

IMPORTANT

The Board of Directors of the Jingwei Textile Machinery Company Limited (the “Company”) and its Directors 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.

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 2004 interim financial and accountant report of the Company has not been audited but it has been reviewed by the Audit Committee of the Company.

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
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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
Postal code : 100016
Facsimile : 8610 84534135
4. Registered address of the Company : 8, Yongchangzhong Road,
Beijing Economic & Technological Development Zone,
Beijing, the 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

Note: In this report unless otherwise stated, the “Company” means Jingwei Textile Machinery Company Limited, while the “Group” means Company and its subsidiaries.

**II. KEY FINANCIAL DATA AND INDICATORS****1. Prepared in accordance with the PRC Accounting Standards and System (the “PRC GAAP”)**

Items	As at	As at	Increase in this reporting period as compared with beginning of the year (%)
	30th June 2004 <i>RMB'000</i> (<i>unaudited</i>)	31st December 2003 <i>RMB'000</i> (<i>audited</i>)	
Current assets	3,972,576	3,925,338	1.20
Current liabilities	2,883,670	2,863,748	0.70
Total assets	5,569,579	5,511,657	1.05
Shareholders' equity (excluding minority interests)	2,479,350	2,442,624	1.50
Net assets per share (<i>RMB</i>)	4.11	4.05	1.48
Adjusted net assets per share (<i>RMB</i>)	3.89	3.84	1.30

	Six months ended 30th June		Increase/(decrease) from corresponding period of last year (%)
	2004 <i>RMB'000</i> (<i>unaudited</i>)	2003 <i>RMB'000</i> (<i>unaudited</i>)	
Net profit	80,200	79,758	0.55
Net profit after extraordinary items	80,804	81,114	(0.38)
Earnings per share (<i>RMB</i>)	0.13	0.13	0.00
Return on net assets (%)	3.23	3.39	(4.72)
Net cashflow from operating activities	(139,959)	123,898	N/A

After deducting extraordinary items and related amounts:

	Six months ended 30th June	
	2004 <i>RMB'000</i> (<i>unaudited</i>)	2003 <i>RMB'000</i> (<i>unaudited</i>)
Amortisation of equity investment differences	129	311
Subsidy income	270	335
Non-operating (expenses) income, net	(1,109)	(2,241)
Effect of income tax	106	239
Total	<u>(604)</u>	<u>(1,356)</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		Six months ended		Six months ended		Six months ended	
	30th June		30th June		30th June		30th June	
	2004	2003	2004	2003	2004	2003	2004	2003
Profit from main operations	13.37	15.66	13.35	15.93	0.55	0.61	0.55	0.61
Operating profit	3.87	4.45	3.87	4.53	0.16	0.17	0.16	0.17
Net profit	3.23	3.39	3.23	3.45	0.13	0.13	0.13	0.13
Net profit after extraordinary items	3.26	3.45	3.25	3.51	0.13	0.13	0.13	0.13

3. Financial information prepared in accordance with Accounting Principles Generally Accepted in Hong Kong (“HK GAAP”) (Unaudited)
**Condensed Consolidated Profit and Loss Account
Six months ended 30th June, 2004**

	Unaudited	
	Six months ended 30th June 2004	Six months ended 30th June 2003
	RMB'000	RMB'000
Turnover	1,950,991	2,088,081
Cost of sales	(1,619,536)	(1,712,984)
Gross profit	331,455	375,097
Other revenues	29,312	24,887
Distribution expenses	(54,280)	(47,280)
Administrative expenses	(196,668)	(231,176)
Net other operating expenses	(3,121)	(3,927)
Operating profit	106,698	117,601
Net interest expenses	(8,783)	(8,657)
Share of profits less losses of associated companies	(392)	773
Profit before taxation	97,523	109,717
Taxation	(13,514)	(24,020)
Profit after taxation	84,009	85,697
Minority interests	(5,638)	(1,061)
Profit attributable to shareholders	<u>78,371</u>	<u>84,636</u>
	RMB	RMB
Basic earnings per share	<u>0.13</u>	<u>0.14</u>



4. The following illustrates the differences in the accounts for the six months ended 30th June 2004 prepared in accordance with the PRC GAAP and HK GAAP:

	Profit attributable to shareholders For the six months ended 30th June 2004		Net assets As at 30th June 2004	
	Group RMB'000 (unaudited)	Company RMB'000 (unaudited)	Group RMB'000 (unaudited)	Company RMB'000 (unaudited)
Prepared in accordance with PRC GAAP	80,200	80,200	2,479,350	2,479,307
Equity accounting for the results and reserves of subsidiaries in the accounts of the Company prepared under PRC GAAP	–	(56,831)	–	(274,129)
Amortisation of negative goodwill not allowed under HK GAAP	–	–	(3,731)	(3,731)
Reversal of valuation surplus on land use rights recognised under PRC GAAP	–	–	(4,200)	(4,200)
Write off of immaterial fair value difference on net assets of subsidiaries acquired permitted under HK GAAP	–	–	(3,628)	–
Reversal of amortisation of revalued land use right under PRC GAAP	52	–	740	–
Capital reserve arising on consolidation under HK GAAP	–	–	9,946	–
Amortisation of long term investment difference over ten years under PRC GAAP	(129)	(129)	(2,512)	(2,512)
Recognition of fair value over cost of short-term investments under HK GAAP	(3,334)	(2,230)	373	–
Deferred tax assets recognised under HK GAAP	1,582	758	21,609	11,735
Other	–	–	–	3
Prepared in accordance with HK GAAP	<u>78,371</u>	<u>21,768</u>	<u>2,497,947</u>	<u>2,206,473</u>

Chapter II Movement in Share Capital and Information on 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 89,880, of which 89,824 were holders of A shares and 56 were holders of H shares.

III. SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 30th June 2004, the shareholdings of the ten largest registered shareholders and the ten largest registered holders of the traded shares of the Company are as follows:

Name of shareholder	Note	Increase or decrease during the report period (Shares)	Number of shares held at the end of the period (Shares)	Percentage of total share capital (%)	Class of shares	Number of shares pledged or held under moratorium (Shares)	Nature of shares
China Textile Machinery (Group) Company Limited	(1)	-	220,000,000	36.44	Not traded	-	State-owned legal entity shares
HKSCC Nominees Limited	(2)	-	178,835,899	29.62	Traded	unknown	H shares
中國工商銀行－國聯安德盛小盤精選證券投資基金	(3)	-	2,169,637	0.36	Traded	unknown	A shares
中國工商銀行－金泰證券投資基金	(4)	-	1,134,096	0.19	Traded	unknown	A shares
裕陽證券投資基金	(5)	-	970,783	0.16	Traded	unknown	A shares
Poon Chiu Leung	(6)	-	600,000	0.1	Traded	unknown	H shares
中國工商銀行－融通深證100指數證券投資基金	(7)	221,488	529,013	0.09	Traded	unknown	A shares
唐小明	(8)	98,000	368,000	0.06	Traded	unknown	A shares
王雲	(9)	50,000	330,000	0.06	Traded	unknown	A shares
HSBC Nominees (Hong Kong) Limited	(10)	-	324,000	0.05	Traded	unknown	H shares
杜朝志	(11)	-	310,000	0.05	Traded	unknown	A shares

Notes:

- i. (1) to (10) are the ten largest registered shareholders of the Company.
(2) to (11) are the ten largest registered holders of the traded shares of the Company.
- ii. The H shares registered in the name of HKSCC Nominees Limited were held in the capacity of nominee on behalf of various clients and none of them individually held 5% or more interest in the total issued share capital of the Company.
- iii. Among the ten largest registered shareholders, China Textile Machinery (Group) Company Limited is not related to other shareholders and is not a person acting in concert as defined under the "Administrative rules regarding information disclosure of shareholding changes of listed companies". It is not known whether other holders of the traded shares are related or are persons acting in concert as defined under the "Administrative rules regarding information disclosure of shareholding changes of listed companies".

Chapter III Directors, Supervisors, Senior Management and Staff

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

Name	Position	Sex	Term of office	No. of Shares held as at 1 January 2004	No. of Shares held as at 30 June 2004
Zhang Jie	Chairman	Male	23/5/2002-15/8/2004	-	-
Fan Xinmin	Vice-chairman	Male	15/8/2001-15/8/2004	-	-
Liu Hong	Director	Male	15/8/2001-15/8/2004	-	-
Gong Enqing	Director	Male	15/8/2001-15/8/2004	-	-
Pan Shunqun	Director	Male	23/5/2002-15/8/2004	-	-
Ye Maoxin	Director	Male	15/8/2001-15/8/2004	10,214	10,214
Yao Yuming	Director	Male	15/8/2001-15/8/2004	9,200	9,200
Wang Weizhi	Director	Male	15/8/2001-15/8/2004	-	-
Liu Haitao	Director	Male	15/8/2001-15/8/2004	-	-
Zhang Jianguo	Director	Male	15/8/2001-15/8/2004	-	-
Wang Zengjing	Independent Director	Male	15/8/2001-15/8/2004	-	-
Kon Hiu King	Independent Director	Male	15/8/2001-15/8/2004	-	-
Yu Shiquan	Independent Director	Male	16/6/2004-15/8/2004	-	-
Yin Shouen	Chairman of the supervisory committee	Male	15/8/2001-15/8/2004	-	-
Liu Xianming	Vice-chairman of the supervisory committee	Male	28/5/2003-15/8/2004	3,000	3,000
Tu Kelin	Supervisor	Male	15/8/2001-15/8/2004	-	-
Yan Fuquan	Supervisor	Male	15/8/2001-15/8/2004	-	-
Wu Manju	Supervisor	Female	15/8/2001-15/8/2004	-	-
Zhao Wenjie	Supervisor	Male	15/8/2001-15/8/2004	-	-
Bao Weiguo	Supervisor	Male	15/8/2001-15/8/2004	-	-
Lin Jianwang	Deputy General Manager	Male	-	-	-
Shu Hong	Deputy General Manager	Female	-	-	-
Zhang Qingxi	Deputy General Manager	Male	-	2,370	2,370
Ye Xuehua	Company Secretary	Male	-	-	-

Except as disclosed above, none of the directors, supervisors of the Company 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 share 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. During the reporting period, none of the directors and supervisors held any substantial interest in any contract entered into by the Company or its subsidiaries.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- At the 2003 Annual General Meeting of the Company held on 16th June, 2004, the appointment of Mr. Yu Shiquan as the independent director of the Company was approved.
- The term of service of the third Board of Directors and the Supervisory Committee had been expired on 15th August 2004. By the election at the first extraordinary general meeting 2004 of the Company held on 15th August 2004, Mr. Zhang Jie, Mr. Fan Xinmin, Mr. Liu Hong, Mr. Gong Enqing, Mr. Ye Maoxin, Mr. Yao Yuming, Mr. Zhang Jianguo, Mr. Liu Haitao had been elected as the Executive Directors of the fourth Board of Directors; Mr. Wang Zengjing, Mr. Kon Hiu King, Kenneth, Mr. Gao Yong, Mr. Chen Zhong, and Mr. Yu Shiquan had been elected as the Independent non-Executive Directors of the fourth Board of Directors. Mr. Wang Tiankai, Mr. Yan Fuquan, Mr. Tu Kelin, and Mr. Liu Xianming are elected as the supervisors representing the shareholders of the fourth Supervisory Committee. By the democratic election among the staff, supervisors representing the staff of the fourth Supervisory Committee were Mr. Shi Jianping, Mr. Bao Weiguo and Mr. Lian Jinhua. After the elections by Board of Directors and the Supervisory Committee respectively; Mr. Zhang Jie was appointed as the Chairman of the Company and Mr. Fan Xinmin was appointed as the vice-chairman of the Company; Mr. Wang Tiankai was appointed as the Chairman of the supervisory committee and Mr. Liu Xianming was appointed as the vice-chairman of the supervisory committee. The term of office of the fourth Board of Directors and the Supervisory Committee is three years, with effect on 15th August 2004. The directors, Mr. Pan Shunqun and Mr. Wang Weizhi, of the third Board of Directors and the supervisors, Mr. Yin Shouen, Ms. Wu Manju and Mr. Zhao Wenjie, of the third Supervisory Committee retired from the Board and the Committee respectively.

