	<u>221,745,127</u>	<u>164,689,415</u>	<u>267,954,148</u>	<u>192,927,591</u>
DISTRIBUTABLE PROFIT	301,503,297	213,387,770	347,712,318	241,315,269
Less: Transfer to statutory surplus reserve	-	-	-	-
Transfer to statutory public welfare fund	-	-	-	-
PROFIT AVAILABLE FOR DISTRIBUTION TO SHAREHOLDERS	301,503,297	213,387,770	347,712,318	241,315,269
Less: Dividend for preference stock	-	-	-	-
Transfer to discretionary surplus fund	-	-	-	-
Dividend for common stock	-	-	-	-
Dividend for common stock transferred to shares	-	-	-	-
UNDISTRIBUTED PROFIT AT THE END OF YEAR	<u>301,503,297</u>	<u>213,387,770</u>	<u>347,712,318</u>	<u>241,315,269</u>

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

Legal Representative:
Ye MaixinPerson in charge of accounting function:
Yao YumingPerson in charge of accounting department:
Mao Faqing

Breakdown of assets provision as at 30th June 2003
(Prepared in accordance with the PRC Accounting Standards and System)

In RMB Yuan

Item	1st January 2003 (Unaudited)	Addition (Unaudited)	Reversal (Unaudited)	30th June 2003 (Unaudited)
1. Bad debt provision, total	90,766,080	27,222,622	(2,331,795)	115,656,907
Including: Accounts receivable	87,044,684	27,222,622	(2,331,795)	111,935,511
Other receivables	3,721,396	–	–	3,721,396
2. Provision for short-term investment, total	4,243,254	1,336,837	(3,468,175)	2,111,916
Including: Trading securities	2,111,916	–	–	2,111,916
Debenture Investment	1,707,878	1,336,837	(3,044,715)	–
Fund investment	423,460	–	(423,460)	–
3. Provision for inventory, total	21,306,639	759,432	–	12,907,631
Including: Finished goods	12,148,199	759,432	–	12,907,631
Work in Progress	3,106,427	–	–	3,106,427
Raw material	6,052,013	–	–	6,052,013
4. Provision for long-term investments, total	137,200	–	(137,200)	–
Including: Long-term equity investment	137,200	–	(137,200)	–
Long-term debenture investment	–	–	–	–
5. Provision for fixed assets, total	40,639,006	–	(19,788)	40,619,218
Including: Buildings	–	–	–	–
Equipments	40,639,006	–	(19,788)	40,619,218
6. Provision for intangible assets	–	–	–	–
Including: Patent	–	–	–	–
Trademark	–	–	–	–
7. Provision for CIP	–	–	–	–
8. Provision for consignment loans	–	–	–	–

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

**Cash Flow Statements**

(Prepared in accordance with the PRC Accounting Standards and System)

For the six months ended 30th June 2003

ITEMS	GROUP		COMPANY	
	For the six month ended 30th June		For the six month ended 30th June	
	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)
1. Cash flows from operating activities				
Cash received from sales of goods or rendering of services	2,348,258,813	1,411,876,219	903,607,466	621,714,401
Refund of tax	334,923	1,808,284	-	-
Cash received relating to other operating activities	493,645,991	895,127,052	838,744,163	509,838,367
Sub-total of cash inflows	2,842,239,727	2,308,811,555	1,742,351,629	1,131,552,768
Cash paid for goods and services	(1,809,419,903)	(1,021,983,310)	(667,084,365)	(435,618,903)
Cash paid to and on behalf of employees	(176,354,347)	(110,882,416)	(68,751,352)	(40,682,915)
Payments of all types of taxes	(116,216,721)	(70,886,065)	(46,688,406)	(30,456,081)
Cash paid relating to other operating activities	(616,350,297)	(1,115,485,893)	(794,427,114)	(735,586,249)
Sub-total of cash outflows	(2,718,341,268)	(2,319,237,684)	(1,576,951,237)	(1,242,344,148)
Net cash from operating activities	123,898,459	(10,426,129)	165,400,392	(110,791,380)
2. Cash flows from investing activities				
Cash received from disposal of investments	57,793,067	500,000	29,862,999	-
Cash received from returns on investments	3,929,849	80,600	9,754,575	-
Net cash received from disposal of fixed assets, intangible assets and other long term assets	303,843	225,000	44,100	225,000
Cash received relating to other investing activities	38,149,745	138,632,226	-	93,000,000
Sub-total of cash inflows	100,176,504	139,437,826	39,661,674	93,225,000
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(63,618,983)	(71,135,630)	(14,919,641)	(25,112,736)
Cash paid to acquire investments	(87,461,880)	(63,407,054)	(85,213,564)	-
Cash paid relating to other investing activities	(17,061,616)	(88,000,000)	(12,515,391)	(80,000,000)
Sub-total of cash outflows	(168,142,479)	(222,542,684)	(112,648,596)	(105,112,736)
Net cash from investing activities	(67,965,975)	(83,104,858)	(72,986,922)	(11,887,736)
3. Cash flows from financing activities				
Cash received from capital contribution	28,185,501	300,000	-	-
Including :Cash received from issuing shares to minority shareholders by subsidiaries	-	-	-	-
Cash received from borrowings	64,000,000	141,906,067	61,000,000	86,000,000
Cash received relating to other financing activities	2,982,943	2,484,841	16,321,227	2,446,737
Sub-total of cash inflows	95,168,444	144,690,908	77,321,227	88,446,737
Cash repayments of amounts borrowed	(129,545,845)	(253,915,500)	(122,285,845)	(183,694,000)
Cash payments for interest expenses and distribution of dividends or profits	(16,259,406)	(11,436,386)	(27,618,542)	(7,029,836)
Including : cash payments to minority shareholders for distribution of dividends or profits	-	-	-	-
Cash payments relating to other financing activities	(27,300,389)	(13,042,160)	(370,604)	(12,911,285)
Including : cash payments to minority shareholders for distribution of capital	-	-	-	-
Sub-total of cash outflows	(173,105,640)	(278,394,046)	(150,274,991)	(203,635,121)
Net cash from financing activities	(77,937,196)	(133,703,138)	(72,953,764)	(115,188,384)
4 Effect of foreign exchange rate changes on cash	262	(7,246)	-	-
5. Net decrease in cash and cash equivalents	(22,004,450)	(227,241,371)	19,459,706	(237,867,500)

