

IMPORTANT NOTES

The Board of Directors, Supervisory Committee, the Directors, Supervisors and senior management of Jingwei Textile Machinery Company Limited (the “Company”) undertake that there are no misrepresentation, misleading statements or material omission in this report and shall be jointly and severally responsible for the authenticity, accuracy and completeness of the information contained in this report.

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

The 2006 interim financial and accounting report of the Company has not been audited but it has been reviewed by the Board of Directors and 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 : Liu Haitao
3. Company secretary to the Board : Ye Xuehua
Telephone : 8610 84534078-8188
E-mail address : yxh@jwgf.com
Stock representative : Qiu Lin
Telephone : 8610 84534081-8501
E-mail address : ql@jwgf.com
Correspondence address : 701 First Shanghai Centre, 39 Liangmaqiao Road,
Chaoyang District, Beijing, the People's Republic of China
(the "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, the 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>
<http://www.hkex.com.hk>
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 short name : JTMC
(changed to "G Jingwei" on 8th August 2006)
Stock code : 000666
H Shares Listed on : The Stock Exchange of Hong Kong Limited
Stock short name : Jingwei Textile
Stock code : 0350

Note: In this report, unless otherwise stated, the "Company" means Jingwei Textile Machinery Company Limited, while the "Group" means the Company, its subsidiaries and jointly controlled entities.

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 at the end of this reporting period as compared with beginning of the year (%)
	30th June 2006 RMB'000 (unaudited)	31st December 2005 RMB'000 (audited)	
Current assets	4,197,239	3,977,475	5.53
Current liabilities	2,804,243	2,624,173	6.86
Total assets	5,708,233	5,442,057	4.89
Shareholders' equity (excluding minority interests)	2,710,002	2,657,978	1.96
Net assets per share (RMB)	4.49	4.40	2.05
Adjusted net assets per share (RMB)	4.46	4.37	2.06

	Six months ended 30th June		Increase/(decrease) from corresponding period of last year (%)
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	
Net profit	82,115	74,479	10.25
Net profit after extraordinary items	78,149	74,686	4.64
Earnings per share (RMB)	0.14	0.12	16.67
Return on net assets (%)	3.03	2.87	5.58
Net cashflow from operating activities	(36,028)	31,132	(215.73)

After deducting extraordinary items and related amounts:

	Six months ended 30th June	
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Amortization of equity investment differences	(1,420)	116
Profit and loss from disposal of long-term equity investment	–	(980)
Government subsidy	869	702
Short-term investment gains	47	–
Non-operating income after deducting provision for asset impairment	2,144	1,062
Non-operating expense after deducting provision for asset impairment	(2,385)	(1,684)
Reversal of various provisions for impairment accounted for in previous year(s)	4,599	460
Impact on income tax of extraordinary items	112	117
Total	<u>3,966</u>	<u>(207)</u>

2. Schedule to the income statement prepared in accordance with PRC GAAP (Unaudited)

Profit for the reporting period	Return on net assets (%)				Earnings per share (RMB)			
	Fully diluted		Weighted average		Fully diluted		Weighted average	
	Six months ended 30th June 2006	Six months ended 30th June 2005	Six months ended 30th June 2006	Six months ended 30th June 2005	Six months ended 30th June 2006	Six months ended 30th June 2005	Six months ended 30th June 2006	Six months ended 30th June 2005
Profit from main operations	14.40	11.73	14.45	11.77	0.65	0.50	0.65	0.50
Operating profit	3.85	3.39	3.87	3.40	0.17	0.15	0.17	0.15
Net profit	3.03	2.87	3.04	2.88	0.14	0.12	0.14	0.12
Net profit after extraordinary items	2.88	2.88	2.90	2.89	0.13	0.12	0.13	0.12

3. Financial information prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (Unaudited)
Condensed Consolidated Profit and Loss Account

	Six months ended 30th June	
	2006 RMB'000	2005 RMB'000
Turnover	2,142,146	1,761,606
Cost of sales	(1,752,024)	(1,452,112)
Gross profit	390,122	309,494
Other gains, net	46,123	41,929
Distribution expenses	(59,293)	(53,025)
Administrative expenses	(253,672)	(198,557)
Operating profit	123,280	99,841
Finance cost	(16,605)	(8,509)
Share of profits less losses of associated companies	1,423	(1,046)
Profit before taxation	108,098	90,286
Income tax expenses	(17,465)	(12,263)
Profit for the period	<u>90,633</u>	<u>78,023</u>
Attributable to:		
Equity holders of the Company	83,666	75,344
Minority interests	6,967	2,679
	<u>90,633</u>	<u>78,023</u>
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in RMB per share)		
– basic and diluted	<u>0.14</u>	<u>0.12</u>



4. The following illustrates the differences in the accounts for the six months ended 30th June 2006 prepared in accordance with the PRC GAAP and HKFRS:

	Profit attributable to shareholders For the six months ended 30th June 2006		Net assets As at 30th June 2006	
	Group RMB'000 (unaudited)	Company RMB'000 (unaudited)	Group RMB'000 (unaudited)	Company RMB'000 (unaudited)
Prepared in accordance with PRC GAAP	82,115	82,115	2,710,002	2,709,997
Reversal of equity accounting for the results and reserves of subsidiaries in the accounts of the Company under PRC GAAP	–	(71,574)	–	(437,354)
Amortisation of negative goodwill not allowed under HKFRS	–	–	(3,731)	(3,731)
Recognition of negative goodwill on acquisition under HKFRS	–	–	5,612	–
Reversal of valuation surplus on land use rights recognised under PRC GAAP	–	–	(4,200)	(4,200)
Reversal of amortisation relating to valuation surplus on land use rights under PRC GAAP	52	–	950	–
Capital reserve arising on consolidation under HKFRS	–	–	6,029	–
Amortisation of long term investment difference over ten years under PRC GAAP	1,421	(116)	(909)	(2,957)
Deferred tax recognised under HKFRS	77	1,633	33,412	18,168
Others	1	–	6	1
Prepared in accordance with HKFRS	<u>83,666</u>	<u>12,058</u>	<u>2,747,171</u>	<u>2,279,924</u>

Chapter II Movement in Share Capital and Information on Shareholdings of Substantial Shareholders

I. MOVEMENT IN SHARE CAPITAL DURING THE REPORTING PERIOD

For the six months ended 30th June 2006, there was no change in the shareholding structure of the Company. However, the controlling shareholder of the Company has since June 2006 taken steps to implement the share segregation reform, and the Share Segregation Reform Proposal in respect of the Company was approved at a meeting of the relevant shareholders of the Company held on 17th July 2006. On 8th August 2006, the nature of the original non-circulating shares held by the controlling shareholder was changed to circulating A shares subject to certain lock-up arrangement, and the number of shares held by the controlling shareholder was also changed. The controlling shareholder of the Company will also increase its shareholding through acquisition of a certain number of A shares within a certain period according to the Share Segregation Reform Proposal. The change in shareholding structure of the Company immediately after the implementation of the Share Segregation Reform Proposal on 8th August 2006 is as follows:

	Before change		Increase/decrease (+/-)					After change	
	Number of shares (Shares)	Shareholding proportion	New issue	Bonus shares	Conversion from statutory surplus reserve	Others	Sub-total	Number of shares (Shares)	Shareholding proportion
1. Restricted floating shares subject to terms of lock-up	220,000,000	36.44%	-	-24,360,000	-	-	-24,360,000	195,640,000	32.40%
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares owned by State legal person	220,000,000	36.44%	-	-24,360,000	-	-	-24,360,000	195,640,000	32.40%
3. Other domestic shares,	-	-	-	-	-	-	-	-	-
Of which:									
Shares owned by domestic legal persons	-	-	-	-	-	-	-	-	-
Shares owned by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Foreign shares	-	-	-	-	-	-	-	-	-
Of which:									
Shares owned by foreign legal persons	-	-	-	-	-	-	-	-	-
Shares owned by foreign natural persons	-	-	-	-	-	-	-	-	-
2. Unrestricted floating shares which are not subject to lock-up	383,800,000	63.56%	-	24,360,000	-	-	24,360,000	408,160,000	67.60%
1. Domestically listed domestic shares	203,000,000	33.62%	-	24,360,000	-	-	24,360,000	227,360,000	37.65%
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	180,800,000	29.94%	-	-	-	-	-	180,800,000	29.94%
4. Others	-	-	-	-	-	-	-	-	-
3. Total number of shares	603,800,000	100.00%	-	-	-	-	-	603,800,000	100.0%

The shareholding of the holder of restricted floating shares subject to lock-up and terms of the lock-up

Name of shareholder subject to lock-up	Number of shares held subject to lock-up (shares)	Listing and trading date	Number of additional tradable shares (shares)	Terms of lock-up
China Textile Machinery (Group) Company Limited	195,640,000	8th August 2009 8th August 2011	58,692,000 136,948,000	China Textile Machinery (Group) Company Limited, being the holder of the originally non-floating Shares, undertakes not to trade or transfer its floating Shares during the three years from the date on which its Non-floating Shares are granted the right to be listed on Shenzhen Stock Exchange. Within 2 years after the expiry of such period, the number of originally Non-floating Shares to be sold through trading on Shenzhen Stock Exchange shall not exceed 30% of the number of Shares held on the date of the implementation of the Share Segregation Reform Proposal, and the sale price will be no less than RMB7.00 per Share (subject to such adjustment as may be made in connection with declaration of dividend, distribution or re-allocation of capital reserve fund to share capital).

II. INFORMATION ON SHAREHOLDING OF THE TOP TEN REGISTERED SHAREHOLDERS AND TOP TEN SHAREHOLDERS OF UNRESTRICTED FLOATING SHARES NOT SUBJECT TO TERMS OF LOCK-UP AS AT THE END OF THE REPORTING PERIOD

Total number of registered shareholders as at the end of the reporting period: 76,672, among which the number of Holders of A Shares is 76,613 while the number of Holders of H Shares is 59.

Shareholdings of the top ten registered shareholders as at the end of the reporting period

Name of shareholder	Type of shareholder	Percentage to total share capital (%)	Total number of shares held (shares)	Number of restricted floating shares held (shares)	Number of shares under pledge or lock-up (shares)
China Textile Machinery (Group) Company Limited	Holder of State-owned legal person shares	36.44 (Note 1)	220,000,000 (Note 1)	220,000,000	110,000,000 (Note 2)
HKSCC Nominees Limited (Note 3)	Holder of H Shares	29.43	177,681,899	0	Unknown
Chongqing International Finance (Mansion) Enterprises Company Limited	Holder of A Shares	0.90	5,422,248	0	Unknown
Oriental Securities Company Limited	Holder of A Shares	0.58	3,500,162	0	Unknown
Chongqing International Trust Investment Company Limited	Holder of A Shares	0.43	2,600,000	0	Unknown
Zhou Ya Lin	Holder of A Shares	0.25	1,512,798	0	Unknown
China Energy & Investment Corp (HK) Ltd	Holder of H Shares	0.20	1,230,000	0	Unknown
Cheng Gui Sheng	Holder of A Shares	0.12	722,300	0	Unknown
Poon Chiu Leung	Holder of H Shares	0.10	618,000	0	Unknown
Huang Fang Qun	Holder of A Shares	0.09	570,000	0	Unknown

Shareholdings of the top ten shareholders of unrestricted floating shares not subject to terms of lock-up as at the end of the reporting period

Name of shareholder	Number of unrestricted floating shares held (shares)	Class of shares
HKSCC Nominees Limited (Note 3)	177,681,899	Overseas listed foreign shares
Chongqing International Finance (Mansion) Enterprises Company Limited	5,422,248	Domestically listed domestic shares
Oriental Securities Company Limited	3,500,162	Domestically listed domestic shares
Chongqing International Trust Investment Company Limited	2,600,000	Domestically listed domestic shares
Zhou Ya Lin	1,512,798	Domestically listed domestic shares
China Energy & Investment Corp (HK) Ltd	1,230,000	Overseas listed foreign shares
Cheng Gui Sheng	722,300	Domestically listed domestic shares
Poon Chiu Leung	618,000	Overseas listed foreign shares
Huang Fang Qun	570,000	Domestically listed domestic shares
Xu Ru Miao	546,600	Domestically listed domestic shares

Connected relationship among the above shareholders or any party acting in concert

Among the top ten registered shareholders of the Company aforesaid, China Textile Machinery (Group) Company Limited is not connected with any of the other nine shareholders, nor is it a party acting in concert with any of them as defined in Administrative Measures for Information Disclosure of the Shareholdings of Listed Companies. It is not known to the Company as to whether other holders of circulating shares as aforesaid are connected with one another or whether any of these shareholders falls within the meaning of parties acting in concert as defined in Administrative Measures for Information Disclosure of the Shareholdings of Listed Companies.