III. STAFF

As at 30th June 2004, the Group had 11,769 staff (as at 31st December 2003: 11,772). For the six months ended 30th June 2004, total staff cost of the Group amounted to RMB194,403,000 (corresponding period last year RMB196,638,000). 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

During the reporting period, the Company adopted the operating policy of renovating techniques and management by informatization to enhance competitiveness. It has been working efficiently on speeding up the construction of innovative technical system, actively promoting the consolidation of operation & sales systems, expanding the domestic and overseas textile markets, further consolidating and improving the operating result from intensive operation, and improving the quality of the centralised management. This policy helps the Company to progressive improvement.

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 2004 were RMB1,950,991,000 and RMB78,371,000 respectively, representing a decrease of 6.57% and 7.40% over the corresponding period of the previous year. As at 30th June 2004, bank balances of the Group amounted to RMB894,866,000. Short-term and long-term bank borrowings amounted to RMB629,781,000 and RMB88,800,000 respectively. Gearing ratio (long-term borrowings divided by net assets) was 3.55%.

The Group's business transactions, assets and liabilities are mainly denominated in Renminbi. The Group does not engage in foreign currency speculation 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 2004 amounted to RMB1,950,991,000, representing a decrease of 6.57% over the corresponding period in last year. Profit from main operations amounted to RMB324,520,000, representing a decrease of 11.88% over the corresponding period in last year, of which:

Revenue from main operations of the Company amounted to RMB1,161,316,000, representing an increase of 54.87% over the corresponding period last year while its profit from main operations amounted to RMB106,359,000, representing a decrease of 1.82% over the corresponding period in last year.

Subsidiaries: Revenue and profits from main operations of Zhengzhou Hongda New Textile Machinery Company Limited amounted to RMB186,512,000 and RMB5,490,000 respectively.

Revenue and profits from main operations of Qingdao Hongda Textile Machinery Company Limited amounted to RMB400,730,000 and RMB40,326,000 respectively.

Revenue and profits from main operations of Shenyang Hongda Textile Machinery Company Limited amounted to RMB90,401,000 and RMB22,133,000 respectively.

Revenue and profits from main operations of Tianjin Hongda Textile Machinery Company Limited amounted to RMB200,460,000 and RMB39,950,000 respectively.

Revenue and profits from main operations of Changde Textile Machinery Company Limited amounted to RMB146,730,000 and RMB47,623,000 respectively.

Revenue and profits from main operations of Beijing Jingwei Textile New Technology Company Limited were RMB24,367,000 and RMB4,903,000 respectively.

Revenue and profits from main operations of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited were RMB52,340,000 and RMB8,330,000 respectively.

**I. OPERATING RESULTS AND FINANCIAL ANALYSIS (continued)****2. Financial Position (under the PRC GAAP)****Changes in major accounting items***(Unit: RMB'000)*

Indicator	As at 30th June 2004	As at 31st December 2003	Increase/ (decrease) changes (+/-)	Increase/ (decrease) changes (%)
Total assets	5,569,579	5,511,657	57,922	1.05
Cash at bank and in hand	902,073	858,328	43,745	5.10
Notes receivables	391,930	334,784	57,146	17.07
Accounts receivables	551,644	547,376	4,268	0.78
Net inventories	1,459,224	1,597,255	(138,031)	(8.64)
Net long term investments	457,224	456,305	919	0.20
Total fixed assets	994,529	984,124	10,405	1.06
Short-term loans	640,731	325,550	315,181	96.81
Advance from customers	700,245	1,005,909	(305,664)	(30.39)
Long-term liabilities	65,800	62,800	3,000	4.78
Shareholders' equity	2,479,350	2,442,624	36,726	1.50

Indicator	Six months ended 30th June 2004	Six months ended 30th June 2003	Increase/ (decrease) changes (+/-)	Increase/ (decrease) changes (%)
Profit from main operations	324,520	368,268	(43,748)	(11.88)
Profit from other operations	25,240	21,220	4,020	18.94
Investment income	5,638	3,930	1,708	43.46
Income taxes	14,990	25,943	(10,953)	(42.22)
Net profit	80,200	79,758	442	0.55

Reasons for changes:

The increase in notes receivable was mainly attributable to the increase of the use of banker's draft for settlement because of the State's control on investment scale which led to a tightening of funds employed in upgrading technology by textile enterprises.

Inventories decreased mainly because sales of products exceeded products used as inventories during the period. Thus, capital spent on work in progress and finished goods decreased.

The increase in short term loans was mainly attributable to operation requirements which led to an increase in the Company's working capital loans, of which USD25,000,000 is the debt from HSBC and RMB30,000,000 is the debt from China Everbright Bank.

The decrease in advances from customers was attributable to the decrease in deposits paid by customers according to the sales contracts entered during the period, comparing to the beginning of the year.

The decrease in profits from main operations was mainly attributable to the decrease in revenue from main operations, comparing with the corresponding period last year.

The increase in profits from other operations was mainly attributable to the increase in profits from non textile trading business of the Company, such as the sales of materials and the manufacture of machinery.

The increase in investment income was mainly attributable to the receipt of investment income of an invested company.

The decrease in income taxes was attributable to the exemption of income tax on a subsidiary of the Company from this year under the preferential tax policy regarding Sino-foreign joint ventures.

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	1,638,245	1,377,133	15.94	(0.56)	0.04	(3.05)
Of which being connected transactions	10,969	9,790	10.75	119.73	120.40	(2.54)
Chemical fibre textile machinery	38,198	28,699	24.87	(17.49)	(30.46)	129.10
Weaving machinery	116,607	94,675	18.81	(7.34)	(9.39)	10.82
Special parts and accessories for weaving machinery	128,365	95,585	25.54	(24.83)	(16.80)	(21.96)
Processing fee, labour and others	29,576	23,444	20.73	(69.75)	(69.03)	(7.91)
Total	<u>1,950,991</u>	<u>1,619,536</u>	<u>16.99</u>	<u>(6.57)</u>	<u>(5.46)</u>	<u>(5.43)</u>

Principles on the pricing of connected transactions

The terms of these transactions with related parties follow the composite service agreements dated 5th February 2002 entered into by the Group and its related parties. The general pricing policy for the ongoing connected transaction is as follow:

All Ongoing Connected Transactions will be entered into on arm's length terms and the prices payable by or to the Group will largely be the market price of the relevant services or products to be bought or supplied, or based on 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 based on the prices prescribed by the State. Annual cost increase will not exceed the rate of increase in the relevant municipal's consumer price index.

During the reporting period, the total amount of connected transactions regarding the sales of products by the Company to the controlling shareholder(s) and its subsidiaries were RMB10,969,000.

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	1,844,845	(3.12)
Asia	90,270	(48.20)
Africa	14,009	266.44
Other continents and regions	1,867	(67.66)
Total	<u>1,950,991</u>	<u>(6.57)</u>



III. OPERATING PROBLEM AND DIFFICULTY

In 2004, it becomes difficult for the textile enterprises to obtain investment loans for additional fixed assets because the textile industry is one of the industries which are subject to the macroeconomic control measures of the PRC Government. In addition, fluctuation of the price of textile materials has increased the risk of operating a textile enterprise. Moreover, the interest in investing into an enterprise is cooled down by factors such as shortage of electricity supply. All the abovementioned factors have adversely affected the market demand on textile machineries. On the other hand, more opportunities will be brought to the Company as the global quota system for textile products will be aborted in 2005, which relocates the textile product production centre to Mainland China and South-East Asia. The Company will employ effective measures in order to overcome the problems and capture the great opportunities, so that a steady and continuing development for the Company will be secured.

IV. INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD

1. No proceeds from the issue of shares was utilised during the reporting period. As at the end of the reporting period, the unutilised proceeds from the issue of shares amounted to RMB752,000 which was deposited in bank. The utilisation of accumulated proceeds from the issue of shares is set out in Annual Report 2003.
2. There was no significant investment not related to issue of shares during the reporting period.

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 2004 and no surplus reserves would be capitalised.
- II. According to the “Guidance on establishing a director system in a listed company” of the China Security Regulatory Commission, one-third of the members of the Board of Directors have to be independent directors. The Company has elected more independent directors in the general election of the Board of Directors held on 15th August 2004 in order to fulfill the requirement.
- III. **IMPLEMENTATION OF PROFIT DISTRIBUTION PROPOSAL FOR THE PREVIOUS YEAR**

At the 2003 Annual General Meeting held on 16th June 2004, the profit distribution proposal for 2003 was passed. The said profit distribution was completed on 19th July 2004.
- 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 from previous period to the reporting period.
- V. **ACQUISITIONS AND INVESTMENTS**
 1. The Company acquired 2% equity interest of Shanxi Jingwei Heli Machinery Manufacture Company which is held by Jinzhong Zhongyu Development Co. Ltd. at a consideration of RMB2,709,700 in January 2004. The consideration of such acquisition was based on 2% of the net asset value of Shangxi Jingwei Heli Machinery Manufacture Company as at 30th November 2002 as stated in the appraisal report issued by the PRC independent accountant. Upon the completion of such acquisition, the Company held 30% share of Shanxi Jingwei Heli Machinery Manufacture Company. Upon completion of the acquisition until the end of the reporting period, the acquisition contributed an additional RMB200,883,000 to the Company’s revenue from main operations. Its net profit was increased by RMB911,000.
 2. Pursuant to the Equity Transfer Agreement entered into by the Company and China National Textile Machinery (Group) Company Limited in December 2003 and January 2004 respectively, effective from January 2004, 16.40% equity interest in Hongda Investment Co., Ltd. held by China National Textile Machinery (Group) Company Limited was transferred to the Company, in order to offset the amount of RMB24,867,000 for the disposal of the equity interest of Jintu Information Technology Company Limited by the Company to China National Textile Machinery (Group) Company Limited. Such acquisition constituted a connected transaction, details of which were set out in “Securities Times”, and “Wen Wei Po” and “The Standard” in Hong Kong on 23rd December 2003.