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

Legal Representative:
Ye MaoxinPerson in charge of accounting function:
Yao YumingPerson in charge of accounting department:
Mao Faqing

Cash Flow Statements

(Prepared in accordance with the PRC Accounting Standards and System)

Supplementary Information

For the six months ended 30th June 2003

	GROUP		COMPANY	
	For the six months ended 30th June		For the six months ended 30th June	
	2003 (Unaudited)	2002 (Unaudited)	2003 (Unaudited)	2002 (Unaudited)
In Rmb Yuan				
Supplementary information				
1. Reconciliation of net profit to cash flow from operating activities				
Net profit	79,758,170	48,698,355	79,758,170	48,387,678
Add: Share of profit by minority shareholders	1,060,954	(255,269)	—	—
Provision for asset impairment	25,126,837	4,694,123	—	—
Depreciation of fixed assets	37,782,924	30,817,689	25,695,160	14,901,210
Amortisation of intangible assets	1,459,833	928,284	1,088,943	663,492
Amortisation of long-term deferred expenses	914,890	521,575	65,996	—
Decrease in deferred expenses (or deduct: increase)	(761,606)	(269,284)	(1,518,379)	(124,192)
Increase in accrued expenses (or deduct: decrease)	19,663,618	15,198,903	6,656,171	2,279,722
Loss on disposal of fixed assets, intangible assets and other long term assets (or deduct: gain)	12,624	249,591	(37,770)	280,205
Loss on disposal of fixed assets (or deduct: gain)	306,076	4,443	—	—
Financial expenses (or deduct: income)	9,885,138	23,844,139	4,380,780	17,407,965
Loss arising from investments (or deduct: gain)	(3,929,849)	(761,066)	(55,899,007)	(24,481,807)
Deferred tax credit (or deduct: debit)	—	—	—	—
Decrease in inventories (or deduct: increase)	(5,984,766)	(206,418,373)	62,915,271	(46,869,357)
Decrease in operating receivables (or deduct: increase)	(336,257,659)	(449,972,826)	(130,235,746)	(256,959,189)
Increase in operating payables (or deduct: decrease)	251,302,895	528,403,204	137,775,082	171,014,918
Others	43,558,380	(6,109,617)	34,755,721	(37,292,025)
Net cash flows from operating activities	123,898,459	(10,426,129)	165,400,392	(110,791,380)
2. Investing and financing activities that do not involve cash receipts and payments				
Conversion of debt into capital	—	—	—	—
Reclassification of convertible bonds to be expired within one year as current liability	—	—	—	—
Fixed assets financed by finance leases	—	—	—	—
3. Net (decrease)/increase in cash and cash equivalents				
Cash at end of year	879,932,304	1,056,081,744	665,947,492	779,585,031
Less: Cash at beginning of year	(901,936,754)	(1,283,323,115)	(646,487,786)	(1,017,452,531)
Plus: Cash equivalents at end of year	—	—	—	—
Less: Cash equivalents at beginning of year	—	—	—	—
Net (decrease)/increase in cash and cash equivalents	(22,004,450)	(227,241,371)	19,459,706	(237,867,500)

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**

Notes to the Accounts

(Prepared in accordance with the PRC Accounting Standards and System)

I. COMPANY BACKGROUND

Jingwei Textile Machinery Company Limited (the “Company”) was established on 15th August 1995 as a joint stock limited company with China National Textile Machinery Corporation (Group) Company Limited (“CTMC”, or the “holding company” and formerly known as China National Textile Machinery Corporation) as the sole promoter.