II. INFORMATION ON SHAREHOLDING OF THE TOP TEN REGISTERED SHAREHOLDERS AND TOP TEN SHAREHOLDERS OF UNRESTRICTED FLOATING SHARES NOT SUBJECT TO TERMS OF LOCK-UP AS AT THE END OF THE REPORTING PERIOD (continued)

Notes:

1. China Textile Machinery (Group) Company Limited (“CTM”) has since June 2006 taken steps to implement the share segregation reform, and the Share Segregation Reform Proposal in respect of the Company was approved at a meeting of the relevant shareholders of the Company held on 17th July 2006. On 8th August 2006, the nature of the original non-circulating shares held by CTM was changed to circulating A shares subject to certain lock-up arrangement, and the number of shares held by the controlling shareholder was also changed.
2. These shares were pledged by CTM in favour of its controlling shareholder, China Hengtian Group Company (“Hengtian Group”). Hengtian Group has given on 2nd August 2006 consent to the release of pledge on these 110,000,000 shares. Registration procedures of the release of pledge with Shenzhen Branch Office of China Securities Depository and Clearing Corporation Limited have been completed.
3. The H shares registered in the name of HKSCC Nominees Limited were held in the capacity of nominee on behalf of various clients and it did not hold 5% or more of the interest in the total issued share capital and class of share capital of the Company.
4. As at 30th June 2006, in accordance with the records in the register required to be maintained by the Company pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the following persons (except for the directors, supervisors or chief executive of the Company) were interested in the shares and underlying shares of the Company as below:

Long positions in the Company's H Shares:

	Number of H Shares (shares)	Approximate percentage in the aggregate issued H share capital (%)	Approximate percentage in the aggregate issued share capital (%)
Everbest Investments Limited	59,580,000	32.95	9.87
Platinum Asset Management Limited as trustee for the Platinum Asset Management Trust	10,980,000	6.07	1.82
Zhang Sheng Hang	10,240,000	5.66	1.70

Save as disclosed above, according to the register required to be maintained pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the Company has not received any notification in relation to the holding of interests or short positions in shares and underlying shares of the Company as at 30th June 2006.



Chapter III Directors, Supervisors, Senior Management and Staff

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

During the reporting period, the following directors and senior management of the Company had an interest in the shares and underlying shares of the Company:

Name	Position	No. of A Shares held on 1st January 2006	No. of A Shares held on 8th August 2006	Reasons for the change
Ye Maoxin	Vice Chairman, General Manager	10,214	11,440	Consideration paid under the Share Segregation Reform
Yao Yuming	Director, Executive Deputy General Manager, Financial Controller	9,200	10,304	Consideration paid under the Share Segregation Reform
Liu Xianming	Deputy General Manager	3,000	3,360	Consideration paid under the Share Segregation Reform

Save as disclosed above, according to the records in the register required to be maintained pursuant to section 352 of the Securities and Futures Ordinance and in accordance with the records notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the "Model Code on Securities Transactions by Directors of Listed Companies", none of the directors, supervisors and senior management of the Company and their respective spouses or children under the age of 18 had any interests or short positions in the shares and underlying shares and debenture of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) nor had any of them been granted any rights to subscribe for any interests and short positions in the shares, underlying shares or debenture of the Company and any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance). During the reporting period, no directors, supervisors and chief executive of the Company had any material interest in the contracts entered into by the Company and its subsidiaries.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 13th April 2006, at an extraordinary general meeting of the Company, the resignation of Mr. Zhang Jie as executive director of the Company, the resignation of Mr. Yan Fuquan as shareholders' representative supervisor, and the election of Mr. Yan Fuquan as executive director of the Company and Mr. Sun Jie as shareholders' representative supervisor of the Company were approved, and the relevant resolutions took effect on the date when they were passed at the extraordinary general meeting. Mr. Sun Jie died of illness on 23rd July 2006. The Company is looking for a suitable candidate for the replacement of supervisor and will be proposed for approval at the next shareholders' general meeting.

III. STAFF

As at 30th June 2006, the Group had 11,288 staff (as at 31st December 2005, the Group had 11,721 staff). For the six months ended 30th June 2006, the aggregate remuneration for the staff of the Group amounted to RMB190,791,000 (RMB191,931,000 for the corresponding period of last year). The remuneration is determined by reference to the individual performance of the staff.

Chapter IV Management Discussion and Analysis

I. OPERATING RESULTS AND FINANCIAL ANALYSIS

During the reporting period, despite an operating environment featured with declining market prices for textile machinery, intensified competition and increasing prices of some raw materials, the staff of the Company focused on the Company's goals and policies and achieved better operating results by further development of new products, expansion of both domestic and international markets, active implementation of resources integration and continued strengthening and consolidation of operation.

1. Operating Results

As stated in the financial statements prepared in accordance with HKFRS, the turnover and profit attributable to shareholders of the Group for the six months ended 30th June 2006 were RMB2,142,146,000 and RMB83,666,000 respectively, representing an increase of 21.60% and 11.05% over the corresponding period in the previous year. As at 30th June 2006, bank balances of the Group amounted to RMB782,045,000 and short-term bank borrowings amounted to RMB836,338,000. No long-term bank borrowings were recorded, and the gearing ratio was 0% (total long-term borrowings divided by net assets value).

The Group's business transactions, assets and liabilities are mainly denominated in Renminbi. The Group is not engaged 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 2006 amounted to RMB2,142,146,000, representing an increase of 21.60% over the corresponding period in the previous year. Profit from main operations amounted to RMB390,121,000, representing an increase of 28.08% over the corresponding period in the previous year. In this connection:

Revenue from the main operations of the Company amounted to RMB1,352,603,000, representing an increase of 12.21% over the corresponding period in the previous year. The profit from main operations amounted to RMB124,464,000, representing an increase of 13.80% over the corresponding period in the previous year.

Subsidiaries:

Revenue and profits from main operations of Qingdao Hongda Textile Machinery Company Limited amounted to RMB551,274,000 and RMB51,897,000 respectively.

Revenue and profits from main operations of Shenyang Hongda Textile Machinery Company Limited amounted to RMB100,455,000 and RMB15,558,000 respectively.

Revenue and profits from main operations of Tianjin Hongda Textile Machinery Company Limited amounted to RMB171,917,000 and RMB32,322,000 respectively.

Revenue and profits from main operation of Tianjin Jingwei New Type Textile Machinery Company Limited amounted to RMB61,276,000 and RMB13,380,000 respectively.

Revenue and profits from main operations of Changde Textile Machinery Company Limited amounted to RMB237,706,000 and RMB63,469,000 respectively.

Revenue and profits from main operations of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited amounted to RMB56,281,000 and RMB12,112,000 respectively.

Revenue and profits from main operations of Shanxi Jingwei Heli Machinery Manufacturing Company Limited amounted to RMB225,460,000 and RMB23,013,000 respectively.

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

Indicator	As at 30th June 2006	As at 31st December 2005	Increase/ (decrease) changes + / (-)	Increase/ (decrease) changes (%)
Other receivables	163,510	230,190	(66,680)	(28.97)
Advance to suppliers	395,520	300,793	94,727	31.49
Prepaid expenses	4,868	2,119	2,749	129.73
Construction materials	8,325	14,105	(5,780)	(40.98)
Construction in progress	22,717	48,073	(25,356)	(52.74)
Intangible assets	209,989	167,050	42,939	25.70
Short-term borrowings	463,615	338,705	124,910	36.88
Welfare payable	45,598	36,639	8,959	24.45
Dividend payable	30,190	–	30,190	100.00
Tax payable	16,594	52,536	(35,942)	(68.41)
Other payables	380,009	311,914	68,095	21.83
Accrued expenses	42,705	19,355	23,350	120.64
Long-term borrowings				
due within one year	–	20,000	(20,000)	(100.00)
Minority interests	193,988	159,906	34,082	21.31
Retained earnings	348,033	346,108	1,925	0.56
Shareholders' equity	2,710,002	2,657,978	52,024	1.96
Total assets	5,708,233	5,442,057	266,176	4.89

Indicator	Six months ended 30th June 2006	Six months ended 30th June 2005	Increase/ (decrease) changes + / (-)	Increase/ (decrease) changes (%)
Profit from main operations	390,121	304,585	85,536	28.08
Operating expenses	59,293	48,116	11,177	23.23
Administrative expenses	250,731	196,262	54,469	27.75
Finance expenses	9,274	4,119	5,155	125.15
Income taxes	17,542	12,896	4,646	36.03
Minority interests	6,967	2,679	4,288	160.06
Net profit	82,115	74,479	7,636	10.25

Reasons for the change:

1. The decrease in other receivables is mainly due to the collection of the consideration for transfer of shareholdings in Shanghai Jingwei Zhonglian Company Limited.
2. The increase in advance to suppliers is mainly due to the increase in the prepayments for raw materials.
3. The increase in prepaid expenses is mainly due to additions of tools and consumables which are subject to depreciation or amortisation.
4. The decrease in construction materials is mainly due to the consumption during constructions.
5. The decrease in construction in progress is mainly due to the completion of construction projects, resulting in re-classification as fixed assets.
6. The increase in intangible assets is mainly due to the increasing costs of acquisition of land use rights and software.
7. The increase in short-term borrowings mainly arose from loans for working capital, which were incurred in order to meet operational needs.
8. The increase in welfare payable is mainly due to the amount proportionally provided for based on total salaries, which is larger than the actual amount paid.
9. The increase in dividend payable is due to the distribution of final dividends for the year 2005, which was provided for and approved by the general meeting and paid in July this year.

I. OPERATING RESULTS AND FINANCIAL ANALYSIS (continued)**2. Financial Position (prepared in accordance with the PRC GAAP) (continued)***Reasons for the change: (continued)*

10. The decrease in tax payable is mainly due to the value-added tax accrued at the beginning of the year was paid in full.
11. The increase in other payables is mainly due to the increase in current accounts with other third parties and associated companies.
12. The increase in accrued expenses is mainly due to the increase in audit fees and maintenance and repairs fee etc.
13. The decrease in long-term borrowings is mainly due to the repayment of long-term borrowings due within one year.
14. The increase in minority interests is mainly due to the acquisition of new subsidiaries and increase of profit and loss attributable to minority interests for the corresponding period.
15. The increase in profit from main operations is mainly due to the increases in revenue of main operations compared to last year.
16. The major components of the increase in operation expenses are travelling expenses, exhibition expenses and labour costs.
17. The major components of the increase in administrative expenses are research and development costs, provision for devaluation and repairing costs.
18. The increase in finance expenses is mainly due to the increase of loan interests arising from increased short-term borrowings and interests on discounted bills.