VI. RELATED PARTY TRANSACTIONS

1. Related party transactions arising from procurement and sales

	Six months ended 30th June	
	2004 RMB'000	2003 RMB'000
Transactions with the ultimate holding company		
Sale of finished products	–	7,461
Exchange of equity interest in Hongda Investment Co. Ltd with Jintu Information Technology Co. Ltd	24,867	–
Transactions with Jingwei Group Company		
Purchase of tools	9,686	7,584
Purchase of raw materials and components	1,599	3,897
Sale of raw materials and components	4,161	863
Sale of finished products	–	4,965
Payment of transportation expenses	1,697	1,863
Payment of repairs and maintenance fee	10,280	11,751
Payment of other supporting services expenses	2,931	6,089
Payment of processing expenses	4,719	5,534
Provision of other supporting services expenses	1,458	622
Leasing expenses	300	300
Guaranteed debt received	338,000	147,200
Transactions with other fellow subsidiaries		
Purchase of raw materials and accessories	249,309	172,817
Sale of parts and specific spare parts	98,877	145,580
Sale of finished products	18,211	8,573
Purchase of tools and modules	101	610
Purchase of casting	59,349	81,743
Purchase of packaging materials	–	16,940
Purchase of energy	9,174	10,353
Payment of processing expenses	8,786	36,588
Payment of transportation expenses	1,760	3,346
Payment of repair and maintenance fee	2,871	2,522
Payment of other supporting services expenses	3,121	7,648
Provision of other supporting services expenses	1,445	445
Receive of processing fee	106	134
Leasing expenses	4,702	17,036
Rental income	3,233	–
Transactions with the subsidiaries and associated corporations of Jingwei Group Company		
Sales of components and parts	2,026	–
Purchase of raw materials for packaging	16,974	–

Details are set out in Note 6.(4) of the (II) notes to financial statements in Chapter VI.

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

See item V. 2 in Chapter V.

VI. RELATED PARTY TRANSACTIONS (continued)**3. Creditors' rights, liabilities and guarantees between the Group and related parties**

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

(Unit: RMB'000)

Related Party	Relationship	Funding to the related party		Funding to the Company from the related party	
		Net amount incurred in the period	Balance at the end of the period	Net amount incurred in the period	Balance at the end of the period
Due from China National Textile Machinery (Group) Company Limited	Controlling shareholder	(4,335)	4,514	–	–
Due from fellow subsidiaries	Subsidiary of controlling shareholder	(24,103)	259,716	–	–
Due to fellow subsidiaries	Subsidiary of controlling shareholder	–	–	42,926	(156,663)
Total		<u>(28,438)</u>	<u>264,230</u>	<u>42,926</u>	<u>(156,663)</u>

During the reporting period, the funding recovered by the Company from the controlling shareholder(s) and its subsidiaries was RMB28,438,000, and the balance was RMB264,230,000.

Their causes and effects on the Company:

The liabilities and debt due to related parties were mainly unsettled amounts arising from operating activities and were incurred due to the delay in payments. Therefore, such amounts were not stated as bad and doubtful debts.

- (2) At the end of the reporting period, a subsidiary of the Company's guarantee of RMB63,000,000 in favour of the related party, Jingwei Machinery (Group) Company Limited, has been released.

**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

Party under guarantee	Date of agreement	Guaranteed amount	Type of guarantee	Period of guarantee	Completion or not	<i>In RMB'000</i>
						Whether in favour of any related party (Y or N)
Zhengzhou Hongda New Textile Machinery Company Limited	31st December, 2003	20,000	Incidental Liability	31st December, 2003 to 30th December, 2004	No	No
Zhengzhou Hongda New Textile Machinery Company Limited	23rd April, 2004	20,000	Incidental Liability	23rd April, 2004 to 22nd April, 2005	No	No
Qingdao Hongda Textile Machinery Company Limited	29th May, 2002	22,800	Incidental Liability	29th May, 2002 to 28th May, 2005	No	No
Changde Textile Machinery Company Limited	23rd January, 2003	20,000	Incidental Liability	23rd January, 2003 to 22nd January, 2006	No	No
Jingwei Textile Machinery Company Limited Yichang Branch	16th May, 2003	20,000	Incidental Liability	16th May, 2003 to 15th May, 2007	No	No
Beijing Hualian Commerce and Trade Development Company Limited	13th April, 2004	40,000	Incidental Liability	13th April, 2004 to 13th April, 2005	No	No
Beijing Hualian Commercial Buildings Joint Stock Co. Ltd.	25th March, 2004	200,000	Incidental Liability	25th March, 2004 to 25th March, 2005	No	No
Jingwei Machinery (Group) Company Limited	22nd November, 2003	20,000	Incidental Liability	22nd November, 2003 to 28th June, 2004	Yes	Yes
Jingwei Machinery (Group) Company Limited	20th December, 2003	8,000	Incidental Liability	20th December, 2003 to 28th June, 2004	Yes	Yes
Jingwei Machinery (Group) Company Limited	28th November, 2003	7,000	Incidental Liability	28th November, 2003 to 28th June, 2004	Yes	Yes
Jingwei Machinery (Group) Company Limited	26th November, 2003	14,000	Incidental Liability	26th November, 2003 to 28th June, 2004	Yes	Yes
Jingwei Machinery (Group) Company Limited	25th November, 2003	14,000	Incidental Liability	25th November, 2003 to 28th June, 2004	Yes	Yes
Total Actual Guaranteed Amount		303,000				
Total Actual Guaranteed Balance		240,000				
Including, total guaranteed balance in favour of related parties		–				
Total default guaranteed amount		–				
Proportion of total guaranteed amount to net asset value of the Company		9.68%				
Total actual guaranteed amount provided by the listed company to its subsidiaries.		102,800				

VII. MATERIAL CONTRACTS AND PERFORMANCE (continued)

2. Guarantees (continued)

The independent directors of the Company give the following statements and independent opinions on the guarantees previously and currently given by the Company during the reporting period in accordance with the “Notice governing the transfer of funds between the listed companies and related parties and the provision of guarantees by the listed companies” (Zheng Jian Fa (2003) No.56);

The independent directors have reviewed all the matters regarding the guarantees of the Company during the reporting period: The total accumulated guaranteed amount during the reporting period was RMB405,800,000. There were altogether 12 guarantees, of which, the guaranteed balance in favour of subsidiaries amounted to RMB102,800,000 and the guaranteed balance in favour of other companies amounted to RMB 240,000,000. The guaranteed balance in favour of a subsidiary, Jingwei Machinery (Group) Company Limited, of last year of RMB63,000,000 was released. At the end of the reporting period, there was no new guarantees in favour of related parties and no overdue guarantees. In the opinion of the independent directors, the conditions of the Company’s current guarantees improved, and the Company is able to perform its obligations regarding the guarantees in accordance with the requirements of the Notice.

3. Entrustment to handle financial matters

During the reporting period, there was no entrustment to handle the financial matters of the Company.

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 2004.

XI. ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a set of code which is not lower than the standard and requirement of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Directors have complied with such set of code during the accounting period covered by the Interim Results.

XII. ACCOUNTING FIRMS ENGAGED BY THE COMPANY IN 2004

Mainland:	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd
Hong Kong:	Pricewaterhousecoopers

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 2004

	Group		Company	
	30th June 2004 <i>(Unaudited)</i>	31st December 2003 <i>(Audited)</i>	30th June 2004 <i>(Unaudited)</i>	31st December 2003 <i>(Audited)</i>
	<i>In Rmb Yuan</i>			
ASSETS				
CURRENT ASSETS				
Cash at bank and in hand	902,072,778	858,328,025	734,605,711	667,035,578
Short-term investments	150,053,079	113,020,744	1,574,850	609,053
Notes receivable	391,930,385	334,783,952	201,029,579	142,742,787
Dividends receivable	-	-	42,909,470	43,396,849
Interest receivable	-	-	-	-
Accounts receivable	551,644,455	547,375,535	239,014,548	319,385,339
Other receivables	217,714,851	177,132,219	333,002,683	210,506,432
Advances to suppliers	292,748,965	294,029,269	101,032,709	143,269,725
Subsidies receivable	-	-	-	-
Inventories	1,459,223,850	1,597,254,971	799,077,247	859,226,897
Prepaid expenses	7,187,720	3,413,606	5,346,563	1,212,755
Long-term investments				
maturing within one year	-	-	-	-
Other current assets	-	-	-	-
Total current assets	<u>3,972,576,083</u>	<u>3,925,338,321</u>	<u>2,457,593,360</u>	<u>2,387,385,415</u>
LONG-TERM INVESTMENTS				
Long-term equity investments	457,224,119	456,305,271	1,340,998,582	1,273,269,158
Long-term debt investments	-	-	-	-
Total long-term investments	<u>457,224,119</u>	<u>456,305,271</u>	<u>1,340,998,582</u>	<u>1,273,269,158</u>
Including: Consolidation difference	<u>(73,591)</u>	<u>(202,845)</u>	<u>-</u>	<u>-</u>
FIXED ASSETS				
Fixed assets – cost	1,851,474,532	1,814,699,748	876,759,992	867,155,364
Less: Accumulated depreciation	<u>(923,902,960)</u>	<u>(882,008,666)</u>	<u>(451,357,633)</u>	<u>(433,055,512)</u>
Fixed assets – net	927,571,572	932,691,082	425,402,359	434,099,852
Less: Provision for impairment of fixed assets	<u>(44,225,748)</u>	<u>(44,365,785)</u>	<u>(32,043,529)</u>	<u>(32,080,139)</u>
Fixed assets – net book value	883,345,824	888,325,297	393,358,830	402,019,713
Construction materials	36,281,852	28,339,091	13,073,563	8,951,786
Construction in progress	74,901,737	67,459,577	39,777,677	34,227,163
Fixed assets pending disposal	-	-	-	-
Total fixed assets	<u>994,529,413</u>	<u>984,123,965</u>	<u>446,210,070</u>	<u>445,198,662</u>
INTANGIBLE AND OTHER ASSETS				
Intangible assets	145,249,413	145,889,259	82,357,038	83,338,267
Long-term deferred expenses	-	-	-	-
Other long-term assets	-	-	50,121,048	13,620,293
Total intangible and other assets	<u>145,249,413</u>	<u>145,889,259</u>	<u>132,478,086</u>	<u>96,958,560</u>
DEFERRED TAXES				
Deferred tax debits	-	-	-	-
TOTAL ASSETS	<u><u>5,569,579,028</u></u>	<u><u>5,511,656,816</u></u>	<u><u>4,377,280,098</u></u>	<u><u>4,202,811,795</u></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