The Company was listed on the Stock Exchange of Hong Kong Limited with the issuance of 180,800,000 H shares during February 1996. In November 1996, the Company issued 23,000,000 A share, which included 10,000,000 employee shares, and 13,000,000 listed shares on Shenzhen Stock Exchange in December 1996. On 24th June 1997, the 10,000,000 employee shares were also listed and traded on Shenzhen Stock Exchange. On 26th May 2000, the Company issued an additional 180,000,000 A shares. Subsequent to this issuance, the total issued share of the Company amounted to 603,800,000 shares.

The Company principally engaged in the manufacture and sale of textile machinery.

II. NOTES TO FINANCIAL STATEMENTS

1. Principal accounting policies

The Company applied the same accounting policies in the interim financial statements as compared with the immediately preceding year’s annual financial statements.

2. The scope of consolidation

The results of the newly acquired subsidiaries Wuxi Jingwei Textile Testing Technology Company Limited has been included in the unaudited consolidated financial statements of the Company during the reporting period.

3. Accounting estimates

The Company had no changes in the accounting estimates during the reporting period.

4. Accounting errors

The Company had no significant accounting errors during the reporting period.

5. Seasonality of the operations

The Company is principally engaged in the manufacture and sale of textile machinery, and doesn’t have any potential issues on the seasonality of operations.

6. Related party and related party transactions

(1) Related Party with controlling relationship

a. New related party with controlling relationship

Name	Main operations	Relationship with the Company	Equity interest % held	Nature or type	Legal representative
Wuxi Jingwei Textile Technology Testing Company Limited	Manufacturing and trading of cotton yarn; researching and developing of textile machinery, equipment and related technique.	Subsidiary	55%	Limited Company	Ye Xinmao

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

Name	Beginning balance RMB	Increase RMB	Decrease RMB	Ending balance RMB
Wuxi Jingwei Textile Technology Testing Company Limited	—	49,530,000	—	49,530,000

Notes to the Accounts

(Prepared in accordance with the PRC Accounting Standards and System)

II. NOTES TO FINANCIAL STATEMENTS (continued)**6. Related party and related party transactions (continued)***(1) Related party with controlling relationship (continued)*

- c. During this reporting period, the Company has transferred the subsidiary company Yichang Textile Machinery Company Limited to a branch and performed the related accounting in Parent scope.
- d. Except for above mentioned changes, there were no changes in the other related party with controlling relationship compared with the annual report of 2002.

(2) Fellow subsidiaries in which the Company has no control:

Name of related party	Relation with the Company
Tianjin Textile Machinery Plant	Fellow subsidiaries
Jingwei Textile Machinery (Group) Company Limited	Fellow subsidiaries
Hengyang Textile Machinery Plant	Fellow subsidiaries
Shenyang Textile Machinery Plant	Fellow subsidiaries
Wuxi Textile Machinery & Special Parts Plant	Fellow subsidiaries
Changde Textile Machinery Plant	Fellow subsidiaries
Changzhou Textile Machinery Plant	Fellow subsidiaries
Taicang Textile Machinery Plant	Fellow subsidiaries
Qingdao Textile Machinery Plant	Fellow subsidiaries
Zhengzhou Textile Machinery Company Limited	Fellow subsidiaries
Zhengzhou Textile Machinery Plant	Fellow subsidiaries
Weinan Textile Machinery Plant	Fellow subsidiaries
China National Textile Machinery (Group) Company Limited	
– Guangzhou branch office	Fellow subsidiaries
– Zhengzhou branch office	Fellow subsidiaries
Hongda Investment Company	Fellow subsidiaries
Qingdao Textile Machinery Company Limited	Fellow subsidiaries
Qingdao Textile Machinery & Card Clothing Company Limited	Fellow subsidiaries
Qingdao Textile Machinery Jinhui Mould Company Limited	Fellow subsidiaries
Wuxi Special Parts Plant	Fellow subsidiaries
Shenyang Textile Machinery Spare Parts Sale Company	Fellow subsidiaries
Trading Committee of CTMC	Fellow subsidiaries
Shenyang Hongsheng Textile Machinery Company Limited	Fellow subsidiaries
Shenyang Jingxin Founding Company Limited	Fellow subsidiaries
China National Textile Machinery Group Sale Company	Fellow subsidiaries
Tianjin Textile Machinery Plant-Branch Plant	Fellow subsidiaries
Tianjintian Textile Machinery & Steel Products Transformation Company Limited	Fellow subsidiaries
Tianjintian Textile Machinery Heat-Treatment Company Limited	Fellow subsidiaries
Huangshi Textile Machinery Plant	Fellow subsidiaries
Luhuan Engineering Company Limited	Associated companies
Hongda International Trading Company Limited	Associated companies
China National Textile Machinery Group Beijing Automatic Technology Company Limited	Associated companies
Qingdao Jinyi Die-Casting Company Limited	Associated companies
Shenyang Jingxing Textile Machinery Company Limited	Associated companies

Related companies include the holding company, the subsidiaries and associated companies, Jingwei Machinery (Group) Co., Ltd. (herewith known as “Jingwei Group Company”), its subsidiaries and associated companies.