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 industry and product

	For the six months ended 30th June 2006						
	<i>(Unit: RMB '000)</i>						
	Revenue from main operations	Cost of main operations	Profit margin of main operations (%)	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 profit margin of main operations as compared with the corresponding period in the previous year (%)	
Natural fibre textile machinery	1,613,169	1,333,614	17.33	16.40	14.53	8.44	
Of which being related party transactions	142,523	117,966	17.23	46.00	42.37	13.95	
Chemical fibre textile machinery	41,299	29,513	28.54	(3.66)	(10.86)	25.38	
Weaving machinery	226,519	187,345	17.29	39.16	39.62	(1.57)	
Special parts and accessories							
for weaving machinery	185,234	128,251	30.76	46.39	52.49	(8.27)	
Yarn & thread sales and others	75,925	67,724	10.80	74.55	86.71	(34.98)	
Total	2,142,146	1,746,447	18.47	21.60	20.27	5.11	

During the reporting period, the total amount of related party transactions regarding the sales of products and rendering of labour services by the Company to the controlling shareholder and its subsidiaries were RMB142,459,000.

II. OPERATIONS IN THE REPORTING PERIOD (continued)

Analysis of main operations by region

For the six months ended 30th June 2006

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	2,001,885	28.27
Asia	100,029	(41.42)
Africa	31,215	19.81
Other continents and regions	9,017	115.57
Total	<u>2,142,146</u>	<u>21.60</u>

III. OPERATING PROBLEMS AND DIFFICULTIES

Presently, the global textiles as well as textile machinery industries have entered a restructuring period with focus shifting from quantity to quality. The eleventh 'Five-Year Plan' of the State also made substantial planning on the structural adjustment of textile machinery industry. Along with the macro strategic restructuring in both domestic and international textile machinery industry, there were new changes in competition and market environment. On one hand, this provided the Company with new opportunities for extending its operation landscape and for scalable growth. On the other hand, the sustained development of the Company faces greater challenges. Trade disputes regarding textile products in the international market, intensive competition within the industry, appreciation of Renminbi and entry of oversea manufacturers of textile machinery would all affect the operation of the Company to a certain extent. The Company must adapt to this situation by accelerating the restructure of its product mix, adopting the strategy towards high speed, high output, high quality, automation, lower energy consumption and by being more conscious on environmental protection. The Company will take effective measures to overcome these difficulties and open up new opportunities to ensure that consistent and stable development will be attained.

IV. INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD

- No proceeds from the issue of shares was utilized during the reporting period. As at the end of the reporting period, the unutilized proceeds from the issue of shares amounted to RMB752,000 and was deposited in bank. Please refer to the 2003 annual report for details of utilization of accumulated funds raised from the issue of shares.
- Please refer to Section IV of Chapter V for details of investment made by funds raised during the reporting period by means other than issue of shares.

Chapter V Significant Events

I. The Board of Directors of the Company has resolved not to pay any interim dividend for the six months ended 30th June 2006 and no surplus reserves would be capitalised.

II. IMPLEMENTATION OF PROFIT DISTRIBUTION PROPOSAL FOR THE PREVIOUS YEAR

At the 2005 Annual General Meeting held on 29th June 2006, the resolution on the after-tax profit distribution proposal for 2005 was passed. Such profit distribution was completed on 18th July 2006.

III. During the reporting period, there was no 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.

IV. INVESTMENTS AND ACQUISITIONS

1. In February 2006, the Company acquired 10% equity interest in Wuxi Hongda Texparts Co. Ltd. (無錫宏大紡織機械專件有限公司) (“Wuxi Hongda”) held by Wuxi Huaming Automated Technology Co. Ltd. (無錫市華明自動化技術有限公司) at a consideration of RMB4,800,000. Hence, the Company’s percentage of shareholding reached 35%. From the date of purchase to the end of the reporting period, it has contributed a net profit of RMB1,222,000 to the Company. The carrying value of net assets of Wuxi Hongda as at 31st January 2006 was referred to in determining the consideration for the transaction. Transfer procedures of the transaction have been completed. All legal titles of the relevant assets and all creditors’ rights and liabilities have been transferred. This transaction is not regarded as related party transaction.
2. In April 2006, the Company acquired 11.55% equity interest in Wuxi Jingwei Textile Technology Examination Company Limited (無錫經緯紡織科技試驗有限公司) (“Wuxi Jingwei”) held by Wuxi Textile Engineering Examination Center Co. Ltd (無錫紡織機械試驗中心有限公司), an associated company of Beijing Jingpeng Investment Management Co., Ltd, (北京京鵬投資管理有限公司) a subsidiary of the Company, at a consideration of RMB6,911,700. Hence, the Company’s percentage of shareholding reached 66.55%. It has contributed a net profit of RMB 869,000 to the Company. The consideration of this transaction was determined on the basis of 11.55% of the appraised net assets value of Wuxi Jingwei as at 31st December 2004. Transfer procedures of this transaction have been completed. All legal titles of the relevant assets and all creditors’ rights and liabilities have been transferred. This transaction is not regarded as related party transaction.
3. In February 2006, the Company made additional capital injection of RMB57,594,000 into Hong Kong Huaming Co. Limited, a wholly-owned subsidiary of the Company. Following such injection, the issued share capital of Hong Kong Huaming Co. Limited increased from US\$600,000 to US\$7,700,000.

V. RELATED TRANSACTIONS (IDENTIFIED UNDER THE GUIDANCE ISSUED BY CHINA SECURITIES REGULATORY COMMISSION)

1. Related transactions arising from ordinary business operations

The Company (for itself and on behalf of its subsidiaries from time to time) entered into the “Composite Services Agreement” with China Textile Machinery (Group) Company Limited (“CTM”) (for itself and on behalf of its associates and members from time to time, but excluding the members of the Group) (collectively referred to as “CTM Group”) on 18th August 2004 to regulate the mutual supply of goods and services between the Group and the CTM Group (which included (i) supply of goods and components, provision of processing, final processing and repair and maintenance services; (ii) provision of utility and social services; and (iii) leasing of properties). The agreement is valid for a term from 1st January 2005 to 31st December 2007. All transactions entered into under the agreement shall be conducted on normal commercial terms, and prices payable or receivable by the Company shall be determined on the following basis:

- (a) state price shall be applied if the service charge is regulated by the same;
- (b) where there is no applicable state price, the lower of market price or 105% to 110% of actual cost (the growth rate should not be higher than that of the price index in the preceding year of the region where the service provider is located) shall be used.

V. RELATED TRANSACTIONS (IDENTIFIED UNDER THE GUIDANCE ISSUED BY CHINA SECURITIES REGULATORY COMMISSION) (continued)
1. Related transactions arising from ordinary business operations (continued)

The contracts aforesaid also constituted connected transactions under the Listing Rules, and the transactions contemplated thereunder constituted ongoing connected transactions and approval has been obtained at the General Meeting of Shareholders of the Company. Details of which were set out in the “Securities Times” and in “Wen Wei Po” and “The Standard” in Hong Kong on 19th August 2004.

Connected transactions and ongoing connected transactions of the Group for the year were conducted in accordance with the abovementioned Composite Services Agreement and the details were as follows.

(Unit: RMB'000)

Connected parties	Sales of goods and provision of services to the connected parties		Purchases of goods and services from the connected parties	
	Transaction Amount	Proportion to comparative transaction amount (%)	Transaction Amount	Proportion to comparative transaction amount (%)
The Controlling Company of the Group	2,904	0.14%	–	–
Fellow subsidiaries of the Group	122,979	5.74%	362,404	16.25%
Associated companies of the Group	138,129	6.45%	27,207	1.22%
Joint ventures of the Group	64	–	370	0.01%
Total	264,076	12.33%	389,981	17.48%

The independent non-executive directors of the Company have reviewed the continuing connected transactions undertaken by the Group for the interim period, and have confirmed that such transactions have been entered into:

- (1) in the ordinary and normal course of business of the Group;
- (2) either on normal commercial terms or, in the absence of comparable transactions or such transactions cannot adequately judge if the terms of such transactions were on normal commercial terms, on terms no more favourable or less favourable than terms available to or made by independent third parties;
- (3) were on the terms of agreement of relevant transactions which were fair and reasonable and are in the interests of all shareholders of the Company as a whole;
- (4) amounts involving such transactions were within the maximum limit set by The Stock Exchange of Hong Kong Limited in granting the exemption.

Such transactions are conducted in the ordinary course of the Company’s operations and the related parties have had many years of business cooperation with the Company and good match of production and processing capacity, which ensure the orderly and smooth operations of the Company. Such transactions have warranted their necessity and continuity in the Company’s operations. The connected transactions will not affect the Company’s independence.

V. RELATED TRANSACTIONS (IDENTIFIED UNDER THE GUIDANCE ISSUED BY CHINA SECURITIES REGULATORY COMMISSION) (continued)

2. There were no related party transactions arising from asset acquisition or disposal during the reporting period.
3. Creditors' rights, liabilities and guarantees between the Group and related parties

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 Group 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
Receivables from fellow subsidiaries of the Group	A subsidiary of the controlling shareholder	31,302	175,993	-	-
Receivables from China Textile Machinery and Technology Import and Export Company Limited	An associated company	138,129	45,812	-	-
Receivables from Anhui Huamao Jingwei New Type Textile Company Limited	A joint venture company	31,171	31,171	-	-
Payables to China Textile Machinery (Group) Company Limited	The controlling shareholder	-	-	-	(32,260)
Payables to fellow subsidiaries of the Group	A subsidiary of the controlling shareholder	-	-	(34,155)	(96,782)
Payables to Shenzhen Bolue Technology Investment Company Limited	An associated company	-	-	(16,300)	(16,300)
Payables to other associated companies	An associated company	-	-	(2,450)	(2,450)
Total		<u>200,602</u>	<u>252,976</u>	<u>(52,905)</u>	<u>(147,792)</u>

Among which during the reporting period, the funds provided by the Group to the controlling shareholder and its subsidiaries were RMB169,431,000, and the balance was RMB221,805,000.

Their causes, repayment and effects on the Company: The receivables and liabilities mostly comprised unsettled amounts arising from operating activities. These arose from current accounts not yet settled and would not result in doubtful or bad debts.

4. **Subsequent Event: Special Commitments Undertaken by Original Holder of Non-circulating Shares in the course of Share Segregation Reform and their Performance**

Name of Shareholder	Special Commitments	Performance of Commitments
China Textile Machinery (Group) Company Limited	1. Lock-up period/Minimum sale price CTM, being the holder of the originally non-floating Shares, undertakes not to trade or transfer its floating Shares during the three years from the date on which its Non-floating Shares are granted the right to list on the Shenzhen Stock Exchange. Within 2 years after the expiry of such period, the number of originally Non-floating Shares to be sold through trading on the Shenzhen Stock Exchange shall not exceed 30% of the number of Shares held by CTM on the date of the implementation of the Share Segregation Reform Proposal, and the sale price will be no less than RMB7.00 per Share (subject to such adjustment as may be made in connection with declaration of dividend, distribution or re-allocation of capital reserve fund to share capital).	To be implemented
	2. Increase in shareholdings In order to stabilize the prices of secondary market of A Shares and to ensure the controlling shareholder status of CTM, after having obtained the approval for the Share Segregation Reform Proposal at the Meeting for Holders of A Shares, for a period of two months thereafter, CTM will either use no less than RMB30 million to increase its shareholdings through the secondary market of A Shares, or to acquire no less than 10 million Floating A Shares (which undertaking will be deemed to be performed so long as any one of such conditions is satisfied). CTM further undertakes not to dispose of any of such Shares acquired in such connection within a period of six months after the implementation of plan to increase its shareholdings.	As of the reporting date, CTM has increased its holding by 320,000 A Shares of the Company



VI. MATERIAL CONTRACTS AND PERFORMANCE

1. During the reporting period, there were no significant or ongoing significant contracts for entrustment, contracting and leasing of assets to other companies or vice versa.