Balance Sheet (continued)

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

As at 30th June 2004

	Group		Company	
	30th June 2004 <i>(Unaudited)</i>	31st December 2003 <i>(Audited)</i>	30th June 2004 <i>(Unaudited)</i>	31st December 2003 <i>(Audited)</i>
<i>In Rmb Yuan</i>				
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans	640,730,532	325,550,000	579,780,532	247,000,000
Notes payable	337,652,567	350,301,094	161,738,637	203,676,396
Accounts payable	695,498,288	746,278,352	438,584,687	498,123,848
Advances from customers	700,244,631	1,005,909,270	491,761,241	644,934,261
Accrued payroll	6,459,658	2,596,327	2,033,039	-
Welfare benefits payable	59,104,089	61,834,283	14,014,314	17,065,410
Dividends payable	43,473,600	-	43,473,600	-
Interest payable	-	-	-	-
Taxes payable	17,295,200	13,854,697	(5,791,487)	538,385
Other levies payable	2,108,107	1,482,820	521,318	504,997
Other payables	338,058,379	321,289,648	120,798,070	102,157,366
Accrued expenses	20,044,966	11,651,202	8,059,596	3,231,247
Provisions	-	-	-	-
Current portion of long-term liabilities	23,000,000	23,000,000	23,000,000	23,000,000
Other current liabilities	-	-	-	-
Total current liabilities	2,883,670,017	2,863,747,693	1,877,973,547	1,740,231,910
LONG-TERM LIABILITIES				
Long-term loans	65,800,000	62,800,000	20,000,000	20,000,000
Debentures payable	-	-	-	-
Long-term payables	-	-	-	-
Grants payable	-	-	-	-
Other long-term liabilities	-	-	-	-
Total long-term liabilities	65,800,000	62,800,000	20,000,000	20,000,000
DEFERRED TAXES				
Deferred tax credits	-	-	-	-
TOTAL LIABILITIES	2,949,470,017	2,926,547,693	1,897,973,547	1,760,231,910
Minority interests	140,758,960	142,485,476	-	-
OWNER'S EQUITY				
Share capital	603,800,000	603,800,000	603,800,000	603,800,000
Capital surplus	1,261,716,557	1,261,716,557	1,261,716,557	1,261,716,557
Surplus reserve	251,950,791	251,950,791	179,881,595	179,881,595
Including: Statutory public welfare fund	112,093,872	112,093,872	76,059,274	76,059,274
Undistributed profits	361,839,203	325,112,537	433,908,399	397,181,733
Foreign currency translation differences	43,500	43,762	-	-
Total shareholders' equity	2,479,350,051	2,442,623,647	2,479,306,551	2,442,579,885
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,569,579,028	5,511,656,816	4,377,280,098	4,202,811,795

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 2004*In Rmb Yuan*

ITEMS	Group For the six months ended 30th June		Company For the six months ended 30th June	
	2004 (Unaudited)	2003 (Unaudited)	2004 (Unaudited)	2003 (Unaudited)
Revenues from main operations	1,950,991,414	2,088,081,104	1,161,316,068	749,842,841
Less: Cost of main operations	(1,619,536,157)	(1,712,984,274)	(1,053,949,602)	(640,612,836)
Tax and levies on main operations	(6,935,528)	(6,828,941)	(1,007,850)	(894,805)
Profit from main operations	324,519,729	368,267,889	106,358,616	108,335,200
Add: Profit from other operations	25,239,697	21,220,414	9,246,342	17,106,433
Less: Selling and distribution expenses	(47,341,795)	(40,451,450)	(23,540,248)	(12,469,987)
General and administrative expenses	(196,719,191)	(234,413,703)	(67,994,865)	(78,805,084)
Financial expenses-net	(9,669,378)	(9,885,138)	(3,693,733)	(4,380,780)
OPERATING PROFIT	96,029,062	104,738,012	20,376,112	29,785,782
Add: Investment income/(loss)	5,638,053	3,929,849	67,383,624	55,899,007
Subsidy income	270,442	334,923	—	—
Non-operating income	1,125,760	458,517	453,028	211,665
Less: Non-operating expenses	(2,234,612)	(2,699,320)	(1,472,045)	(1,269,556)
TOTAL PROFIT	100,828,705	106,761,981	86,740,719	84,626,898
Less: Income taxes	(14,990,187)	(25,942,857)	(6,540,453)	(4,868,728)
Gain of minority shareholders	(5,638,252)	(1,060,954)	—	—
NET PROFIT	<u>80,200,266</u>	<u>79,758,170</u>	<u>80,200,266</u>	<u>79,758,170</u>

Supplementary Information

ITEMS	Group For the six months ended 30th June		Company For the six months ended 30th June	
	2004 (Unaudited)	2003 (Unaudited)	2004 (Unaudited)	2003 (Unaudited)
1. Gain/(Loss) on disposal of business units or investments	—	—	—	—
2. Loss arising from natural disasters	—	—	—	—
3. Increase/(decrease) in total profit as a result of changes in accounting policies	—	—	—	—
4. Increase/(decrease) in total profit 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 MaoxinPerson in charge of accounting function:
Yao YumingPerson 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 2004

ITEMS	<i>In Rmb Yuan</i>			
	Group		Company	
	For the six months ended 30th June		For the six months ended 30th June	
	2004	2003	2004	2003
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit	80,200,266	79,758,170	80,200,266	79,758,170
Add: Undistributed profit at beginning of year	325,112,537	257,973,127	397,181,733	304,182,148
Other transfers	—	—	—	—
DISTRIBUTABLE PROFIT	<u>405,312,803</u>	<u>337,731,297</u>	<u>477,381,999</u>	<u>383,940,318</u>
Less: Transfer to statutory surplus reserve	—	—	—	—
Transfer to statutory public welfare fund	—	—	—	—
Transfer to employ bonus and welfare fund	—	—	—	—
PROFIT AVAILABLE FOR DISTRIBUTION TO SHAREHOLDERS	<u>405,312,803</u>	<u>337,731,297</u>	<u>477,381,999</u>	<u>383,940,318</u>
Less: Dividend for preferred stock	—	—	—	—
Transfer to discretionary surplus fund	—	—	—	—
Dividend payable for common stock	(43,473,600)	(36,228,000)	(43,473,600)	(36,228,000)
Dividend for common stock transferred to shares	—	—	—	—
UNDISTRIBUTED PROFIT AT END OF YEAR	<u><u>361,839,203</u></u>	<u><u>301,503,297</u></u>	<u><u>433,908,399</u></u>	<u><u>347,712,318</u></u>

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)

For the six months ended 30th June 2004

ITEMS	GROUP		COMPANY	
	For the six months ended 30 June		For the six months ended 30 June	
	2004 (Unaudited)	2003 (Unaudited)	2004 (Unaudited)	2003 (Unaudited)
				<i>In Rmb Yuan</i>
1 Cash flows from operating activities				
Cash received from sales of goods or rendering of services	2,558,382,012	2,348,258,813	1,151,281,747	903,607,466
Refund of taxes and levies	1,931,828	334,923	-	-
Cash received relating to other operating activities	31,545,257	493,645,991	18,499,934	838,744,163
Sub-total of cash inflows	2,591,859,097	2,842,239,727	1,169,781,681	1,742,351,629
Cash paid for goods and services	(2,342,052,546)	(1,809,419,903)	(989,069,265)	(667,084,365)
Cash paid to and on behalf of employees	(201,074,002)	(176,354,347)	(71,942,113)	(68,751,352)
Payments of taxes and levies	(127,199,345)	(116,216,721)	(47,830,526)	(46,688,406)
Cash paid relating to other operating activities	(61,492,551)	(616,350,297)	(44,989,675)	(794,427,114)
Sub-total of cash outflows	(2,731,818,444)	(2,718,341,268)	(1,153,831,579)	(1,576,951,237)
Net cashflows from operating activities	(139,959,347)	123,898,459	15,950,102	165,400,392
2 Cash flows from investing activities				
Cash received from disposal of investments, other than subsidiaries	9,802,932	57,793,067	-	29,862,999
Cash received from returns on investments	5,357,056	3,929,849	1,837,379	9,754,575
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	819,246	303,843	271,219	44,100
Cash received relating to other investing activities	-	38,149,745	-	-
Sub-total of cash inflows	15,979,234	100,176,504	2,108,598	39,661,674
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(60,644,952)	(63,618,983)	(27,796,435)	(14,919,641)
Cash paid to acquire investments	(60,069,662)	(87,461,880)	-	(85,213,564)
Cash paid relating to other investing activities	-	(17,061,616)	-	(12,515,391)
Sub-total of cash outflows	(120,714,614)	(168,142,479)	(27,796,435)	(112,648,596)
Net cash from investing activities	(104,735,380)	(67,965,975)	(25,687,837)	(72,986,922)
3 Cash flows from financing activities				
Cash received from capital contributions	-	28,185,501	-	-
Including: Cash received from issuing shares to minority shareholders by subsidiaries	-	-	-	-
Cash received from borrowings	321,431,726	64,000,000	311,831,726	61,000,000
Cash received relating to other financing activities	-	2,982,943	-	16,321,227
Sub-total of cash inflows	321,431,726	95,168,444	311,831,726	77,321,227
Cash repayments of amounts borrowed	(38,140,000)	(129,545,845)	(229,000,000)	(122,285,845)
Cash payments for interest expenses and distribution of dividends or profits	(12,852,246)	(16,259,406)	(5,523,858)	(27,618,542)
Including: Cash payments to minority shareholders for distribution of dividends or profits	-	-	-	-
Cash payments relating to other financing activities	-	(27,300,389)	-	(370,604)
Including: Cash payments to minority shareholders for distribution of capital	-	-	-	-
Sub-total of cash outflows	(50,992,246)	(173,105,640)	(234,523,858)	(150,274,991)
Net cash from financing activities	270,439,480	(77,937,196)	77,307,868	(72,953,764)
4 Effect of foreign exchange rate changes on cash and cash equivalents	-	262	-	-
5 Net increase/(decrease) in cash and cash equivalents	25,744,753	(22,004,450)	67,570,133	19,459,706