Jingwei Group Company was formerly known as Jingwei Textile Machinery Plant.

The above fellow subsidiaries other than Jingwei Group Company are collectively referred to as “fellow subsidiaries”.

Notes to the Accounts

(Prepared in accordance with the PRC Accounting Standards and System)

II. NOTES TO FINANCIAL STATEMENTS (continued)

6. Related party and related party transactions (continued)

(3) New associated companies

Name	Principal activities	Registered Capital RMB	Equity interest % Held	Legal representative
Zhengzhou Hongda Non-woven Fabric Company Limited	Manufacturing and trading of non-woven fabrics and all sorts of products of non-weaving fabrics; consulting and training services on related technique; trading of raw materials chemical fibre.	40,000,000	42.5%	Jing Xinbao

Except for the new associated company, there were no changes in the other associated companies compared with the annual report of 2002.

(4) Related party transactions

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

	Notes	For the six months ended 30th June	
		2003 Rmb	2002 Rmb
Transactions with the ultimate holding company			
Sale of finished goods	(i)	7,461,509	–
Equity Acquisition of Changde and Yichang	(iii)	–	88,027,584
Transactions with Jingwei Group Company			
Purchase of tools	(i)	7,584,434	8,537,084
Purchase of raw materials and components	(i)	3,897,073	699,630
Sale of raw materials and components	(i)	862,801	1,975,816
Sale of finished goods	(i)	4,964,704	26,662,950
Fees paid for transportation services	(i)	1,863,132	579,872
Fees paid for repairs and maintenance services	(i)	11,750,836	9,284,597
Fees paid for other supporting services	(i)	6,088,706	5,768,525
Processing fees paid	(i)	5,533,692	18,979,196
Fees received for the provision of supporting services	(i)	622,096	3,843,165
Rental expenses	(i)	300,000	300,000
Acquisition of fixed assets	(ii)	–	20,403,600
Bank loan guarantees in favour of the Company	(iv)	147,200,000	86,000,000

Notes to the Accounts

(Prepared in accordance with the PRC Accounting Standards and System)

II. NOTES TO FINANCIAL STATEMENTS (continued)

6. Related party and related party transactions (continued)

(4) *Related party transactions (continued)*

		For the six months ended 30th June	
		2003	2002
		<i>Rmb</i>	<i>Rmb</i>
Transactions with other fellow subsidiaries			
Purchase of raw materials and components	(i)	172,816,513	45,019,270
Sale of components and special parts	(i)	145,579,881	777,423
Sale of finished goods	(i)	8,572,845	20,612,605
Purchase of tools model	(i)	610,085	4,627,320
Purchase of castings	(i)	81,734,115	32,841,388
Purchase of package	(i)	16,940,280	911,742
Purchase of energy	(i)	10,353,341	5,693,525
Processing fees paid	(i)	36,588,323	23,072,424
Fees paid for transportation services	(i)	3,346,371	1,782,884
Fees paid for repairs and maintenance services	(i)	2,521,663	623,372
Fees paid for other supporting services	(i)	7,648,441	7,161,898
Fees received for the provision of supporting services	(i)	444,569	-
Processing fees received	(i)	133,747	55,296
Rental expenses	(i)	17,035,708	10,676,112
Acquisition of fixed assets	(ii)	-	50,491,590
Bank loan guarantees in favour of the Company	(iv)	-	20,000,000
Transactions with subsidiaries and associated companies of Jingwei Group Company			
Purchase of raw materials	(i)	-	8,736,024
Sale of raw materials	(i)	-	217

Notes:

- (i) The transactions were conducted in accordance with the composite service agreements entered into on 5th February 2002.
- (ii) The transactions have been carried out in accordance with the assets purchasing agreements entered into on 5th February 2002.
- (iii) The transactions have been carried out in accordance with the equity interest acquisition agreements entered into on 5th February 2002.
- (iv) Bank loans guarantee granted by Jingwei Group Company and other fellow subsidiaries in favour of the Company were executed in accordance with the related guarantee agreements.

b. Pricing policy

The terms of these transactions with related parties follow the composite service agreements entered into by the Group and its related parties.

The general pricing policy for the ongoing connected transactions:

The ongoing connected transactions are on normal commercial terms and conditions which is conducted based on fair negotiation. Pursuant to the composite service agreements, the prices which the Group charged or were being charged was determined on following basis:

- (i) The market price of the relevant services or products to be bought or supplied; or
- (ii) The cost (including administration and finance costs) of such services or products, if there is no readily available market price for the service or product; or
- (iii) The prices prescribed by the State; and the annual cost increase will not exceed the rate of increase in the relevant municipal households consumer price index.

Notes to the Accounts

(Prepared in accordance with the PRC Accounting Standards and System)

II. NOTES TO FINANCIAL STATEMENTS (continued)

7. Revenues from main operations and cost of main operations

Primary reporting format-business segments

The Group's segment revenues, expenses and results are primarily attributable to manufacture and sale of textile machinery.