2. Material Guarantees

(Unit: RMB'000)

External guarantees undertaken by the Company (excluding guarantees provided to subsidiaries with a majority control by the Company)						
Party under guarantee	Date of event (Date of agreement)	Guaranteed amount	Type of guarantee	Period of guarantee	Discharged or not	Whether in favour of any related party (Yes or No)
Beijing Hualian Business and Trade Development Co. Ltd.	15th April 2005	40,000	Joint and several liability	15th April 2005-14th April 2006	Yes	No
Beijing Hualian Commercial Building Co. Ltd.	25th March 2005	200,000	Joint and several liability	28th March 2005-27th March 2006	Yes	No
Beijing Hualian Business and Trade Development Co. Ltd.	23rd September 2005	165,000	Joint and several liability	23rd September 2005-22nd September 2006	No	No
Anhui Huamao Jingwei New Type Textile Co. Ltd.	9th December 2005	10,000	Joint and several liability	9th December 2005-30th June 2006	Yes	No
Beijing Hualian Commercial Building Co. Ltd.	27th March 2006	150,000	Joint and several liability	27th March 2006-27th March 2007	No	No
Aggregate guaranteed amount during the reporting period						565,000
Guaranteed balance at the end of the reporting period (A)						315,000
Guarantee provided by the Company to subsidiaries with a majority control by the Company						
Aggregate guaranteed amount to subsidiaries with a majority control by the Company accrued during the reporting period						170,000
Guaranteed balance to subsidiaries with a majority control by the Company as at the end of the reporting period (B)						80,000
Aggregate guarantee (including guarantee to subsidiaries with a majority control by the Company) provided by the Company						
Aggregate guaranteed amount (A+B)						395,000
Aggregate guaranteed amount as a percentage of the net assets value of the Company						14.58%
Of which						
Guaranteed amount provided for shareholders, parties which have de facto control and other related parties (C)						0
Debt guarantees directly or indirectly undertaken for parties with asset and liability ratio exceeding 70% (D)						0
Portion of aggregate guarantees in excess of 50% of net assets value (E)						0
Aggregate guaranteed amount of the above three items (C+D+E)						0

3. Entrustment on fund management

During the reporting period, there was no entrustment on fund management by the Company.

VII. PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the reporting period.

VIII. CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has strived to maintain and establish a high level of corporate governance. During the reporting period, except for the following deviations, the Company has complied in full the provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules of the Stock Exchange:

Code Provision A.1.1

Pursuant to Code Provision A.1.1, the board of directors shall convene at least 4 regular meetings per year, at approximately quarter intervals. According to the Company's Articles of Association and the Rules of Proceedings of Board Meetings, the Board is required to hold at least two meetings (regular meetings) per year. Notwithstanding the above, in order to enhance the Company's corporate governance and to consider the quarterly report of the Group, the Board held a total of 7 meetings during the reporting period, which has in fact fully complied with the requirements under Code Provision A.1.1.

Code Provision A.1.3

Pursuant to Code Provision A.1.3, notice shall be given at least 14 days before convening a regular board meeting. According to the Company's Articles of Association and the Rules of Proceedings of Board Meetings, the Board shall serve notice 10 days before convening a Board meeting. Notwithstanding the above, in order to enhance the Company's corporate governance, the Board of the Company has managed to issue notice of not less than 14 days prior to each Board Meeting during the reporting period. On such basis, the directors consider that the Company has in fact fully complied with the requirements under Code Provision A.1.3.

Code Provision A.2.1

Pursuant to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Liu Haitao is the Company's chairman and an executive director, while Mr. Ye Maoxin assumed the office of general manager of the Company, the division of labour in respect of which is clear. The Board considers that such structure would not affect the balance of power and duties between the Board and the management. The Board of the Company is composed of highly experienced and talented members and meetings are held regularly to discuss issues of significance to the Group's operations. The Board believes that this structure help in establishing a stable and coherent leadership which is beneficial to the Group's business development.

As the provisions of the Code on Corporate Governance Practices relating to the internal controls have become effective for accounting period starting on or after 1st July 2005, the Company will comply with Code Provision C.2. The Company has proactively initiated preparation work for reviewing the Group's internal control.

IX. 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 has discussed about issues regarding auditing, internal controls and financial reporting including review of the unaudited interim accounts of the Group for the six months ended 30th June 2006.

X. 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 requirements of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries were made to the Directors and the Directors confirmed that they had complied with the requirements regarding directors' securities transactions set out in such set of code during the accounting period covered by the interim results.

XI. ACCOUNTING FIRMS ENGAGED BY THE COMPANY IN 2006

Mainland: PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd

Hong Kong: PricewaterhouseCoopers



Chapter VI Interim Financial Statements Prepared in Accordance with the PRC Accounting Standards and System (Unaudited)

Balance Sheet

(Prepared in accordance with PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

	Note	Group		Company	
		30th June 2006 (Unaudited)	31st December 2005 (Audited)	30th June 2006 (Unaudited)	31st December 2005 (Audited)
ASSETS					
Current assets					
Cash at bank and in hand	III.1	782,252,260	807,178,788	476,252,248	540,061,991
Short-term investments	III.2	2,325,400	–	2,325,400	–
Notes receivable	III.3	561,940,524	567,213,540	129,288,630	208,225,303
Dividends receivable		–	–	19,982,501	28,482,501
Interest receivable		–	–	–	–
Accounts receivable	III.4	397,685,111	375,451,589	213,544,342	218,859,138
Other receivables	III.5	163,510,235	230,189,936	502,972,795	489,177,695
Advances to suppliers	III.6	395,520,449	300,792,922	202,856,594	134,185,142
Subsidies receivable		–	–	–	–
Inventories	III.7	1,889,227,747	1,694,529,363	659,863,745	605,823,344
Prepaid expenses	III.8	4,867,741	2,119,057	1,328,810	321,405
Long-term debt investments maturing within one year		–	–	–	–
Other current assets		–	–	–	–
Total current assets		<u>4,197,329,467</u>	<u>3,977,475,195</u>	<u>2,208,415,065</u>	<u>2,225,136,519</u>
Long-term investments					
Long-term equity investments	III.9	174,298,077	185,586,818	1,355,510,312	1,220,313,889
Long-term debt investments		–	–	–	–
Total long-term investments		<u>174,298,077</u>	<u>185,586,818</u>	<u>1,355,510,312</u>	<u>1,220,313,889</u>
Including: Consolidation difference		<u>28,663,805</u>	<u>30,745,179</u>	–	–
Fixed assets					
Fixed assets – cost		2,209,510,472	2,127,403,274	993,244,948	966,845,087
Less: Accumulated depreciation		(1,071,879,545)	(1,034,216,430)	(505,075,501)	(493,418,629)
Fixed assets-net		1,137,630,927	1,093,186,844	488,169,447	473,426,458
Less: Provision for impairment of fixed assets		(42,057,388)	(43,419,662)	(30,453,393)	(31,733,693)
Fixed assets-net book value	III.10	1,095,573,539	1,049,767,182	457,716,054	441,692,765
Leasehold improvement		–	–	–	–
Construction materials		8,325,244	14,105,020	4,205,156	4,740,767
Construction in progress	III.11	22,717,045	48,072,766	7,154,720	12,159,396
Fixed assets pending disposal		–	–	–	–
Total fixed assets		<u>1,126,615,828</u>	<u>1,111,944,968</u>	<u>469,075,930</u>	<u>458,592,928</u>
Intangible assets and other assets					
Intangible assets	III.12	209,989,215	167,049,913	103,365,380	87,875,266
Long-term prepaid expense		–	–	–	–
Other long-term assets		–	–	77,466,244	77,466,244
Total intangible assets and other assets		<u>209,989,215</u>	<u>167,049,913</u>	<u>180,831,624</u>	<u>165,341,510</u>
Deferred taxes					
Deferred tax debits		–	–	–	–
TOTAL ASSETS		<u><u>5,708,232,587</u></u>	<u><u>5,442,056,894</u></u>	<u><u>4,213,832,931</u></u>	<u><u>4,069,384,846</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 PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

	Note	Group		Company	
		30th June 2006 (Unaudited)	31st December 2005 (Audited)	30th June 2006 (Unaudited)	31st December 2005 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term loans	III 13	463,615,000	338,705,000	408,665,000	308,755,000
Notes payable	III 14	308,954,801	342,397,082	110,181,720	193,449,027
Accounts payable	III 15	1,003,652,783	954,177,980	486,177,709	369,293,903
Advances from customers	III 16	505,889,648	542,116,797	371,756,493	390,218,930
Accrued payroll		5,418,343	4,608,872	256,567	1,833,300
Welfare benefits payable		45,597,739	36,638,542	2,927,849	1,024,898
Interest payable		–	–	–	–
Dividend payable		30,190,000	–	30,190,000	–
Taxes payable	III 17	16,594,230	52,536,666	5,853,233	32,965,746
Other levies payable		1,616,949	1,722,501	548,585	548,221
Other payables	III 18	380,008,621	311,914,427	71,657,729	105,358,311
Accrued expenses	III 19	42,704,537	19,355,310	15,621,419	7,866,266
Provisions		–	–	–	–
Current portion of long-term liabilities		–	20,000,000	–	–
Deferred revenue		–	–	–	–
Other current liabilities		–	–	–	–
Total current liabilities		<u>2,804,242,651</u>	<u>2,624,173,177</u>	<u>1,503,836,304</u>	<u>1,411,313,602</u>
Long-term liabilities					
Long-term loans		–	–	–	–
Debentures payable		–	–	–	–
Long-term payable		–	–	–	–
Grants payable		–	–	–	–
Other long-term payables		–	–	–	–
Total long-term liabilities		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Deferred taxes					
Deferred tax credits		–	–	–	–
Total liabilities		<u>2,804,242,651</u>	<u>2,624,173,177</u>	<u>1,503,836,304</u>	<u>1,411,313,602</u>
Minority interest		<u>193,987,686</u>	<u>159,906,066</u>	<u>–</u>	<u>–</u>
Shareholders' equity					
Share capital	III 20	603,800,000	603,800,000	603,800,000	603,800,000
Capital surplus	III 21	1,262,250,342	1,262,250,342	1,262,250,342	1,262,250,342
Surplus reserve	III 22	495,913,186	445,913,186	387,605,809	337,605,809
Including: Statutory public welfare fund		159,075,069	159,075,069	104,921,381	104,921,381
Undistributed profits	III 23	348,033,099	346,107,716	456,340,476	454,415,093
Including: Proposed final dividend		–	(30,190,000)	–	(30,190,000)
Foreign currency translation differences		5,623	(93,593)	–	–
Total Shareholders' equity		<u>2,710,002,250</u>	<u>2,657,977,651</u>	<u>2,709,996,627</u>	<u>2,658,071,244</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>5,708,232,587</u>	<u>5,442,056,894</u>	<u>4,213,832,931</u>	<u>4,069,384,846</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



Income Statement
(Prepared in accordance with PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

Item	Note	Group		Company	
		Six months ended 30th June Year 2006 (Unaudited)	Six months ended 30th June Year 2005 (Unaudited)	Six months ended 30th June Year 2006 (Unaudited)	Six months ended 30th June Year 2005 (Unaudited)
Revenues from main operations	III.24	2,142,145,628	1,761,606,235	1,352,603,015	1,205,404,571
Less: Cost of main operations	III.24	(1,746,447,470)	(1,452,112,407)	(1,226,564,358)	(1,094,744,726)
Tax and levies on main operations		(5,576,830)	(4,909,034)	(1,575,019)	(1,284,336)
Profit from main operations		390,121,328	304,584,794	124,463,638	109,375,509
Add: Profit from other operations	III.25	33,530,284	31,874,687	12,944,873	6,592,459
Less: Selling and distribution expenses		(59,293,372)	(48,115,728)	(31,086,245)	(26,879,152)
General and administrative expenses		(250,730,736)	(196,261,886)	(89,810,767)	(70,130,577)
Finance expenses-net	III.26	(9,274,371)	(4,119,005)	(2,682,819)	(1,964,535)
Operating profit	III.27	104,353,133	87,962,862	13,828,680	16,993,704
Add: Investment income		1,642,738	2,010,880	74,494,103	63,721,318
Subsidy income		869,036	701,897	–	–
Non-operating income		2,143,819	1,062,087	515,596	152,917
Less: Non-operating expenses		(2,384,733)	(1,684,266)	(1,630,043)	(1,065,488)
Total profit		106,623,993	90,053,460	87,208,336	79,802,451
Less: Income taxes		(17,541,826)	(12,895,697)	(5,092,953)	(5,323,777)
Gain of minority shareholders		(6,966,784)	(2,679,089)	–	–
Net profit		<u>82,115,383</u>	<u>74,478,674</u>	<u>82,115,383</u>	<u>74,478,674</u>