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

Cash Flow Statements (continued)

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

For the six months ended 30th June 2004
Supplementary Information

	GROUP		COMPANY	
	For the six months ended 30 June 2004 (Unaudited)	For the six months ended 30 June 2003 (Unaudited)	For the six months ended 30 June 2004 (Unaudited)	For the six months ended 30 June 2003 (Unaudited)
<i>In Rmb Yuan</i>				
1. Reconciliation of Net Profit to Cash Flow from Operating Activities				
Net profit	80,200,266	79,758,170	80,200,266	79,758,170
Add: Share of profit by minority shareholders	5,638,252	1,060,954	–	–
Provision for asset impairment	16,609,471	25,126,837	–	–
Depreciation of fixed assets	41,894,294	37,782,924	18,302,121	25,695,160
Amortisation of intangible assets	639,846	1,459,833	981,229	1,088,943
Amortisation of long-term prepaid expenses	–	914,890	–	65,996
Decrease (Increase) in prepaid expenses	(3,774,114)	(761,606)	(4,133,808)	(1,518,379)
Increase (Decrease) in accrued expenses	8,393,764	19,663,618	4,828,349	6,656,171
Loss (Gains) on disposal of fixed assets, intangible assets and other long term assets	819,246	12,624	348,558	(37,770)
Loss (Gains) on disposal of fixed assets	4,683	306,076	–	–
Financial expenses (income)	9,669,378	9,885,138	3,693,733	4,380,780
Investment losses (income)	(5,638,053)	(3,929,849)	(67,383,624)	(55,899,007)
Deferred tax credit (debit)	–	–	–	–
Decrease (Increase) in inventories	138,031,121	(5,984,766)	60,149,650	62,915,271
Decrease (Increase) in operating receivables	(100,717,681)	(336,257,659)	(148,913,962)	(130,235,746)
Increase (Decrease) in operating payables	(331,729,820)	251,302,895	67,877,590	137,775,082
Others	–	43,558,380	–	34,755,721
Net cash flows from operating activities	(139,959,347)	123,898,459	15,950,102	165,400,392
2. Investing and financing activities that do not involve cash receipts and payments				
Conversion of debt into capital	–	–	–	–
Reclassification of current portion of convertible bonds to current liabilities	–	–	–	–
Fixed assets capitalized under finance leases	–	–	–	–
3. Net increase/(decrease) in cash and cash equivalents				
Cash at end of the year	884,072,778	879,932,304	734,605,711	665,947,492
Less: Cash at beginning of the year	(858,328,025)	(901,936,754)	(667,035,578)	(646,487,786)
Add: Cash equivalents at end of year	–	–	–	–
Less: Cash equivalents at beginning of year	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	25,744,753	(22,004,450)	67,570,133	19,459,706

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



Breakdown of Assets Provision as at 30th June 2004
(Prepared in accordance with the PRC Accounting Standards and System)

As at 30th June 2004

Item	<i>In Rmb Yuan</i>			
	1st January 2004 (Audited)	Addition (Unaudited)	Reversal (Unaudited)	30th June 2004 (Unaudited)
1. Bad debt provision, total	165,330,208	16,410,860	(1,834,039)	179,907,029
Including: Accounts receivables	149,217,353	6,464,714	(1,832,817)	153,849,250
Other receivables	16,112,855	9,946,146	(1,222)	26,057,779
2. Provision for short-term investment, total	-	-	-	-
Including: Trading securities	-	-	-	-
Debenture Investment	-	-	-	-
3. Provision for inventory, total	30,825,398	1,118,189	(5,410,572)	26,533,015
Including: Finished goods	19,063,528	176,695	(1,660,572)	17,579,651
Work in progress	5,161,985	-	-	5,161,985
Raw material	6,599,885	941,494	(3,750,000)	3,791,379
4. Provision for long-term investments, total	1,823,255	-	-	1,823,255
Including: Long-term equity investment	1,823,255	-	-	1,823,255
Long-term debenture investment	-	-	-	-
5. Provision for fixed assets, total	44,365,785	-	(140,037)	44,225,748
Including: Buildings	1,543,164	-	-	1,543,164
Equipments	42,811,829	-	(140,037)	42,671,792
Conveyance	10,792	-	-	10,792
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 Maixin

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 GAAP)
(All amounts in RMB unless otherwise stated)

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 in February 1996. In November 1996, the Company issued 23,000,000 A shares, 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.

The Company and each of its subsidiaries are collectively known as the “Group” in this Accounts.

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTS ESTIMATIONS AND PREPARATION OF THE COMBINED FINANCIAL STATEMENTS**1. Accounting policies**

The accounting policies adopted in preparing the interim accounting report of the Group are consistent with that applied in the immediately preceding year’s annual financial statements.

2. Scope of the consolidated report

The scope of the consolidated accounting report during the reporting period of the Company is consistent with that of last year.

3. Accounts estimations

There is no change in the accounts estimations of the Group during the reporting period.

4. Accounting differences

There is no significant accounting difference of the Group during the reporting period.

5. Seasonal operations

The Group engages in the manufacture and sale of textile machinery, and thus there is no risk of seasonal operations.

III. NOTES TO THE PRINCIPAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**1. Cash**

	30th June 2004	31st December 2003
Cash in hand	1,237,861	1,093,416
Cash at bank	891,573,622	836,455,788
Credit card deposits	48,491	274,119
Deposit placed in security account	9,212,804	20,504,702
	<u>902,072,778</u>	<u>858,328,025</u>

2. Short-term Investments

	30th June 2004	31st December 2003
Trading securities	8,950,915	1,789,365
Government bonds	100,261,379	100,261,379
Trust investments	30,000,000	—
Funds	10,840,785	10,970,000
Total	<u>150,053,079</u>	<u>113,020,744</u>

**III. NOTES TO THE PRINCIPAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)**
3. Notes Receivable

The Group's notes receivable as at 30th June 2004 are bank drafts which amounted to RMB 391,930,385 (balances of 31st December 2003: RMB 334,783,952).

4. Accounts receivable

	30th June 2004	31st December 2003
Accounts receivable	705,493,705	696,592,888
Less: General provision	<u>(153,849,250)</u>	<u>(149,217,353)</u>
	<u><u>551,644,455</u></u>	<u><u>547,375,535</u></u>

The aging of accounts receivable and bad debt provision are as follows:

	30th June 2004			31st December 2003		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Aging:						
Within 1 year	467,194,286	66	–	462,072,298	66	–
Within 1 to 2 years	72,975,657	11	(15,039,237)	68,843,475	10	(13,651,739)
Within 2 to 3 years	43,800,486	6	(17,635,658)	44,698,206	7	(14,935,626)
Over 3 years	121,523,276	17	(121,174,355)	120,978,909	17	(120,629,988)
	<u><u>705,493,705</u></u>	<u><u>100</u></u>	<u><u>(153,849,250)</u></u>	<u><u>696,592,888</u></u>	<u><u>100</u></u>	<u><u>(149,217,353)</u></u>

5. Other receivables

	30th June 2004	31st December 2003
Other receivables	243,772,630	193,245,074
Less: Specific provisions	<u>(26,057,779)</u>	<u>(16,112,855)</u>
	<u><u>217,714,851</u></u>	<u><u>177,132,219</u></u>

The aging of other receivables and bad debt provision are as follows:

	30th June 2004			31st December 2003		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Aging:						
Within 1 year	131,881,174	54	–	87,412,415	45	–
Within 1 to 2 years	57,079,333	23	–	53,328,486	28	–
Within 2 to 3 years	5,076,827	2	(582,522)	5,319,525	3	(582,522)
Over 3 years	49,735,296	21	(25,475,257)	47,184,648	24	(15,530,333)
	<u><u>243,772,630</u></u>	<u><u>100</u></u>	<u><u>(26,057,779)</u></u>	<u><u>193,245,074</u></u>	<u><u>100</u></u>	<u><u>(16,112,855)</u></u>

6. ADVANCES PAYMENTS

	30th June 2004		31st December 2003	
	Amount	%	Amount	%
Aging:				
Within 1 year	281,138,297	96	283,683,957	96
Within 1 to 2 years	6,874,218	2	4,552,494	2
Within 2 to 3 years	1,762,573	1	2,962,403	1
Over 3 years	2,973,877	1	2,830,415	1
	<u><u>292,748,965</u></u>	<u><u>100</u></u>	<u><u>294,029,269</u></u>	<u><u>100</u></u>

**III. NOTES TO THE PRINCIPAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)**
7. INVENTORIES

	31st December 2003			30th June 2004
Goods in transit	12,720,534			9,876,247
Raw materials	345,982,103			355,886,327
Work in progress	350,247,463			294,720,211
Finished goods	919,130,269			825,274,080
	<u>1,628,080,369</u>			<u>1,485,756,865</u>
Provision–				
		Addition	Write back	
		for the period	for the period	
Raw materials	(6,599,885)	(941,494)	3,750,000	(3,791,379)
Work in progress	(5,161,985)	–	–	(5,161,985)
Finished goods	(19,063,528)	(176,695)	1,660,572	(17,579,651)
	<u>(30,825,398)</u>	<u>(1,118,189)</u>	<u>5,410,572</u>	<u>(26,533,015)</u>
	<u>1,597,254,971</u>			<u>1,459,223,850</u>

8. LONG TERM EQUITY INVESTMENT

	30th June 2004	31st December 2003
Investment in associated companies	83,317,394	83,317,394
Other equity investment	375,803,571	375,013,977
Consolidation difference	(73,591)	(202,845)
Provision for equity investment	(1,823,255)	(1,823,255)
	<u>457,224,119</u>	<u>456,305,271</u>

9. FIXED ASSETS

	Buildings and constructions	Machinery and equipment	Motor vehicles	Total
Cost				
At 31st December 2003	491,603,029	1,252,142,380	70,954,339	1,814,699,748
Net increase/decrease for the period	25,222,919	10,565,413	986,452	36,774,784
At 30th June 2004	<u>516,825,948</u>	<u>1,262,707,793</u>	<u>71,940,791</u>	<u>1,851,474,532</u>
Accumulated depreciation				
At 31st December 2003	168,178,143	689,936,392	23,894,131	882,008,666
Net increase/decrease for the period	8,279,870	30,629,854	2,984,570	41,894,294
At 30th June 2004	<u>176,458,013</u>	<u>720,566,246</u>	<u>26,878,701</u>	<u>923,902,960</u>
Impairment Provision				
At 31st December 2003	1,543,164	42,811,829	10,792	44,365,785
Reversal for the period	–	(140,037)	–	(140,037)
At 30th June 2004	<u>1,543,164</u>	<u>42,671,792</u>	<u>10,792</u>	<u>44,225,748</u>
Net book value				
At 30th June 2004	<u>338,824,771</u>	<u>499,469,755</u>	<u>45,051,298</u>	<u>883,345,824</u>
At 31st December 2003	<u>321,881,722</u>	<u>519,394,159</u>	<u>47,049,416</u>	<u>888,325,297</u>



III. NOTES TO THE PRINCIPAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS

Item	Cost	31st December 2003	Addition for the period	Amortisation for the period	Accumulated Amortisation	30th June 2004
Land use rights	153,236,230	139,185,665	–	(1,281,846)	(15,332,411)	137,903,819
Trademark and patents	3,376,000	325,000	–	(51,000)	(3,102,000)	274,000
Software	11,522,783	6,378,594	1,264,000	(571,000)	(4,451,189)	7,071,594
	<u>168,135,013</u>	<u>145,889,259</u>	<u>1,264,000</u>	<u>(1,903,846)</u>	<u>(22,885,600)</u>	<u>145,249,413</u>

11. SHORT TERM LOANS

Categories	30th June 2004	31st December 2003
Guaranteed	414,000,000	302,000,000
Unsecured	226,730,532	23,450,000
Secured	–	100,000
Total	<u>640,730,532</u>	<u>325,550,000</u>

The guarantors and the guaranteed amount are as follows:

Guarantor	Loans guaranteed
Jingwei Machinery (Group) Company Limited	338,000,000
Jingwei Textile Machinery Company Limited	40,000,000
Beijing Hualian Commerce and Trade Development Company Limited	36,000,000
	<u>414,000,000</u>

Interest rate of short term loans for the six months ended 30th June 2004 ranged from 2.771% to 6.21% per annum.