Other operations of the Group include sale of textile machinery components, special parts and other products, neither of which are of a sufficient size to be reported separately.

Secondary reporting format – geographical segments

Location	For the six months ended 30th June 2003		For the six months ended 30th June 2002	
	Sales Revenue	Cost of Goods Sold	Sales Revenue	Cost of Goods Sold
	RMB	RMB	RMB	RMB
China	1,904,250,109	1,563,963,001	957,704,023	757,198,984
Asia	174,252,369	141,190,037	83,918,600	68,118,000
Africa	3,823,021	3,122,640	48,406,300	40,374,700
Others	5,755,605	4,708,596	7,743,050	4,764,359
Total	<u>2,088,081,104</u>	<u>1,712,984,274</u>	<u>1,097,771,973</u>	<u>870,456,043</u>

8. Reasons for fluctuations in major accounting items

Indicator	30th June	31st December	Increase/ (decrease)	Increase/ (decrease)
	2003	2002	changes +/-	changes (%)
	RMB	RMB	RMB	
Total assets	5,064,339,266	4,774,180,070	290,159,196	6.08
Accounts receivable	533,294,814	457,714,246	75,580,568	16.51
Net inventories	1,313,419,160	1,308,194,135	5,225,025	0.40
Net long term investments	82,441,357	64,989,165	17,452,192	26.85
Total fixed assets	1,182,295,957	1,133,521,230	48,774,727	4.30
Long term liabilities	85,800,000	65,667,000	20,133,000	30.66
Share holders' equity	2,351,284,634	2,271,549,065	79,735,569	3.51

Indicator	Six months ended	Six months ended	Increase/ (Decrease)	Increase/ (Decrease)
	30th June 2003	30th June 2002	changes +/-	changes (%)
Profit from main operations	368,267,889	222,590,931	145,676,958	65.45
Net profit	79,758,170	48,698,355	31,059,815	63.78

Reasons for changes:

Increase in accounts receivables was mainly due to the increase in sales revenue during the period.

Increase in net long-term investments was mainly due to an investment of RMB17,000,000 in Zhengzhou Hongda Non-woven Fabric Company Limited.

Increase in long-term liabilities was mainly due to a Loan of National Technical Modification made during the reporting period in the amount of RMB40,000,000.

Increases in profit from main operations and net profit were mainly due to increase in sales during the period contributed to the accumulated capital.

Notes to the Accounts

(Prepared in accordance with the PRC Accounting Standards and System)

II. NOTES TO FINANCIAL STATEMENTS (continued)

9. Profit distribution

The Company has resolved not to recommend the payment of interim dividend for the period ended 30th June, 2003 and no surplus reserves would be capitalised.

10. Other Significant translations

The Company does not have any other significant transactions or events such as transfer or disposal of significant long-term assets and significant debt restructurings. There is no issuances, repurchases, and payment of debt and equity securities during the reporting period.

11. Contingent liabilities

	30th June 2003	Group 30th June 2002
	<i>RMB</i>	<i>RMB</i>
Guarantees for bank loans of third party	240,000,000	60,000,000
Guarantees for bank loans of related parties	—	10,980,000
	<u>240,000,000</u>	<u>70,980,000</u>
		Company
	30th June 2003	30th June 2002
	<i>RMB</i>	<i>RMB</i>
Guarantees for bank loans and overdrafts of subsidiaries	<u>149,690,000</u>	<u>142,830,000</u>

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

Condensed Consolidated Profit and Loss Account

(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

For the six months ended 30th June 2003

	Note	Unaudited	
		Six months ended 30th June 2003	2002
		RMB'000	(Restated) RMB'000
Turnover	2	2,088,081	1,097,772
Cost of sales		(1,712,984)	(870,456)
Gross profit		375,097	227,316
Other revenues	2	24,887	19,585
Distribution expenses		(47,280)	(35,876)
Administrative expenses		(231,176)	(131,373)
Net other operating expenses		(3,927)	(2,232)
Operating profit	3	117,601	77,420
Net interest expenses	4	(8,657)	(19,141)
Share of profits less losses of associated companies		773	120
Profit before taxation		109,717	58,399
Taxation	5	(24,020)	(8,099)
Profit after taxation		85,697	50,300
Minority interests		(1,061)	(255)
Profit attributable to shareholders		<u>84,636</u>	<u>50,045</u>
		RMB	RMB
Basic earnings per share	7	<u>0.14</u>	<u>0.08</u>