Supplementary information:

Items	Group		Company	
	Six months ended 30th June 2006 (Unaudited)	Six months ended 30th June 2005 (Unaudited)	Six months ended 30th June 2006 (Unaudited)	Six months ended 30th June 2005 (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 Maoxin

Person in charge of accounting function:
Yao Yuming

Person in charge of accounting department:
Mao Faqing

Profit Appropriation Statement
(Prepared in accordance with PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

Items	Note	Group		Company	
		Six months ended 30th June Year 2006 (Unaudited)	Year 2005 (Unaudited)	Six months ended 30th June Year 2006 (Unaudited)	Year 2005 (Unaudited)
Net profit	III.23	82,115,383	74,478,674	82,115,383	74,478,674
Add: Undistributed profit at beginning of year		346,107,716	382,528,813	454,415,093	475,611,769
Other transfers		—	—	—	—
Distributable profit		<u>428,223,099</u>	<u>457,007,487</u>	<u>536,530,476</u>	<u>550,090,443</u>
Less: Transfer to statutory surplus reserve		—	—	—	—
Transfer to statutory public welfare fund		—	—	—	—
Transfer to employee bonus and welfare fund		—	—	—	—
Profit available for distribution to shareholders		<u>428,223,099</u>	<u>457,007,487</u>	<u>536,530,476</u>	<u>550,090,443</u>
Less: Dividend for preferred stock		—	—	—	—
Transfer to discretionary surplus fund		(50,000,000)	(100,000,000)	(50,000,000)	(100,000,000)
Dividend payable for common stock		(30,190,000)	(30,190,000)	(30,190,000)	(30,190,000)
Dividend for common stock transferred to shares		—	—	—	—
Undistributed profit at end of period	III.23	<u><u>348,033,099</u></u>	<u><u>326,817,487</u></u>	<u><u>456,340,476</u></u>	<u><u>419,900,443</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



Cash Flow Statement
(Prepared in accordance with PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

Items	Group		Company	
	Six months ended 30th June Year 2006 (Unaudited)	Year 2005 (Unaudited)	Six months ended 30th June Year 2006 (Unaudited)	Year 2005 (Unaudited)
1. Cash flows from operating activities				
Cash received from sale of goods or rendering of services	2,575,063,241	2,473,784,508	1,075,310,661	1,303,876,921
Refund of taxes and levies	1,512,615	1,144,192	2,127	-
Cash received relating to other operating activities	46,307,809	158,736,343	21,540,765	94,390,838
Sub-total of cash inflows	<u>2,622,883,665</u>	<u>2,633,665,043</u>	<u>1,096,853,553</u>	<u>1,398,267,759</u>
Cash paid for goods and services	(2,211,060,418)	(2,164,496,179)	(983,005,553)	(1,185,074,508)
Cash paid to and on behalf of employees	(227,783,588)	(191,495,382)	(72,075,495)	(64,072,094)
Payments of taxes and levies	(165,850,434)	(110,886,802)	(80,925,895)	(46,772,711)
Cash paid relating to other operating activities	(54,217,635)	(135,654,709)	(36,674,311)	(44,819,055)
Sub-total of cash outflows	<u>(2,658,912,075)</u>	<u>(2,602,533,072)</u>	<u>(1,172,681,254)</u>	<u>(1,340,738,368)</u>
Net cash flows from operating activities	<u>(36,028,410)</u>	<u>31,131,971</u>	<u>(75,827,701)</u>	<u>57,529,391</u>
2. Cash flows from investing activities				
Cash received from disposal of investments, other than subsidiaries	3,007	71,309,779	3,007	70,000,000
Cash received from returns on investments	-	-	-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,162,514	6,938,600	536,204	301,948
Cash received relating to other investing activities	1,776,690	693,640	-	22,400
Sub-total of cash inflows	<u>4,942,211</u>	<u>78,942,019</u>	<u>539,211</u>	<u>70,324,348</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(90,777,539)	(36,034,626)	(11,923,945)	(7,622,615)
Cash paid to acquire investments, other than subsidiaries	(2,325,400)	(13,603,000)	(2,325,400)	(12,500,000)
Cash paid to acquire subsidiaries	-	-	(69,305,164)	-
Cash paid relating to other investing activities	-	-	-	-
Sub-total of cash outflows	<u>(93,102,939)</u>	<u>(49,637,626)</u>	<u>(83,554,509)</u>	<u>(20,122,615)</u>
Net cash flows from investing activities	<u>(88,160,728)</u>	<u>29,304,393</u>	<u>(83,015,298)</u>	<u>50,201,733</u>
3. Cash flows from financing activities				
Cash received from capital contributions	-	-	-	-
Including: Cash received from issuing shares to minority shareholders by subsidiaries	-	-	-	-
Cash received from borrowings	312,000,000	385,000,000	280,000,000	292,000,000
Cash received relating to other financing activities	-	-	-	-
Sub-total of cash inflows	<u>312,000,000</u>	<u>385,000,000</u>	<u>280,000,000</u>	<u>292,000,000</u>
Cash repayments of amounts borrowed	(204,090,000)	(482,000,000)	(180,090,000)	(376,000,000)
Cash payments for interest expenses and distribution of dividends or profits	(8,647,390)	(27,820,179)	(4,876,744)	(24,698,455)
Including: cash payments to minority shareholders for distribution of dividends or profits	-	-	-	-
Cash payments relating to other financing activities	-	-	-	-
Including: cash payments to minority shareholders for distribution of capital	-	-	-	-
Sub-total of cash outflows	<u>(212,737,390)</u>	<u>(509,820,179)</u>	<u>(184,966,744)</u>	<u>(400,698,455)</u>
Net cash flows from financing activities	<u>99,262,610</u>	<u>(124,820,179)</u>	<u>95,033,256</u>	<u>(108,698,455)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5. Net decrease in cash and cash equivalents	<u>(24,926,528)</u>	<u>(64,383,815)</u>	<u>(63,809,743)</u>	<u>(967,331)</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

Cash Flow Statement (Continued)
(Prepared in accordance with PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

Supplementary information	Group		Company	
	Six months ended 30th June 2006 <i>(Unaudited)</i>	2005 <i>(Unaudited)</i>	Six months ended 30th June 2006 <i>(Unaudited)</i>	2005 <i>(Unaudited)</i>
1. Reconciliation of Net Profit to Cash Flows from Operating Activities				
Operating Activities Net Profit	82,115,383	74,478,674	82,115,383	74,478,674
Adjust for: Share of profit by minority shareholders	6,966,784	2,679,089	-	-
Provision for asset impairment	7,572,508	10,452,411	7,522,399	574,210
Depreciation of fixed assets	49,399,077	45,613,099	19,995,231	20,558,032
Amortisation of intangible assets	4,283,600	2,993,116	2,335,387	1,353,864
Amortisation of long-term prepaid expenses	-	-	-	-
Decrease (Increase) in prepaid expenses	(2,748,685)	(1,436,769)	(1,007,405)	(898,966)
Increase (Decrease) in accrued expenses	23,349,227	10,792,278	7,755,152	3,683,994
Losses (Gains) on disposal of fixed assets, intangible assets and other long term assets	(1,118,619)	(287,635)	(415,528)	(53,236)
Losses (Gains) on disposal of fixed assets	-	-	-	-
Financial expenses (income)	9,274,371	4,119,005	2,682,819	1,964,535
Investment losses (income)	(1,642,738)	(2,010,880)	(75,885,818)	(63,721,318)
Deferred tax credit (debit)	-	-	-	-
Decrease (Increase) in inventories	(194,698,384)	(3,517,023)	(54,040,402)	38,402,224
Decrease (Increase) in operating receivables	37,719,538	(256,816,557)	10,284,918	(160,484,124)
Increase (Decrease) in operating payables	(56,500,472)	144,073,163	(77,169,837)	141,671,502
Others	-	-	-	-
Net cash flows from operating activities	<u>(36,028,410)</u>	<u>31,131,971</u>	<u>(75,827,701)</u>	<u>57,529,391</u>
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 in cash and cash equivalents				
Cash at end of year	782,252,260	939,265,348	476,252,248	763,221,225
Less: Cash at beginning of year	(807,178,788)	(1,003,649,163)	(540,061,991)	(764,188,556)
Add: Cash equivalents at end of year	-	-	-	-
Less: Cash equivalents at beginning of year	-	-	-	-
Net increase/(decrease) in cash and cash equivalents	<u>(24,926,528)</u>	<u>(64,383,815)</u>	<u>(63,809,743)</u>	<u>(967,331)</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



Breakdown of assets provision
(Prepared in accordance with PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

Item	31st December 2005 (Audited)		Addition (Unaudited)		Reversal due to the recovery of the assets value and Write off (Unaudited)		30th June 2006 (Unaudited)	
	Group	Company	Group	Company	Group	Company	Group	Company
1. Bad debt provision, total	214,198,979	60,090,628	19,509,686	6,218,000	9,500,343	150,000	224,208,322	66,158,628
Including: Accounts receivable	195,886,299	58,942,446	18,679,087	6,218,000	5,080,192	-	209,485,194	65,160,446
Other receivables	18,312,680	1,148,182	830,599	-	4,420,151	150,000	14,723,128	998,182
2. Provision for short-term investment, total	-	-	-	-	-	-	-	-
Including: Trading securities	-	-	-	-	-	-	-	-
Debenture investment	-	-	-	-	-	-	-	-
3. Provision for inventory, total	35,411,961	11,604,043	4,722,901	3,500,000	3,542,454	247,300	36,592,408	14,856,743
Including: Finished goods	11,466,734	1,731,102	421,615	-	736,606	247,300	11,151,743	1,483,802
Work in progress	4,375,541	-	3,500,000	3,500,000	2,331,846	-	5,543,695	3,500,000
Raw material	19,569,686	9,872,941	801,286	-	474,002	-	19,896,970	9,872,941
4. Provision for long-term investments, total	6,323,255	-	-	-	-	-	6,323,255	-
Including: Long-term equity investment	6,323,255	-	-	-	-	-	6,323,255	-
Long-term debenture investment	-	-	-	-	-	-	-	-
5. Provision for fixed assets, total	43,419,662	31,733,693	38,658	28,425	1,400,932	-	42,057,388	31,762,118
Including: Buildings	1,494,350	-	-	-	21,933	-	1,472,417	-
Equipment	41,914,520	31,733,693	38,658	28,425	1,378,999	-	40,574,179	31,762,118
Conveyance	10,792	-	-	-	-	-	10,792	-
6. Provision for intangible assets	-	-	-	-	-	-	-	-
7. Provision for CIP	-	-	-	-	-	-	-	-
8. Provision for consignment loans	-	-	-	-	-	-	-	-
Legal representative: Ye Maixin	Person in charge of accounting function: Yao Yuming		Person in charge of accounting department: Mao Faqing					

Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan 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”, formerly known as China National Textile Machinery Corporation) as the sole promoter.