12. NOTES PAYABLE

	Due Date	30th June 2004	31st December 2003
Trade acceptance	March 2004	–	52,500,000
Bank acceptance		337,652,567	297,801,094
		<u>337,652,567</u>	<u>350,301,094</u>

13. Accounts Payable

The aging analysis of accounts payable is as follows:

	30th June 2004	31st December 2003
Within 1 year	619,514,217	702,807,709
1 to 2 years	31,233,041	11,168,375
2 to 3 years	16,464,287	4,943,807
Over 3 years	28,286,743	27,358,461
	<u>695,498,288</u>	<u>746,278,352</u>

**III. NOTES TO THE PRINCIPAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)**
14. Dividends Payable

	30th June 2004	31st December 2003
Dividends due to holding company	15,840,000	–
Dividends due to A share investors	14,616,000	–
Dividends due to H share investors	13,017,600	–
	<u>43,473,600</u>	<u>–</u>

15. TAXES PAYABLE

	30th June 2004	31st December 2003
Value added tax recoverable	(331,941)	(662,711)
Business tax payable	88,289	327,091
City construction tax payable	2,493,480	1,961,684
Income tax payable	12,638,417	10,716,402
Others	2,406,955	1,512,231
	<u>17,295,200</u>	<u>13,854,697</u>

16. LONG-TERM LOANS

	30th June 2004	31st December 2003
Guaranteed	62,800,000	62,800,000
Secured	3,000,000	–
	<u>65,800,000</u>	<u>62,800,000</u>

17. SHARE CAPITAL

	30th June 2004	31st December 2003
Shares not permitted to be traded	220,000,000	220,000,000
Including: Shares held by domestic promoters and legal persons	220,000,000	220,000,000
Shares permitted to be traded	383,800,000	383,800,000
Including: Domestically listed domestic shares	203,000,000	203,000,000
Overseas listed foreign shares	180,800,000	180,800,000
	<u>603,800,000</u>	<u>603,800,000</u>

18. CAPITAL SURPLUS

	30th June 2004	31st December 2003
Share premium	1,247,954,114	1,247,954,114
Equity Investment Provision	9,562,443	9,562,443
Surplus on revaluation of assets	4,200,000	4,200,000
	<u>1,261,716,557</u>	<u>1,261,716,557</u>

19. Surplus Reserve

	30th June 2004	31st December 2003
Statutory surplus fund	112,093,872	112,093,872
Discretionary surplus fund	27,763,047	27,763,047
Statutory public welfare	112,093,872	112,093,872
	<u>251,950,791</u>	<u>251,950,791</u>



III. NOTES TO THE PRINCIPAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. UNDISTRIBUTED PROFITS

	January to June 2004	2003
Undistributed profit at the beginning of the period	325,112,537	257,973,127
Add: Profit for the period	80,200,266	161,534,481
Less: Transfer to statutory surplus reserve		(29,083,535)
Transfer to statutory public welfare fund	–	(29,083,536)
Dividend for common stock	–	
– Last year cash dividends approved by general meeting of shareholders	(43,473,600)	(36,228,000)
Undistributed profit at the end of the period	<u>361,839,203</u>	<u>325,112,537</u>

21. REVENUES FROM MAIN OPERATIONS AND COST OF GOODS SOLD

Primary reporting format – business segment

The Group's segment revenues, cost, profits, assets and liabilities are primarily attributable to the manufacture and sale of textile machinery.

Other operations of the Group include the 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 segment

Location	Six months ended 30th June			
	2004	2004	2003	2003
	Revenue from main operations <i>RMB</i>	Cost of goods Sold <i>RMB</i>	Revenue from main operations <i>RMB</i>	Cost of goods Sold <i>RMB</i>
China	1,844,845,459	1,529,818,917	1,904,250,109	1,563,963,001
Asia	90,269,544	77,087,390	174,252,369	141,190,037
Africa	14,009,231	11,148,550	3,823,021	3,122,640
Others	1,867,180	1,481,300	5,755,605	4,708,596
Total	<u>1,950,991,414</u>	<u>1,619,536,157</u>	<u>2,088,081,104</u>	<u>1,712,984,274</u>

22. Profits from Other Operations

Profits from other operations are mainly attributable to the sale of production raw materials such as steel products and electrical parts and the cotton yarn produced in the textile machinery experiments. The profit for this period amounted to 25,239,697 while the profit for the corresponding period last year was 21,220,414.

23. FINANCIAL EXPENSES – NET

	Six months ended 30th June	
	2004	2003
Interest expense	16,667,391	12,404,356
Less: Interest income	(7,884,175)	(3,747,071)
Exchange loss, net	116,061	4,752
Service charges of financial institutions	770,101	1,223,101
	<u>9,669,378</u>	<u>9,885,138</u>

24. INVESTMENT INCOME

	Six months ended 30th June	
	2004	2003
Amortisation of investment difference	129,255	310,678
Income from investment in shares	1,347,990	303,054
Other investment income	4,160,808	3,316,117
	<u>5,638,053</u>	<u>3,929,849</u>

IV RELATED PARTY RELATIONS AND TRANSACTIONS

- During the reporting period, the share of Shanxi Jingwei Heli Machinery Manufacturing Company Limited held by the Company raised from 28% to 30%. 58.92% equity interest in Jintu Information Technology Company Limited was exchanged for 16.40% equity interest in Hongda Investment Co. Ltd.. Apart from the aforesaid changes, there was no change in other related party with controlling relationship compared with that of the annual report 2003.

- Fellow subsidiaries in which the Company has no control:

Name of related party	Relation with the Company
Tianjin Textile Machinery Plant	Fellow subsidiaries of CTMC
Jingwei Machinery (Group) Company Limited	Fellow subsidiaries of CTMC
Hengyang Textile Machinery Plant	Fellow subsidiaries of CTMC
Shenyang Textile Machinery Plant	Fellow subsidiaries of CTMC
Wuxi Textile Machinery & Special Parts Plant	Fellow subsidiaries of CTMC
Changde Textile Machinery Plant	Fellow subsidiaries of CTMC
Changzhou Textile Machinery Plant	Fellow subsidiaries of CTMC
Taicang Textile Machinery Plant	Fellow subsidiaries of CTMC
Qingdao Textile Machinery Plant	Fellow subsidiaries of CTMC
Zhengzhou Textile Machinery Company Limited	Fellow subsidiaries of CTMC
Zhengzhou Textile Machinery Plant	Fellow subsidiaries of CTMC
Weinan Textile Machinery Plant	Fellow subsidiaries of CTMC
China National Textile Machinery (Group) Company Limited	Fellow subsidiaries of CTMC
Guangzhou branch office	Fellow subsidiaries of CTMC
China National Textile Machinery Group Sales Company	Fellow subsidiaries of CTMC
Huangshi Textile Machinery Plant	Fellow subsidiaries of CTMC
Shaoyang Textile Machinery Company Limited	Fellow subsidiaries of CTMC
Beijing Hongda Shiye Company Limited	Fellow subsidiaries of CTMC
Trading Committee of Zhongji Company	Fellow subsidiaries of CTMC
Shenyang Hongsheng Textile Machinery Company Limited	Fellow subsidiaries of CTMC
Shenyang Textile Machinery Spare Parts Sales Company	Fellow subsidiaries of CTMC
Yichang China National Textile Machinery Components Company Limited	Fellow subsidiaries of CTMC
China National Textile Machinery Group Finance Company	Associated companies of CTMC
Luhuan Construction Company limited	Associated companies of the Group
Hongda International Trading Company Limited	Associated companies of the Group
Hongda Research Company Limited	Associated companies of the Group
Qingdao Jinyi Pressing and Casting Company Limited	Associated companies of the Group
Shenyang Jingxing Textile Machinery Company Limited	Associated companies of the Group
China National Textile Machinery Group Beijing Automatic Controlling Technology Company Limited	Associated companies of the Group
Shenzhen Bolue Science and Technology investment Company Limited	Associated companies of the Group

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”.