Condensed Consolidated Balance Sheet

(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

As at 30th June 2003 and 31st December 2002

	<i>Note</i>	Unaudited 30th June 2003	Audited 31st December 2002 (Restated)
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Intangible assets	8	6,640	3,096
Fixed assets	8	1,324,959	1,260,970
Investments in associated companies		85,613	68,108
Investment securities		789	1,152
Deferred tax assets		12,770	10,819
		<u>1,430,771</u>	<u>1,344,145</u>
Current assets			
Inventories		1,313,419	1,308,194
Trade and bills receivables	9	881,002	559,113
Prepayment to suppliers		193,001	196,090
Amount due from ultimate holding company		7,446	40,650
Amounts due from Jingwei Group Company and associated companies		23,345	–
Amounts due from fellow subsidiaries		174,832	180,759
Deposits, other receivables and prepayments		143,047	89,161
Short-term investments		20,605	72,950
Bank balances and cash			
– pledged		–	23,026
– unpledged		879,483	915,484
		<u>3,636,180</u>	<u>3,385,427</u>
Current liabilities			
Trade and bills payables	10	811,799	796,799
Advances from customers		1,114,849	837,443
Amounts due to fellow subsidiaries		70,155	74,512
Amount due to Jingwei Group Company		–	25,258
Other payables and accruals		245,756	212,001
Current portion of long-term bank loans	11	–	14,208
Taxation payable		26,580	16,818
Dividend payable		36,228	–
Bank loans and overdrafts			
– secured		30,000	38,600
– unsecured		194,900	269,120
		<u>2,530,267</u>	<u>2,284,759</u>
Net current assets		<u>1,105,913</u>	<u>1,100,668</u>
Total assets less current liabilities		<u>2,536,684</u>	<u>2,444,813</u>
Financed by:			
Share capital	12	603,800	603,800
Reserves	13	1,773,201	1,688,587
Proposed dividend		–	36,228
Shareholders' funds		2,377,001	2,328,615
Minority interests		73,883	50,531
Non-current liabilities			
Long-term bank loans	11	85,800	65,667
		<u>2,536,684</u>	<u>2,444,813</u>

**Condensed Consolidated Statement of Changes in Equity**

(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

For the six months ended 30th June 2003

		Unaudited Six months ended 30th June 2003	2002 <i>(Restated)</i> RMB'000
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total equity as at 1st January			
As previously reported		2,317,796	2,230,399
Effect of adoption of SSAP12 (revised)	<i>1(a)</i>	<u>10,819</u>	<u>6,104</u>
As restated		<u>2,328,615</u>	<u>2,236,503</u>
Exchange differences arising on translation of the accounts of a foreign subsidiary	<i>13</i>	<u>(22)</u>	<u>(5)</u>
Net losses not recognised in the profit and loss account		(22)	(5)
Profit for the period	<i>13</i>	84,636	50,045
Dividends	<i>13</i>	<u>(36,228)</u>	<u>(36,228)</u>
Total equity as at 30th June		<u><u>2,377,001</u></u>	<u><u>2,250,315</u></u>

Condensed Consolidated Cash Flow Statement

(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

For the six months ended 30th June 2003

	Unaudited Six months ended 30th June 2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from/(used in) operating activities	133,062	(21,743)
Net cash used in investing activities	(39,160)	(83,185)
Net cash used in financing activities	<u>(95,039)</u>	<u>(122,267)</u>
Decrease in cash and cash equivalents	(1,137)	(227,195)
Cash and cash equivalents at 1st January	872,942	1,268,242
Effect of foreign exchange rate changes	<u>(22)</u>	<u>(5)</u>
Cash and cash equivalents at 30th June	<u><u>871,783</u></u>	<u><u>1,041,042</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	879,483	1,059,542
Time deposits with maturity more than three months	<u>(7,700)</u>	<u>(18,500)</u>
	<u><u>871,783</u></u>	<u><u>1,041,042</u></u>

Notes To The Unaudited Condensed Consolidated Interim Financial Statements

(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

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 2002 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 2002 except that the Group has adopted the following new or revised SSAPs which are effective for accounting periods commencing on or after 1st January 2003:

SSAP 12 (revised)	:	Income taxes
SSAP 34 (revised)	:	Employee benefits
SSAP 35	:	Government grants and disclosure of government assistance (effective for accounting periods commencing on or after 1st July 2002)

The changes to the Group’s accounting policies and the effect of adopting these new SSAPs are set out below:

(a) SSAP 12 (revised): Income taxes

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 13, opening retained earnings at 1st January 2002 and 2003 have been increased by RMB8,760,000 and RMB11,506,000 respectively and the opening investment property revaluation reserve at 1st January 2002 and 2003 have been reduced by RMB2,656,000 and RMB687,000 respectively, which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax assets at 31st December 2002 by RMB10,819,000. The profit for the six months ended 30th June 2002 has been increased by RMB1,407,000.

(b) The adoption of SSAP 34 (revised) and SSAP 35 does not have material effect to the Group’s results or the net assets.

Notes To The Unaudited Condensed Consolidated Interim Financial Statements
(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

2 Turnover, revenue and segment information

Turnover represents the value of goods sold, net of output value added tax (“VAT”). VAT was assessed on the Group’s sales at the statutory rate of 17% (2002: 17%) less deductible input VAT.