The share amounted to 220,000,000 shares owned by domestic legal person, when the Company was set up. The Company was listed on the Stock Exchange of Hong Kong Limited with the issuance of 180,800,000 H shares during February 1996. In November 1996, the Company issued 23,000,000 A shares, which included 10,000,000 employee shares, and 13,000,000 listed shares on Shenzhen Stock Exchange in December 1996. In June 1997, the 10,000,000 employee shares were also listed and traded on Shenzhen Stock Exchange. In 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’s principally engaged in the manufacture and sale of textile machinery. The Company, its subsidiaries and jointly controlled entities refer to “the Group”.

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTS ESTIMATIONS AND PREPARATION OF THE CONSOLIDATED 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 financial statements

The scope of the consolidated financial statements during the reporting period of the Group is consistent with that of last year except the Group liquidated one subsidiaries with total assets less than RMB4,000,000 during the report period, while acquired one subsidiary with registered capital of RMB 20,000,000.

3. Basis of accounting and measurement bases

The Group follows the accrual basis of accounting. Except for assets invested by the promoter during the reorganization that were accounted for based on the revalued amount approved by the State Assets Management Bureau during the reorganisation, all other assets were recorded at their actual costs when acquired. Subsequently, if they are impaired, impairment provisions will be made accordingly.

4. Foreign currency translation

Foreign currency transactions are translated into Rmb at the exchange rates stipulated by the People’s Bank of China (“the stipulated exchange rates”) at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Rmb at the stipulated exchange rates at the balance sheet date. Exchange differences arising from these translations are expensed, except for those attributable to foreign currency borrowings that have been taken out specifically for the constructions of fixed assets, which are capitalized as part of the fixed asset costs.

5. Accounts estimations

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

6. Accounting differences

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

7. Seasonal operations

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



Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

III. NOTES TO THE PRINCIPAL ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash

	30th June 2006	31st December 2005
Cash in hand	923,969	1,283,249
Cash at bank	759,952,886	794,942,243
Other cash balances	21,375,405	10,953,296
	<u>782,252,260</u>	<u>807,178,788</u>

2. Short-term investments

	30th June 2006	31st December 2005
Stock shares	2,325,400	—
	<u>2,325,400</u>	<u>—</u>

3. Notes receivable

	30th June 2006	31st December 2005
Commercial drafts	9,595,000	—
Bank drafts	552,345,524	567,213,540
	<u>561,940,524</u>	<u>567,213,540</u>

4. Accounts receivable

	30th June 2006	31st December 2005
Accounts receivable	607,170,305	571,337,888
Less: Specific bad debt provision	(6,890,814)	(4,254,790)
General bad debt provision	(202,594,380)	(191,631,509)
	<u>397,685,111</u>	<u>375,451,589</u>

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

	30th June 2006			31st December 2005		
	Amount	%	Provision Amount	Amount	%	Provision Amount
Ageing:						
Within 1 year	325,904,927	55	—	300,219,854	53	—
1 to 2 years	59,847,420	10	(15,702,379)	57,669,321	10	(11,374,407)
2 to 3 years	59,725,824	10	(33,020,831)	45,187,579	8	(22,537,750)
Over 3 years	161,692,134	25	(160,761,984)	168,261,134	29	(161,974,142)
	<u>607,170,305</u>	<u>100</u>	<u>(209,485,194)</u>	<u>571,337,888</u>	<u>100</u>	<u>(195,886,299)</u>

Notes to the Financial Statements
 (Prepared in accordance with the PRC GAAP)
 (All amounts in Rmb Yuan unless otherwise stated)

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

5. Other receivables

	30th June 2006	31st December 2005
Other receivables	178,233,363	248,502,616
Less: Specific bad debt provisions	<u>(14,723,128)</u>	<u>(18,312,680)</u>
	<u>163,510,235</u>	<u>230,189,936</u>

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

	30th June 2006			31st December 2005		
	Amount	%	Provision Amount	Amount	%	Provision Amount
Ageing:						
Within 1 year	128,009,513	72	–	181,949,736	73	–
1 to 2 years	30,493,794	17	(7,190,328)	19,182,295	8	(7,584,818)
2 to 3 years	5,779,952	3	(1,472)	33,155,988	13	(725,078)
Over 3 years	13,950,104	8	(7,531,328)	14,214,597	6	(10,002,784)
	<u>178,233,363</u>	<u>100</u>	<u>(14,723,128)</u>	<u>248,502,616</u>	<u>100</u>	<u>(18,312,680)</u>

6. Advances to suppliers

	30th June 2006		31st December 2005	
	Amount	%	Amount	%
Ageing:				
Within 1 year	371,567,079	93	275,670,809	92
1 to 2 years	15,982,643	6	9,185,896	3
2 to 3 years	4,975,597	–	11,489,794	4
Over 3 years	2,995,130	1	4,446,423	1
	<u>395,520,449</u>	<u>100</u>	<u>300,792,922</u>	<u>100</u>

Notes to the Financial Statements
 (Prepared in accordance with the PRC GAAP)
 (All amounts in Rmb Yuan unless otherwise stated)

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

7. Inventory

	31st December 2005	30th June 2006
Goods in transit	7,964,585	–
Raw materials	286,609,678	367,552,509
Work in progress	381,079,021	491,108,980
Finished goods	610,948,340	606,313,046
Development costs (i)	443,339,700	460,845,620
	<u>1,729,941,324</u>	<u>1,925,820,155</u>

Provision

		Addition for the period	Reversal for the period	
Raw materials	(11,466,734)	(421,615)	736,606	(11,151,743)
Work in progress	(4,375,541)	(3,500,000)	2,331,846	(5,543,695)
Finished goods	(19,569,686)	(801,286)	474,002	(19,896,970)
	<u>(35,411,961)</u>	<u>(4,722,901)</u>	<u>3,542,454</u>	<u>(36,592,408)</u>
	<u>1,694,529,363</u>			<u>1,889,227,747</u>

(i) Development costs are for the payment of the land that numbered 3-2, which located in inner side of Fuxing Meng, south of the Naoshi Kou, together with compensation for the development of the land, as well as other pre-development costs, which paid by one subsidiary of the company, the Beijing Chen Yu Tai He Property Development Co. Ltd. The estimated total investment of the project is RMB860,000,000.

8. Prepaid expenses

	30th June 2006	31st December 2005
VAT input pending deduction	1,807,284	1,750,987
Heating Fee	107,119	18,356
Amortisation of tools and consumables	1,061,772	–
Others	1,891,566	349,714
	<u>4,867,741</u>	<u>2,119,057</u>

9. Long term equity investments

	30th June 2006	31st December 2005
Investment in associated companies	106,806,718	118,097,399
Other equity investments	44,490,148	43,067,495
Consolidation difference	29,324,466	30,745,179
Provision for long term equity investments	(6,323,255)	(6,323,255)
	<u>174,298,077</u>	<u>185,586,818</u>

Notes to the Financial Statements
 (Prepared in accordance with the PRC GAAP)
 (All amounts in Rmb Yuan unless otherwise stated)

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

10. Fixed assets

	Buildings and Constructions	Machinery and Equipment	Vehicles	Total
Cost				
At 31st December 2005	577,724,497	1,460,512,457	89,166,320	2,127,403,274
Net increase/decrease for the period	30,683,725	46,646,919	4,776,554	82,107,198
At 30th June 2006	608,408,222	1,507,159,376	93,942,874	2,209,510,472
Accumulated depreciation				
At 31st December 2005	195,089,170	806,533,218	32,594,042	1,034,216,430
Net increase/decrease for the period	16,461,404	17,239,178	3,962,533	37,663,115
At 30th June 2006	211,550,574	823,772,396	36,556,575	1,071,879,545
Impairment Provision				
At 31st December 2005	1,494,350	41,914,520	10,792	43,419,662
Reversal for the period	(21,933)	(1,340,341)	–	(1,362,274)
At 30th June 2006	1,472,417	40,574,179	10,792	42,057,388
Net book value				
At 30th June 2006	395,385,231	642,812,801	57,375,507	1,095,573,539
At 31st December 2005	381,140,977	612,064,719	56,561,486	1,049,767,182

11. Construction in progress

	31st December 2005	Addition	Transfer to fixed assets	30th June 2006
Enlarge Project	2,811,935	3,172,572	(5,178,068)	806,439
Maintenance of Yuci workshop	1,324,153	–	(1,324,153)	–
Spindle strightening machine	2,329,840	–	(2,329,840)	–
Building of workshop-Shengyang				
Hongda Huaming	5,890,476	2,801,158	–	8,691,634
Building of workshop-Anhui Huamao	19,263,661	16,987,463	(36,251,124)	–
CNC Mechine tool of Yuci Branch and Tianjin Hongda	–	2,752,920	–	2,752,920
Others	16,452,701	5,040,281	(11,026,930)	10,466,052
Total	48,072,766	30,754,394	(56,110,115)	22,717,045

Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

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

12. Intangible assets

Item	Cost	31st December 2005	Addition for the period	Amortisation for the period	Accumulated Amortisation	30th June 2006
Land use rights	209,175,737	153,116,841	35,328,809	(2,767,860)	(23,497,947)	185,677,790
Trademark and patents	10,494,472	6,876,097	–	(371,681)	(3,990,056)	6,504,416
Software	23,413,968	7,056,975	12,170,871	(1,420,837)	(5,606,959)	17,807,009
Total	<u>243,084,177</u>	<u>167,049,913</u>	<u>47,499,680</u>	<u>(4,560,378)</u>	<u>(33,094,962)</u>	<u>209,989,215</u>

13. Short term loans

Categories	Currency	30th June 2006	31st December 2005
Guaranteed	RMB	190,000,000	84,000,000
Unsecured	RMB	111,950,000	52,950,000
	USD	161,665,000	201,755,000
		<u>463,615,000</u>	<u>338,705,000</u>

The range of the interest rate of short term-loans in the six months ended 30th June 2006 was from 4.70% to 6.14% per annum

14. Notes payable

	30th June 2006	31st December 2005
Trade acceptance	6,434,676	13,567,989
Bank acceptance	302,520,125	328,829,093
	<u>308,954,801</u>	<u>342,397,082</u>

15. Accounts payable

Accounts payable mainly represents the payable for purchase of materials and land development cost.

As at 30th June 2006, included in accounts payable with aging over three years is an amount of RMB 20,614,145 (At 31st December 2005: RMB 29,739,764), mainly payable for raw materials. Since the supplier has not provided the invoice, the amount remains unsettled.

16. Advances from customers

Advances from customers mainly represent the advances received in accordance with sales contracts.

As at 30th June 2006, included in advance from customer with ageing over one year is an amount of RMB 77,199,099 (31st December 2005: RMB 85,387,616), mainly representing the advance of sales. Since the production cycle and fixing period is long, this amount remains unsettled.

Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

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

17. Taxes payable

	30th June 2006	31st December 2005
Value added tax payable	(137,434)	35,395,769
Business tax payable	87,467	237,206
City construction tax payable	399,293	1,017,742
Income tax payable	13,628,018	10,812,077
Land usage tax payable	916,431	2,455,529
Others	1,700,455	2,618,343
	<u>16,594,230</u>	<u>52,536,666</u>

18. Other payables

As at 30th June 2006, included in other payable with ageing over three years is an amount of RMB 42,097,041 (31st December 2005: RMB 25,493,563), mainly due to third parties, which remains unsettled.