- Other Additional equity investments:

Name of the company	Scope of business	Registered capital	Share of equity
Hongda Investment Co. Ltd.	Investments in industrial, high-technology industries; property management; overland freight and inventory services; sale of machinery, electronic equipment, components of automobiles, chemical materials; consultations of economic information; holding exhibitions in Mainland.	RMB 223,990,000	16.40%

IV RELATED PARTY RELATIONS AND TRANSACTIONS (continued)

4. Related party transactions

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

		Six months ended 30th June	
		2004	2003
	<i>Notes</i>	<i>RMB '000</i>	<i>RMB '000</i>
Transactions with the ultimate holding company			
Sale of finished products	(i)	–	7,461,509
Exchange of equity interest in Hongda Investment Co. Ltd with Jintu Information Technology Co. Ltd	(ii)	<u>24,867,000</u>	<u>–</u>
Transactions with Jingwei Group Company			
Purchase of tools	(i)	9,685,984	7,584,434
Purchase of raw materials and components	(i)	1,598,830	3,897,073
Sale of raw materials and components	(i)	4,161,221	862,801
Sale of finished products	(i)	–	4,964,704
Payment of transportation expenses	(i)	1,697,241	1,863,132
Payment of repairs and maintenance fee	(i)	10,279,796	11,750,836
Payment of other supporting services expenses	(i)	2,930,899	6,088,706
Payment of processing expenses	(i)	4,719,084	5,533,692
Provision of other supporting services expenses	(i)	1,458,311	622,096
Leasing expenses	(i)	300,000	300,000
Guaranteed debt received	(iii)	<u>338,000,000</u>	<u>147,200,000</u>
Transactions with other fellow subsidiaries			
Purchase of raw materials and accessories	(i)	249,309,458	172,816,513
Sale of parts and specific spare parts	(i)	98,877,439	145,579,881
Sale of finished products	(i)	18,211,408	8,572,845
Purchase of tools and modules	(i)	100,795	610,085
Purchase of casting	(i)	59,349,006	81,734,115
Purchase of packaging materials	(i)	–	16,940,280
Purchase of energy	(i)	9,174,154	10,353,341
Payment of processing expenses	(i)	8,786,445	36,588,323
Payment of transportation expenses	(i)	1,759,841	3,346,371
Payment of repair and maintenance fee	(i)	2,871,297	2,521,663
Payment of other supporting services expenses	(i)	3,121,079	7,648,441
Provision of other supporting services expenses	(i)	1,445,279	444,569
Receive of processing fee	(i)	106,326	133,747
Leasing expenses	(i)	4,702,268	17,035,708
Rental income	(i)	<u>3,232,265</u>	<u>–</u>
Transactions with the subsidiaries and associated corporations of Jingwei Group Company			
Sales of components and parts	(i)	2,026,452	–
Purchase of raw materials for packaging	(i)	<u>16,973,975</u>	<u>–</u>

 (1) *Notes:*

- (i) The transactions were conducted in accordance with the composite service agreement entered into on 5th February 2002.
- (ii) The transactions have been carried out in accordance with the equity interest transfer agreement entered into on 16th January 2004.
- (iii) Bank loans guarantee granted by Jingwei Group Company in favour of the Group were executed in accordance with the terms of the related guarantee contracts.

 (2) *Pricing Policy*

Pricing principle of related party transactions:

The term of these transactions with related parties follows the composite service agreements dated 5th February 2002 entered into by the Group and its related parties. The general pricing policy for ongoing connected transactions:

All Ongoing Connected Transactions will be entered into on arm's length terms and the prices payable by or to the Group will largely be the market price of the relevant services or products to be bought or supplied, or based on 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 based on the prices prescribed by the State. Annual cost increase will not exceed the rate of increase in the relevant municipal households consumer price index.

V. CHANGES IN MAJOR ACCOUNTING ITEMS

Indicator	As at	As at	Increase/	(Unit: RMB)
	30th June 2004	31st December 2003	(decrease) changes (+/-)	Increase/ (decrease) changes (%)
Total assets	5,569,579,028	5,511,656,816	57,922,212	1.05
Cash at bank and in hand	902,072,778	858,328,025	43,744,753	5.10
Notes receivables	391,930,385	334,783,952	57,146,433	17.07
Accounts receivables	551,644,455	547,375,535	4,268,920	0.78
Net inventories	1,459,223,850	1,597,254,971	(138,031,121)	(8.64)
Net long term investments	457,224,119	456,305,271	918,848	0.20
Total fixed assets	994,529,413	984,123,965	10,405,448	1.06
Short-term loans	640,730,532	325,550,000	315,180,532	96.81
Advance from customers	700,244,631	1,005,909,270	(305,664,639)	(30.39)
Long-term liabilities	65,800,000	62,800,000	3,000,000	4.78
Shareholders' equity	2,479,350,052	2,442,623,647	36,726,405	1.50

Indicator	Six months ended	Six months ended	Increase/	Increase/
	30th June 2004	30th June 2003	(decrease) changes (+/-)	(decrease) changes (%)
Profit from main operations	324,519,729	368,267,889	(43,748,160)	(11.88)
Profit from other operations	25,239,697	21,220,414	4,019,283	18.94
Investment income	5,638,053	3,929,849	1,708,204	43.47
Income taxes	14,990,187	25,942,857	(10,952,670)	(42.22)
Net profit	80,200,266	79,758,170	442,096	0.55

Reasons for changes:

1. The increase in notes receivable was mainly attributable to the increase of the use of banker's draft for settlement because of the State's control on investment scale which led to a tightening of funds employed in upgrading technology by textile enterprises.
2. Inventories decreased mainly because sales of products exceeded products used as inventories during the period. Thus, capital spent on work in progress and finished goods decreased.
3. The increase in short term loans was mainly attributable to operation requirements which led to an increase in the Company's working capital loans, of which USD25,000,000 is the debt from HSBC and RMB30,000,000 is the debt from China Everbright Bank.
4. The decrease in advances from customers was attributable to the decrease in deposits paid by customers according to the sales contracts entered during the period, comparing to the beginning of the year.
5. The decrease in profits from main operations was mainly attributable to the decrease in revenue from main operations, comparing with the corresponding period last year.
6. The increase in profits from other operations was mainly attributable to the increase in profits from non textile trading business of the Company, such as the sales of materials and the manufacture of machinery.
7. The increase in investment income was mainly attributable to the receipt of investment income of an invested company.
8. The decrease in income taxes was attributable to the exemption of income tax on a subsidiary of the Company from this year under the preferential tax policy regarding Sino-foreign joint ventures.

VI. PROFIT DISTRIBUTION

The Company has resolved not to recommend the payment of interim dividend and no surplus reserves would be capitalised.

VII. OTHER SIGNIFICANT TRANSLATIONS

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

VIII. CONTINGENT LIABILITIES

	30th June 2004	Group
	<i>RMB</i>	31st December 2003
		<i>RMB</i>
Discounted commercial bills	212,000,000	–
Guarantees for bank loans of third party	240,000,000	240,000,000
Guarantees for bank loans of related parties	–	63,000,000
	<u>452,000,000</u>	<u>303,000,000</u>
	30th June 2004	Company
	<i>RMB</i>	31st December 2003
		<i>RMB</i>
Discounted commercial bills	212,000,000	–
Guarantees for bank loans of subsidiaries	102,800,000	82,800,000
	<u>314,800,000</u>	<u>82,800,000</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 2004

	Note	Unaudited Six months ended 30th June	
		2004 RMB '000	2003 RMB '000
Turnover	2	1,950,991	2,088,081
Cost of sales		<u>(1,619,536)</u>	<u>(1,712,984)</u>
Gross profit		331,455	375,097
Other revenues	2	29,312	24,887
Distribution expenses		(54,280)	(47,280)
Administrative expenses		(196,668)	(231,176)
Net other operating expenses		<u>(3,121)</u>	<u>(3,927)</u>
Operating profit	3	106,698	117,601
Net interest expenses	4	(8,783)	(8,657)
Share of profits less losses of associated companies		<u>(392)</u>	<u>773</u>
Profit before taxation		97,523	109,717
Taxation	5	<u>(13,514)</u>	<u>(24,020)</u>
Profit after taxation		84,009	85,697
Minority interests		<u>(5,638)</u>	<u>(1,061)</u>
Profit attributable to shareholders		<u><u>78,371</u></u>	<u><u>84,636</u></u>
		RMB	RMB
Basic earnings per share	7	<u><u>0.13</u></u>	<u><u>0.14</u></u>

Condensed Consolidated Balance Sheet

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

As at 30th June 2004 and 31st December 2003

	<i>Note</i>	Unaudited 30th June 2004 RMB '000	Audited 31st December 2003 RMB '000
Non-current assets			
Intangible assets	8	7,346	6,704
Fixed assets	8	1,128,973	1,118,431
Investments in associated companies		82,925	83,317
Investment securities		374,373	373,191
Deferred tax assets		21,609	20,754
		<u>1,615,226</u>	<u>1,602,397</u>
Current assets			
Inventories		1,459,224	1,597,255
Trade and bills receivables	9	778,896	711,954
Prepayment to suppliers		242,161	177,741
Amount due from ultimate holding company		2,246	8,849
Amounts due from fellow subsidiaries		261,746	283,819
Deposits, other receivables and prepayments		163,308	114,760
Short-term investments		150,053	116,728
Bank balances and cash		894,866	843,206
		<u>3,952,500</u>	<u>3,854,312</u>
Current liabilities			
Trade and bills payables	10	972,269	942,207
Advances from customers		672,620	976,803
Amounts due to fellow subsidiaries		93,486	82,729
Amount due to Jingwei Group Company		62,931	116,860
Other payables and accruals		348,023	306,302
Current portion of long-term bank loans	11	23,000	23,000
Taxation payable		17,295	13,855
Dividends payable		43,474	–
Unsecured bank loans and overdrafts		629,781	325,550
		<u>2,862,879</u>	<u>2,787,306</u>
Net current assets		<u>1,089,621</u>	<u>1,067,006</u>
Total assets less current liabilities		<u>2,704,847</u>	<u>2,669,403</u>
Financed by:			
Share capital	12	603,800	603,800
Reserves	13	1,894,147	1,815,776
Proposed dividend		–	43,474
Shareholders' funds		2,497,947	2,463,050
Minority interests		141,100	142,826
Non-current liabilities			
Long-term bank loans	11	65,800	62,800
Deferred tax liabilities		–	727
		<u>2,704,847</u>	<u>2,669,403</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 2004

		Unaudited	
		Six months ended	
		30th June	
	<i>Note</i>	2004	2003
		<i>RMB '000</i>	<i>RMB '000</i>
Total equity as at 1st January		2,463,050	2,328,615
Exchange differences arising on translation of the accounts of a foreign subsidiary	13	<u>—</u>	<u>(22)</u>
Net losses not recognised in the profit and loss account		—	(22)
Profit for the period	13	78,371	84,636
Dividends	13	<u>(43,474)</u>	<u>(36,228)</u>
Total equity as at 30th June		<u><u>2,497,947</u></u>	<u><u>2,377,001</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 2004

	Unaudited	
	Six months ended	
	30th June	
	2004	2003
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/from operating activities	(160,358)	133,062
Net cash used in investing activities	(89,274)	(39,160)
Net cash from/(used in) financing activities	<u>283,292</u>	<u>(95,039)</u>
Increase/(decrease) in cash and cash equivalents	33,660	(1,137)
Cash and cash equivalents at 1st January	843,206	872,942
Effect of foreign exchange rate changes	<u>—</u>	<u>(22)</u>
Cash and cash equivalents at 30th June	<u><u>876,866</u></u>	<u><u>871,783</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	894,866	879,483
Time deposits with maturity more than three months	<u>(18,000)</u>	<u>(7,700)</u>
	<u><u>876,866</u></u>	<u><u>871,783</u></u>

Notes to the Unaudited Condensed 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”) No.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 2003 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 2003.