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

	Six months ended 30th June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
Sale of goods	2,088,081	1,097,772
Other revenues		
Gross rental income from investment property	12,375	14,583
Investment income	2,874	370
Sale of raw materials and others	9,638	4,632
	<u>24,887</u>	<u>19,585</u>
Total revenues	<u><u>2,112,968</u></u>	<u><u>1,117,357</u></u>

Primary reporting format—business segments

	Six months ended 30th June 2003		
	Manufacture and sale of textile machinery	Property investment	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	<u>2,088,081</u>	—	<u>2,088,081</u>
Segment results	<u>112,797</u>	<u>10,679</u>	123,476
Investment income			2,874
Unallocated costs			<u>(8,749)</u>
Operating profit			117,601
Net interest expenses			(8,657)
Share of profits less losses of associated companies	773	—	<u>773</u>
Profit before taxation			109,717
Taxation			(24,020)
Minority interests			<u>(1,061)</u>
Profit attributable to shareholders			<u><u>84,636</u></u>

Notes To The Unaudited Condensed Consolidated Interim Financial Statements
(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

2 Turnover, revenue and segment information (continued)

Primary reporting format—business segments (continued)

	Six months ended 30th June 2002		
	Manufacture and sale 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>
Segment results	<u>69,732</u>	<u>14,283</u>	84,015
Investment income			370
Unallocated costs			<u>(6,965)</u>
Operating profit			77,420
Net interest expenses			(19,141)
Share of profits less losses of associated companies	120	—	<u>120</u>
Profit before taxation			58,399
Taxation			(8,099)
Minority interests			<u>(255)</u>
Profit attributable to shareholders			<u>50,045</u>

3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2003 RMB '000	2002 RMB '000
Crediting		
Gain on disposal of fixed assets	—	617
Unrealised and realised gain on short-term investments	<u>2,874</u>	<u>370</u>
Charging		
Amortisation of intangible assets (note 8)	547	126
Loss on disposal of fixed assets	1,061	—
Depreciation (note 8)	38,678	30,818
Staff costs, including directors' emoluments	196,638	130,478
Provision for inventories	759	5,725
Cost of inventories sold	<u>1,712,984</u>	<u>870,456</u>

4 Net interest expenses

	Six months ended 30th June	
	2003 RMB '000	2002 RMB '000
Interest expense	12,404	28,879
Less: interest income	<u>(3,747)</u>	<u>(9,738)</u>
Net interest expenses	<u>8,657</u>	<u>19,141</u>

Notes To The Unaudited Condensed Consolidated Interim Financial Statements
(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

5 Taxation

Hong Kong profits tax has not been provided as the Group had no taxable profits in Hong Kong for the period (2002: Nil). The Company and its subsidiaries are subject to PRC enterprise income tax on their assessable profits.

	Six months ended 30th June	
	2003	2002
	<i>RMB '000</i>	<i>(Restated)</i> <i>RMB '000</i>
Company and subsidiaries		
– PRC taxation	25,943	9,466
Deferred taxation (note 1(a))	(1,951)	(1,407)
Share of taxation attributable to associated companies	28	40
	<u>24,020</u>	<u>8,099</u>

In accordance with an approval document issued by the State Administration of Taxation of Shanxi Province on 28th September 1995, enterprise income tax rate of 15% (2002: 15%) is applicable to the Company. The enterprise income tax rates of the Company's subsidiaries range from 15% to 33% (2002: 15% to 33%). One of the Company's subsidiaries is subject to a preferential tax rate of 15% and enjoys half tax exemption from 2003 to 2005. In addition, four other subsidiaries of the Company are subject to a preferential tax rate of 15% in 2003.

6 Dividends

- (a) No dividend was proposed by the Company for the six months ended 30th June 2003 (2002: Nil).
- (b) Pursuant to a meeting of the Board of Directors held on 26th March 2003, the directors have proposed a final dividend of RMB0.06 per share for all domestic, A and H shares. Such dividend was approved in the annual general meeting held on 28th May 2003 and has been reflected as an appropriation of retained profits for the six months ended 30th June 2003.

7 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB84,636,000 (2002 restated: RMB50,045,000) and the weighted average number of 603,800,000 (2002: 603,800,000) shares in issue during the period.

No diluted earnings per share is presented as the Company does not have any dilutive potential shares as at 30th June 2003 (2002: Nil).

8 Capital expenditure

	Patents and trademarks	Software	Total intangible assets	Fixed assets
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
6 months ended 30th June 2003				
Opening net book amount	1,485	1,611	3,096	1,260,970
Additions	991	3,100	4,091	105,705
Disposals	–	–	–	(1,664)
Write-off	–	–	–	(1,374)
Amortisation/depreciation charge (note 3)	(270)	(277)	(547)	(38,678)
Closing net book amount	<u>2,206</u>	<u>4,434</u>	<u>6,640</u>	<u>1,324,959</u>

Notes To The Unaudited Condensed Consolidated Interim Financial Statements
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9 Trade and bills receivables

	30th June 2003 <i>RMB'000</i>	31st December 2002 <i>RMB'000</i>
Trade and bills receivables	992,938	646,158
Less: Provision	(111,936)	(87,045)
	<u>881,002</u>	<u>559,113</u>