19. Accrued expenses

	30th June 2006	31st December 2005
Interest expense	7,021,721	6,012,660
Audit and Agent fee	8,905,926	3,120,000
Maintenance fee	7,745,258	1,725,000
Others	19,031,632	8,497,650
	<u>42,704,537</u>	<u>19,355,310</u>

20. Share capital

	30th June 2006	31st December 2005
Shares not permitted to be traded	220,000,000	220,000,000
Including: Shares held by promoter	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>

21. Capital surplus

	30th June 2006	31st December 2005
Share premium	1,247,954,114	1,247,954,114
Equity Investment Provision	10,096,228	10,096,228
Surplus on revaluation	4,200,000	4,200,000
	<u>1,262,250,342</u>	<u>1,262,250,342</u>



Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

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

22. Surplus reserve

	30th June 2006	31st December 2005
Statutory surplus fund	159,075,070	159,075,070
Discretionary surplus fund	177,763,047	127,763,047
Statutory public welfare	159,075,069	159,075,069
	<u>495,913,186</u>	<u>445,913,186</u>

23. Undistributed profits

	Jan-Jun 2006	Jan-Dec 2005
Undistributed profit at beginning of the period	346,107,716	382,528,813
Add: Profit for the year	82,115,383	136,241,656
Less: Transfer to statutory surplus reserve	–	(21,236,377)
Transfer to statutory public welfare fund	–	(21,236,376)
Transfer to discretionary surplus reserve fund	(50,000,000)	(100,000,000)
Dividend for common stock		
– Cash dividends approved by general meeting of shareholders	(30,190,000)	(30,190,000)
	<u>348,033,099</u>	<u>346,107,716</u>
Undistributed profit at end of the period	<u>348,033,099</u>	<u>346,107,716</u>

24. Revenues from main operations and cost of goods sold

Primary reporting format – business segment

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

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

Secondary reporting format – geographical segment

Location	Six months ended 30th June			
	Year 2006		Year 2005	
	Sales Revenue	Cost of Goods Sold	Sales Revenue	Cost of Goods Sold
China	2,001,885,471	1,630,835,162	1,560,599,207	1,283,983,951
Africa	100,029,361	82,675,537	170,773,259	143,163,735
Asia	31,214,742	25,482,130	26,052,742	21,525,900
Others	9,016,054	7,454,641	4,181,027	3,438,821
	<u>2,142,145,628</u>	<u>1,746,447,470</u>	<u>1,761,606,235</u>	<u>1,452,112,407</u>
Total	<u>2,142,145,628</u>	<u>1,746,447,470</u>	<u>1,761,606,235</u>	<u>1,452,112,407</u>

25. 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 RMB33,530,284 while the profit for the corresponding period last year was RMB 31,874,687.

Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

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

26. Financial expenses – net

	Six months ended 30th June	
	Year 2006	Year 2005
Interest expense	16,813,835	8,630,180
Less: Interest income	(7,938,556)	(5,053,470)
Exchange loss	(208,613)	(120,555)
Service charges of financial institutions	607,705	662,850
	<u>9,274,371</u>	<u>4,119,005</u>

27. Investment income

	Six months ended 30th June	
	Year 2006	Year 2005
Amortization of investment difference	(1,420,784)	114,777
Income from investment in shares	47,318	–
Other investment income	3,016,204	1,896,103
	<u>1,642,738</u>	<u>2,010,880</u>

IV. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Related party in which the Company has no controlling relationship:

Name of related party	Relation with the Company
Tianjin Textile Machinery Plant	Fellow subsidiaries
Jingwei Machinery (Group) Company Limited	Fellow subsidiaries
Hengyang Textile Machinery Plant	Fellow subsidiaries
Shenyang Textile Machinery Plant	Fellow subsidiaries
Changde Textile Machinery Plant	Fellow subsidiaries
Changzhou Textile Machinery Plant	Fellow subsidiaries
Taicang Textile Machinery Plant	Fellow subsidiaries
Zhengzhou Textile Machinery Company Limited	Fellow subsidiaries
Zhengzhou Textile Machinery Plant	Fellow subsidiaries
Weinan Textile Machinery Plant	Fellow subsidiaries
China National Textile Machinery (Group) Company Limited	
Guangzhou branch office	Fellow subsidiaries
China National Textile Machinery Group Sales Company	Fellow subsidiaries
Huangshi Textile Machinery Plant	Fellow subsidiaries
Shaoyang Textile Machinery Company Limited	Fellow subsidiaries
Beijing Hongda Shiye Company Limited	Fellow subsidiaries
Shenyang Hongsheng Textile Machinery Company Limited	Fellow subsidiaries
Shenyang Textile Machinery Spare Parts Sales Company	Fellow subsidiaries
Yichang China National Textile Machinery Components Company Limited	Fellow subsidiaries
Tianjin Textile Machinery Steel Stripped-down Company Limited	Fellow subsidiaries
Tianjin Textile Machinery Heat-Treatment	Fellow subsidiaries
Yichang China National Textile Machinery Industrial and Trading Company Limited	Fellow subsidiaries
Urumchi Jingwei Xijin Company	Fellow subsidiaries
Hongda International Trading Company Limited	Fellow subsidiaries
China Garments Company Limited	Subsidiaries of China Hengtian Group
Jingjin Associated Packing Plant	Subsidiaries of Jingwei Group
Luhuan Construction Company limited	Associated companies



Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

IV. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

1. Related party in which the Company has no controlling relationship: (continued)

Name of related party	Relation with the Company
Hongda Research Company Limited	Associated companies
Hongda Investment Company Limited	Associated companies
Qingdao Jinyi Pressing and Casting Company Limited	Associated companies
Qingdao Textile Machinery Technology Co. Ltd,	Associated companies
Qingdao Qingfeng Technology Company Limited	Associated companies
Shenyang Jingxing Textile Machinery Company Limited	Associated companies
Shenzhen Bolue Science and Technology investment Company Limited	Associated companies
China Textile Technology Import and Export Corporation Limited	Associated companies
Zhengzhou Hongda Non-Woven Fabric Company Limited	Associated companies
Wuxi Jingwei Technology Research Center Company Limited	Associated companies

The subsidiaries of China Textile Machinery (Group) Company Limited, China Hengtian Group Company and the associated companies of Jingwei Machinery (Group) Co., Ltd are collectively referred to as “fellow subsidiaries”.

Related companies include the ultimate holding company, holding company, associated companies and jointly controlled entities.

2. Related party transactions

The Group is controlled by China Textile Machinery (Group) Company Limited (CTMC) which owns 36.44% of the Company’s shares. The remaining 63.56% of the shares are widely held. So the holding company of the Group is CTMC.

China Textile Machinery Group is the controlled subsidiary of China Hengtian Group Company (the “Controlling Shareholder”). So the ultimate holding company of the Group is the Controlling Shareholder. The Controlling Shareholder and the Company also holds investments in various subsidiaries (“Fellow Subsidiaries”), associated companies and jointly controlled entities. These parties sell goods and provide relevant services and leases to the Company and vice versa. Fellow subsidiaries, associated companies and jointly controlled entities, similar to the Company are also under the control of the Controlling Shareholder, and therefore constitute related parties of the Company.

The following is a summary of the significant related party transactions carried out in the normal course of the Group’s business for the reporting period.

i) Investments

	<i>Note</i>	For the six months ended 30th June	
		2006	2005
Purchases of other investments			
– holding company	(i)	–	11,293,600
– associated company	(i)	6,911,700	–
		<u> </u>	<u> </u>

Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

IV. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

2. Related party transactions (continued)

ii) Sales of goods and services

	<i>Note</i>	For the six months ended 30th June	
		2006	2005
Sales of finished goods:			
– Fellow subsidiaries	(ii)	4,331,477	4,428,977
– Associated companies		138,127,963	93,192,118
– Jointly controlled entities		63,813	–
Sales of raw materials and components			
– Fellow subsidiaries	(ii)	112,175,612	112,823,220
Receive of processing fee			
– Associated companies	(ii)	4,056,879	63,044
Provision of other supporting services expense			
– Holding Company		2,903,266	–
– Fellow subsidiaries	(ii)	2,415,513	2,791,943
Rental income			
– Fellow subsidiaries	(ii)	2,544,526	3,286,115
– Associated companies		461,507	–
		<u> </u>	<u> </u>

iii) Purchases of goods and services

	<i>Note</i>	For the six months ended 30th June	
		2006	2005
Purchases of finished goods:			
– Fellow subsidiaries	(ii)	200,977,551	186,236,068
Purchases of raw material and components:			
– Fellow subsidiaries	(ii)	49,705,013	63,513,763
– Associated companies		7,284,210	–
– Jointly controlled entities		369,802	–
Purchases of tools model			
– Fellow subsidiaries	(ii)	9,290,920	7,522,794
Purchases of castings			
– Fellow subsidiaries	(ii)	16,716,885	61,873,036
– Associated companies		13,427,531	–
Purchases of package			
– Fellow subsidiaries	(ii)	–	4,967,217
Purchases of energy			
– Fellow subsidiaries	(ii)	2,640,387	2,143,866
– Associated companies		5,177,339	–
Processing fees paid			
– Fellow subsidiaries	(ii)	48,925,163	35,928,174
Fees paid for transportation services			
– Fellow subsidiaries	(ii)	1,622,887	4,520,948
– Associated companies		1,146,580	–
Fees paid for repairs and maintenance services			
– Fellow subsidiaries	(ii)	9,855,888	11,536,765
Fees paid for other supporting services			
– Fellow subsidiaries	(ii)	22,669,574	5,649,603
– Associated companies		171,501	–
Rental expense			
– Fellow subsidiaries	(ii)	865,785	5,888,379
– Associated companies		4,242,500	–
Staff accommodation rental expenses			
– Fellow subsidiaries	(ii)	176,551	–
Estate administrative expense			
– Fellow subsidiaries	(ii)	118,108	–
		<u> </u>	<u> </u>

Notes to the Financial Statements
(Prepared in accordance with the PRC GAAP)
(All amounts in Rmb Yuan unless otherwise stated)

IV. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

2. Related party transactions (continued)

iii) Purchases of goods and services

- (i) The Company's subsidiary Hong Kong Huaming Company Limited acquired 25% equity interest of Wuxi Hongda Texparts Company Limited from China Textile Machinery (Group) Company Limited at a consideration of RMB11,294,000 in May 2005. The acquisition is in HK\$. (Investment amount is calculated based on RMB basis exchange rate on the acquisition date)

In April 2006, the Company acquired 11.55% equity interest of Wuxi Jingwei Textile Technology Examination Company Limited (無錫經緯紡織科技試驗有限公司) held by Wuxi Textile Engineering Examination Center Co. Ltd (無錫紡織機械試驗中心有限公司), which was held by Beijing Jingpeng Investment Management Co., Ltd, a subsidiary of the Company, at a consideration of RMB 6,911,700. The consideration of this transaction was determined based on 11.55% of the appraised net asset value of Wuxi Jingwei Textile Technology Examination Company Limited (無錫經緯紡織科技試驗有限公司) as at 31st December 2004. Transfer procedures for this transaction have been completed.

- (ii) The transactions between the Group and its fellow subsidiaries were carried out with reference to the "Service Agreement" signed on 18th August 2004.

The prices which the Group charged or was being charged were determined on following basis:

- (a) if the price of the relevant service provided is subject to the State price control, based on the price stipulated by the State;
- (b) if no applicable price stipulated by the State, based on the market price or approximately 105% to 110% of the actual costs (the increasing rate of which should not exceed the rate of increase in the relevant municipal households consumer price index in the latest year), whichever is lower.

V. PROFIT DISTRIBUTION

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

VI. OTHER SIGNIFICANT EVENTS

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.

VII. CONTINGENT LIABILITIES

	30th June 2006	31st December 2005
Discounted commercial bills	90,880,000	289,709,150
Guarantees for bank loans of third parties	315,000,000	405,000,000
Guarantees for bank loans of jointly controlled entities	—	10,000,000
	<u>405,880,000</u>	<u>704,709,150</u>

VIII. CAPITAL COMMITMENTS

	30th June 2006	31st December 2005
Contracted but not provided	<u>5,953,543</u>	<u>44,142,849</u>

IX. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

For the six months ended on 30 June 2006, there was no change in the Company's shareholding structure. However, the controlling shareholder of the Company has since June 2006 taken steps to implement the share segregation reform, and the Share Segregation Reform Proposal in respect of the Company was approved at a meeting of the relevant shareholders of the Company held on 17 July 2006. On 8 August 2006, the nature of the original non-circulating shares will be changed to circulating A shares subject to certain lock-up arrangement, and the number of shares held by the controlling shareholders was also changed.