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% (2003: 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	
	2004 <i>RMB '000</i>	2003 <i>RMB '000</i>
Turnover		
Sale of goods	<u>1,950,991</u>	<u>2,088,081</u>
Other revenues		
Gross rental income from investment property	–	12,375
Investment income	2,673	2,874
Sale of raw materials and others	<u>26,639</u>	<u>9,638</u>
	<u>29,312</u>	<u>24,887</u>
Total revenues	<u><u>1,980,303</u></u>	<u><u>2,112,968</u></u>

Primary reporting format – business segments

No analysis on business segments for the six months ended 30th June 2004 is presented as the Group engaged only in the manufacture and sale of textile machinery during this period.

	Six months ended 30th June 2003		
	Manufacture and sale of textile machinery <i>RMB '000</i>	Property investment <i>RMB '000</i>	Group <i>RMB '000</i>
Turnover	<u>2,088,081</u>	–	<u>2,088,081</u>
Segment results	<u><u>112,797</u></u>	<u><u>10,679</u></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 Interim Financial Statements
(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2004 RMB '000	2003 RMB '000
Crediting		
Gain on disposal of fixed assets	569	–
Unrealised and realised gain on short-term investments	–	2,874
Reversal of provision for inventories	4,470	–
	4,470	–
Charging		
Amortisation of intangible assets (<i>Note 8</i>)	622	547
Loss on disposal of fixed assets	–	1,061
Depreciation (<i>Note 8</i>)	43,422	38,678
Staff costs, including directors' and supervisors' emoluments	194,403	196,638
Provision for inventories	–	759
Realized and unrealised loss on short-term investments	1,425	–
Cost of inventories sold	1,619,536	1,712,984
	1,619,536	1,712,984

4. Net interest expenses

	Six months ended 30th June	
	2004 RMB '000	2003 RMB '000
Interest expense	16,667	12,404
Less: interest income	(7,884)	(3,747)
	8,783	8,657

5. Taxation

Hong Kong profits tax has not been provided as the Group had no assessable profits in Hong Kong for the period (2003: Nil). The Company and its subsidiaries are subject to PRC enterprise income tax on their assessable profits.

	Six months ended 30th June	
	2004 RMB '000	2003 RMB '000
Company and subsidiaries		
– PRC taxation	14,990	25,943
Deferred taxation	(1,582)	(1,951)
Share of taxation attributable to associated companies	106	28
	13,514	24,020

In accordance with an approval document issued by the State Administration of Taxation of Beijing on 19th January 2004, enterprise income tax rate of 15% (2003: 15%) is applicable to the Company during 2004. The enterprise income tax rates of the Company's subsidiaries range from 15% to 33% (2003: 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. Another subsidiary is subject to a preferential tax rate of 15%, enjoys full tax exemption from 2004 to 2005 and half tax exemption from 2006 to 2008. In addition, six other subsidiaries of the Company are subject to a preferential tax rate of 15% in 2004.

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

6. Dividends

- (a) No dividend was proposed by the Company for the six months ended 30th June 2004 (2003: Nil).
- (b) Pursuant to a meeting of the Board of Directors held on 30th March 2004, the directors have proposed a final dividend of RMB0.072 per share for all domestic, A and H shares. Such dividend is not reflected as dividend payable as at 31st December 2003, but has been reflected as an appropriation of retained profits for the six months ended 30th June 2004.

7. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to the shareholders of RMB78,371,000 (2003: RMB84,636,000) and the weighted average number of 603,800,000 (2003: 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 2004 (2003: Nil).

8. Capital expenditure

	Patents and trademarks <i>RMB'000</i>	Software <i>RMB'000</i>	Total intangible assets <i>RMB'000</i>	Fixed assets <i>RMB'000</i>
For the six months ended 30th June 2004				
Opening net book amount	326	6,378	6,704	1,118,431
Additions	–	1,264	1,264	56,591
Disposals	–	–	–	(2,307)
Write-off	–	–	–	(320)
Amortisation/depreciation charge (<i>Note 3</i>)	(51)	(571)	(622)	(43,422)
Closing net book amount	<u>275</u>	<u>7,071</u>	<u>7,346</u>	<u>1,128,973</u>

9. Trade and bills receivables

	30th June 2004 <i>RMB'000</i>	31st December 2003 <i>RMB'000</i>
Trade and bills receivables	932,745	861,171
Less: Provision	(153,849)	(149,217)
	<u>778,896</u>	<u>711,954</u>

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

	30th June 2004 <i>RMB'000</i>	31st December 2003 <i>RMB'000</i>
Less than 1 year	694,447	642,411
1–2 years	72,975	68,259
2–3 years	43,800	29,871
Over 3 years	121,523	120,630
Total	<u>932,745</u>	<u>861,171</u>

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

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

10. Trade and bills payables

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

	30th June 2004	31st December 2003
	<i>RMB '000</i>	<i>RMB '000</i>
Less than 1 year	896,286	898,738
1-2 years	31,233	11,168
2-3 years	16,464	4,943
Over 3 years	28,286	27,358
	<u>972,269</u>	<u>942,207</u>

11. Long-term bank loans

	30th June 2004	31st December 2003
	<i>RMB '000</i>	<i>RMB '000</i>
Unsecured bank loans wholly repayable within five years (<i>Note</i>)	88,800	85,800
Current portion of long-term bank loans	(23,000)	(23,000)
	<u>65,800</u>	<u>62,800</u>

At 30th June 2004, the group's bank loans were repayable as follows:

	30th June 2004	31st December 2003
	<i>RMB '000</i>	<i>RMB '000</i>
Within one year	23,000	23,000
In the second year	10,000	-
In the third to fifth year	55,800	62,800
	<u>88,800</u>	<u>85,800</u>

Note:

Included in the unsecured bank loans above was a loan of RMB23,000,000 as at 30th June 2004 which was guaranteed by Jingwei Group Company with an aggregate amount of facility of RMB207,000,000 (note 16).

12. Share capital

	<i>No. of shares</i>	<i>RMB '000</i>
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
	<u>603,800,000</u>	<u>603,800</u>
At 30th June 2004 and 31st December 2003		

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

13. Reserves

	Capital reserve <i>RMB'000</i>	Investment property revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Discretionary surplus reserve <i>RMB'000</i>	Exchange difference <i>RMB'000</i>	Retained profit <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January 2003	1,249,865	3,896	83,010	83,010	27,764	66	277,204	1,724,815
Exchange difference	-	-	-	-	-	(22)	-	(22)
2002 final dividend	-	-	-	-	-	-	(36,228)	(36,228)
Profit for the period	-	-	-	-	-	-	84,636	84,636
At 30th June 2003	<u>1,249,865</u>	<u>3,896</u>	<u>83,010</u>	<u>83,010</u>	<u>27,764</u>	<u>44</u>	<u>325,612</u>	<u>1,773,201</u>
At 1st January 2004	1,249,865	-	112,093	112,093	27,764	44	357,391	1,859,250
2003 final dividend	-	-	-	-	-	-	(43,474)	(43,474)
Profit for the period	-	-	-	-	-	-	78,371	78,371
At 30th June 2004	<u>1,249,865</u>	<u>-</u>	<u>112,093</u>	<u>112,093</u>	<u>27,764</u>	<u>44</u>	<u>392,288</u>	<u>1,894,147</u>

14. Contingent liabilities

	Group	
	30th June 2004 <i>RMB'000</i>	31st December 2003 <i>RMB'000</i>
Discount of commercial bills	212,000	-
Guarantees for bank loans of third parties	240,000	240,000
Guarantees for bank loans of related parties	-	63,000
	<u>452,000</u>	<u>303,000</u>
	Company	
	30th June 2004 <i>RMB'000</i>	31st December 2003 <i>RMB'000</i>
Discount of commercial bills	212,000	-
Guarantees for bank loans of subsidiaries	102,800	82,800
	<u>314,800</u>	<u>82,800</u>

15. Capital commitments

	30th June 2004 <i>RMB'000</i>	31st December 2003 <i>RMB'000</i>
Contracted but not provided for		
Construction in progress and equipment	<u>1,862</u>	<u>13,502</u>
Authorised but not contracted for		
Construction in progress and equipment	<u>28,595</u>	<u>25,536</u>

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong)

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.

	Note	Six months ended 30th June	
		2004	2003
		RMB '000	RMB '000
Transactions with the ultimate holding company			
Sale of finished goods	(i)	–	7,461
Exchange of equity interest in Hongda Investment Co. Ltd (“Hongda Investment”) with Jintu Information Technology Co. Ltd (“Jintu”)	(ii)	<u>24,867</u>	<u>–</u>
Transactions with Jingwei Group Company			
Purchase of tools	(i)	9,686	7,584
Purchase of raw materials and components	(i)	1,599	3,897
Sale of raw materials and components	(i)	4,161	863
Sale of finished goods	(i)	–	4,965
Fees paid for transportation services	(i)	1,697	1,863
Fees paid for repairs and maintenance services	(i)	10,280	11,751
Fees paid for other supporting services	(i)	2,931	6,089
Processing fees paid	(i)	4,719	5,534
Fees received for the provision of supporting services	(i)	1,458	622
Rental expenses	(i)	300	300
Bank loan guarantees in favour of the Company	(iii)	<u>338,000</u>	<u>147,200</u>
Transactions with other fellow subsidiaries			
Purchase of raw materials and components	(i)	249,309	172,817
Sale of components and special parts	(i)	98,877	145,580
Sale of finished goods	(i)	18,211	8,573
Purchase of tools model	(i)	101	610
Purchase of castings	(i)	59,349	81,734
Purchase of package	(i)	–	16,940
Purchase of energy	(i)	9,174	10,353
Processing fees paid	(i)	8,786	36,588
Fees paid for transportation services	(i)	1,760	3,346
Fees paid for repairs and maintenance services	(i)	2,871	2,522
Fees paid for other supporting services	(i)	3,121	7,648
Fees received for the provision of supporting services	(i)	1,445	445
Processing fees received	(i)	106	134
Rental expenses	(i)	4,702	17,036
Rental income	(i)	3,233	–
Transactions with subsidiaries and associated company of Jingwei Group Company			
Sale of raw materials and components	(i)	2,026	–
Purchase of raw materials	(i)	<u>16,974</u>	<u>–</u>

Notes:

- (i) The transactions were conducted in accordance with the composite service agreement dated 5th February 2002.
- (ii) The exchange of Hongda Investment with Jintu was carried out in accordance with an interests acquisition agreement dated 16th January 2004.
- (iii) Bank loans guarantee granted by Jingwei Group Company 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 2004 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;
4. Memorandum and Articles of Association of the Company.

Jingwei Textile Machinery Company Limited
Board of Directors
19th August 2004