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

	30th June 2003 <i>RMB'000</i>	31st December 2002 <i>RMB'000</i>
Less than 1 year	823,267	481,026
1-2 years	54,773	55,136
2-3 years	28,392	19,586
Over 3 years	86,506	90,410
Total	<u>992,938</u>	<u>646,158</u>

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

10 Trade and bills payables

The ageing analysis of trade and bills payables were as follows:

	30th June 2003 <i>RMB'000</i>	31st December 2002 <i>RMB'000</i>
Less than 1 year	764,052	752,122
1-2 years	23,050	20,400
2-3 years	8,181	6,187
Over 3 years	16,516	18,090
Total	<u>811,799</u>	<u>796,799</u>

11 Long-term bank loans

	30th June 2003 <i>RMB'000</i>	31st December 2002 <i>RMB'000</i>
Bank loans wholly repayable within five years		
Secured	–	66,420
Unsecured*	85,800	13,455
	85,800	79,875
Current portion of long-term bank loans	–	(14,208)
	<u>85,800</u>	<u>65,667</u>

At 30th June 2003, the Group's bank loans were repayable as follows:

	30th June 2003 <i>RMB'000</i>	31st December 2002 <i>RMB'000</i>
Within one year	–	14,208
In the second year	45,800	36,588
In the third to fifth year	40,000	29,079
	<u>85,800</u>	<u>79,875</u>

* Included in the unsecured bank loans above was a loan of RMB23,000,000 as at 30th June 2003 which was guaranteed by Jingwei Group Company with an aggregate amount of facility of RMB147,200,000 (note 16).

Notes To The Unaudited Condensed Consolidated Interim Financial Statements
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15 Capital commitments

	30th June 2003	31st December 2002
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for		
Investments	–	44,240
Construction in progress and equipment	1,788	47,450
	<u>1,788</u>	<u>91,690</u>
Authorised but not contracted for		
Investments	335,542	–
Construction in progress and equipment	39,464	45,010
	<u>375,006</u>	<u>45,010</u>

16 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.

		Six months ended 30th June	
		2003	2002
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transactions with China Textile Machinery (Group) Company Limited (“CTMC”)			
Sale of finished goods	(i)	7,461	–
Purchase of equity interests in Changde and Yichang	(iii)	<u>–</u>	<u>88,028</u>
Transactions with Jingwei Machinery (Group) Company Limited (“Jingwei Group Company”)			
Purchase of tools	(i)	7,584	8,537
Purchase of raw materials and components	(i)	3,897	700
Sale of raw materials and components	(i)	863	1,976
Sale of finished goods	(i)	4,965	26,663
Fees paid for transportation services	(i)	1,863	580
Fees paid for repairs and maintenance services	(i)	11,751	9,285
Fees paid for other supporting services	(i)	6,089	5,769
Processing fees paid	(i)	5,534	18,979
Fees received for the provision of supporting services	(i)	622	3,843
Rental expenses	(i)	300	300
Purchase of fixed assets	(ii)	–	20,404
Bank loan guarantees in favour of the Company	(iv)	<u>147,200</u>	<u>86,000</u>

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16 Significant related party transactions (continued)

		Six months ended 30th June	
		2003	2002
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Transactions with other fellow subsidiaries			
Purchase of raw materials and components	(i)	172,817	45,019
Sale of components and special parts	(i)	145,580	777
Sale of finished goods	(i)	8,573	20,613
Purchase of tools model	(i)	610	4,627
Purchase of castings	(i)	81,743	32,841
Purchase of package	(i)	16,940	912
Purchase of energy	(i)	10,353	5,694
Processing fees paid	(i)	36,588	23,072
Fees paid for transportation services	(i)	3,346	1,783
Fees paid for repairs and maintenance services	(i)	2,522	623
Fees paid for other supporting services	(i)	7,648	7,162
Fees received for the provision of supporting services	(i)	445	–
Processing fees received	(i)	134	55
Rental expenses	(i)	17,036	10,676
Purchase of fixed assets	(ii)	–	50,491
Bank loan guarantees in favour of the Company	(iv)	–	20,000
		<u> </u>	<u> </u>
Transactions with subsidiaries and associated company of Jingwei Group Company			
Purchase of raw materials	(i)	–	8,736
		<u> </u>	<u> </u>

Notes:

- (i) The transactions 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 the equity interest acquisition agreement dated 5th February 2002.
- (iv) Bank loans guarantee granted by 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 2003 duly signed by the Chairman of the Board of Directors;
2. the financial reports duly signed and sealed by the officer in charge of the Company, the officer in charge of the Company's accounting matter and the person in charge of accounting firm;
3. all documents which were disclosed in the newspapers and magazines specified by the China Securities Regulatory Commission during the reporting period; and
4. Memorandum and Articles of Association of the Company.

The Board of Directors
Jingwei Textile Machinery Company Limited

7th August 2003