Chapter VII. Condensed Interim Financial Statements Prepared in Accordance with Hong Kong Financial Reporting Standards (Unaudited)

Condensed Consolidated Profit and Loss Account (Prepared in Accordance with HKFRS)

For the six months ended 30th June 2006

	Note	Unaudited Six months ended 30th June	
		2006 RMB '000	2005 RMB '000
Turnover	4	2,142,146	1,761,606
Cost of sales		(1,752,024)	(1,452,112)
Gross profit		390,122	309,494
Other gains, net	5	46,123	41,929
Distribution expenses		(59,293)	(53,025)
Administrative expenses		(253,672)	(198,557)
Operating profit	6	123,280	99,841
Finance cost	7	(16,605)	(8,509)
Share of profits less losses of associated companies		1,423	(1,046)
Profit before taxation		108,098	90,286
Income tax expenses	8	(17,465)	(12,263)
Profit for the period		<u>90,633</u>	<u>78,023</u>
Attributable to:			
Equity holders of the Company		83,666	75,344
Minority interest		6,967	2,679
		<u>90,633</u>	<u>78,023</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– basic and diluted	9	<u>0.14</u>	<u>0.12</u>
Dividend	10	<u>–</u>	<u>–</u>

The notes on pages 42 to 52 form an integral part of this condensed interim financial information.



Condensed Consolidated Balance Sheet
(Prepared in Accordance with HKFRS)

As at 30th June 2006 and 31st December 2005

	<i>Note</i>	Unaudited 30th June 2006 RMB '000	Audited 31st December 2005 RMB '000
ASSETS			
Non-current assets			
Tangible and Intangible assets	11	1,333,354	1,275,692
Investments in associated companies		106,807	118,097
Available-for-sale financial assets		38,167	36,744
Deferred income tax assets		33,412	33,726
		1,511,740	1,464,259
Current assets			
Inventories		1,966,676	1,771,977
Trade and bills receivables	12	1,783,661	1,397,444
Prepayment to suppliers		271,075	169,216
Deposits, other receivables and prepayment		141,841	229,811
Amounts due from fellow subsidiaries, associated companies and jointly controlled entities	15	277,521	289,786
Other financial assets at fair value through profit or loss		2,325	–
Bank balances and cash		782,045	807,179
		5,225,144	4,665,413
Total assets		6,736,884	6,129,672
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	603,800	603,800
Other reserves		1,745,783	1,695,684
Retained earnings			
– Proposed final dividend		–	30,190
– Others		397,588	363,922
		2,747,171	2,693,596
Minority interest		209,555	175,473
Total equity		2,956,726	2,869,069

Condensed Consolidated Balance Sheet (Continued)
(Prepared in Accordance with HKFRS)

As at 30th June 2006 and 31st December 2005

	<i>Note</i>	Unaudited 30th June 2006 RMB '000	Audited 31st December 2005 RMB '000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		25,558	25,949
Current liabilities			
Trade and bills payables	13	1,821,967	1,493,138
Taxation payable		16,594	52,537
Borrowings	14	836,338	709,739
Advances from customers		481,856	524,658
Amount due to holding company	15	32,260	23,965
Amount due to fellow subsidiaries	15	134,202	152,416
Other payables and accruals		401,193	278,201
Dividend payable		30,190	–
		<u>3,754,600</u>	<u>3,234,654</u>
Total liabilities		<u>3,780,158</u>	<u>3,260,603</u>
Total equity and liabilities		<u>6,736,884</u>	<u>6,129,672</u>
Net current assets		<u>1,470,544</u>	<u>1,430,759</u>
Total assets less current liabilities		<u>2,982,284</u>	<u>2,895,018</u>

The notes on pages 42 to 52 form an integral part of this condensed interim financial information.



Condensed Consolidated Statement of Changes in Equity
(Prepared in Accordance with HKFRS)

For the six months ended 30th June 2006

	Unaudited					
	<i>Note</i>	Attributable to equity holders of the Company			Minority Interest	Total
		Share capital <i>RMB '000</i>	Other reserves <i>RMB '000</i>	Retained earnings <i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Balance at 1st January 2005		603,800	1,553,345	413,748	146,917	2,717,810
Net losses recognised directly in equity						
– Exchange differences arising on translation of the accounts of a foreign subsidiary		–	1	–	–	1
Profit for the period		–	–	75,344	2,679	78,023
Total recognised income for the six months ended 30th June 2005		–	1	75,344	2,679	78,024
Transfer from retained earnings		–	100,000	(100,000)	–	–
Dividend relating to 2004 paid in 2005		–	–	(30,190)	–	(30,190)
Balance at 30th June 2005		<u>603,800</u>	<u>1,653,346</u>	<u>358,902</u>	<u>149,596</u>	<u>2,765,644</u>
Balance at 1st January 2006		<u>603,800</u>	<u>1,695,684</u>	<u>394,112</u>	<u>175,473</u>	<u>2,869,069</u>
Net losses recognised directly in equity						
– Exchange differences arising on translation of the accounts of a foreign subsidiary		–	99	–	–	99
Profit for the period		–	–	83,666	6,967	90,633
Total recognised income for the six months ended 30th June 2006		–	99	83,666	6,967	90,732
Transfer from retained earnings		–	50,000	(50,000)	–	–
Acquisition of minority interest	19	–	–	–	28,002	28,002
Dividend relating to 2005 paid in 2006		–	–	(30,190)	(887)	(31,077)
Balance at 30th June 2006		<u>603,800</u>	<u>1,745,783</u>	<u>397,588</u>	<u>209,555</u>	<u>2,956,726</u>

The notes on pages 42 to 52 form an integral part of this condensed interim financial information.

Condensed Consolidated Cash Flow Statement
(Prepared in Accordance with HKFRS)

For the six months ended 30th June 2006

	<i>Note</i>	Unaudited	
		Six months ended 30th June	
		2006	2005
		<i>RMB '000</i>	<i>RMB '000</i>
Net cash used in operating activities		(206,542)	(464)
Cash flows from investing activities:			
– acquisition of subsidiary, net of cash acquired	19	648	–
– purchases of property, plant and equipment		(45,372)	(36,034)
– proceeds on disposal of property, plant and equipment		1,047	693
– other investing cash flow – net		130,523	68,645
Net cash flows from investing activities		86,846	33,304
Cash flows from financing activities:			
– dividends paid		–	(19,190)
– repayments of borrowings		(207,090)	(482,000)
– other finance cash flows – net		312,209	385,000
Net cash flows from/(used in) financing activities		105,119	(116,190)
Net decrease in cash and cash equivalents		(14,577)	(83,350)
Cash and cash equivalents at 1st January		796,523	983,019
Effect of foreign exchange rate changes		99	–
Cash and cash equivalents at 30th June		<u>782,045</u>	<u>899,669</u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		782,045	905,669
Time deposits with maturity more than three months		–	(6,000)
		<u>782,045</u>	<u>899,669</u>

The notes on pages 42 to 52 form an integral part of this condensed interim financial information.

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

1. GENERAL INFORMATION

Jingwei Textile Machinery Company Limited (the Company) and its subsidiaries (together the Group) manufacture and sell textile machinery. The Group has manufacturing plants and sells mainly in places within China. The registered address of the Company is 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC.

These condensed consolidated financial statements are presented in thousands of unites of Renminbi (RMB' 000), unless otherwise stated. These condensed consolidated financial statements have been approved for issue by the Board of Directors on 15th August 2006.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st December 2006.

- Amendment to HKAS 19, 'Actuarial gains and losses, group plans and disclosures', effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39, Amendment to 'The fair value option', effective for annual periods beginning on or after 1st January 2006. This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1st January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss;
- Amendment to HKAS 21, Amendment 'Net investment in a foreign operation', effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions', effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant for the group;
- Amendment to HKAS 39 and HKFRS 4, Amendment 'Financial guarantee contracts', effective for annual periods beginning on or after 1st January 2006. This amendment is not relevant for the Group;
- HKFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1st January 2006. This standard is not relevant for the Group;
- HK(IFRIC)-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1st January 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with HKAS 17, 'Leases'. However, these leases are operating leases, and their reclassification has had no impact on the expense recognised in respect of them;
- HK(IFRIC)-Int 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1st January 2006. This interpretation is not relevant for the Group; and
- HK(IFRIC)-Int 6, 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment', effective for annual periods beginning on or after 1st December 2005. This interpretation is not relevant for the group.

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3. ACCOUNTING POLICIES (Continued)

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, 'Applying the Restatement Approach under HKFRS 29', effective for annual periods beginning on or after 1st March 2006. Management do not expect the interpretation to be relevant for the Group;
- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1st May 2006. Management is currently assessing the impact of HK(IFRIC)-Int 8 on the Group's operations;
- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1st June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assess if embedded derivative should be separated using principles consistent with HK(IFRIC)-Int 9; and
- HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1st January 2007. HKAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January 2007.

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4. TURNOVER, REVENUE AND SEGMENT INFORMATION

Sales 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% (2005: 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	
	2006	2005
	<i>RMB '000</i>	<i>RMB '000</i>
Turnover		
Sales of goods	<u>2,142,146</u>	<u>1,761,606</u>

Primary reporting format – business segments

No analysis on business segments for the six months ended 30th June 2006 and 2005 respectively is presented as the Group engaged only in the manufacture and sale of textile machinery during this period.

Secondary reporting format – geographical segment

	Turnover				Total assets		Capital expenditure	
	Six months ended 30th June				As at	As at	Six months ended 30th June	
	2006	2005	2006	2005	30 Jun 2006	31 Dec 2005	2006	2005
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
PRC	2,001,886	1,560,600	111,704	71,718	6,544,151	5,929,197	105,607	49,131
Other countries	140,260	201,006	9,935	26,978	85,926	82,378	7	–
	<u>2,142,146</u>	<u>1,761,606</u>	121,639	98,696	6,630,077	6,011,575	<u>105,614</u>	<u>49,131</u>
Investment income			1,641	1,145				
Operating profit			<u>123,280</u>	<u>99,841</u>				
Investments in associated companies					106,807	118,097		
Total Assets					<u>6,736,884</u>	<u>6,129,672</u>		

5. OTHER GAINS, NET

	Six months ended 30th June	
	2006	2005
	<i>RMB '000</i>	<i>RMB '000</i>
Interest income from bank and a fellow subsidiary	7,939	5,053
Investment income	1,641	1,145
Net gain on disposal of property, plant and equipment	2,144	–
Sales of raw materials and others	34,399	35,731
	<u>46,123</u>	<u>41,929</u>

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

6. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2006	2005
	<i>RMB '000</i>	<i>RMB '000</i>
Crediting		
Reversal of provision for property, plant and equipment	1,401	265
Net exchange gain	209	121
	<u>1,610</u>	<u>386</u>
Charging		
Amortisation of intangible assets (Note 11)	1,793	1,114
Auditor's remuneration	1,850	1,550
Cost of inventories sold	1,746,447	1,452,112
Depreciation (Note 11)	43,432	49,707
Amortisation of land use rights (Note 11)	2,727	1,825
Provision for available-for-sale financial assets	–	4,000
Operating lease expense-land and buildings	3,741	–
Provision for doubtful debts	10,010	5,528
Provision for inventories obsolescence	1,181	1,689
Staff costs, include directors' and supervisors' emoluments	268,650	191,931
	<u>2,839,851</u>	<u>1,758,257</u>

7. FINANCE COST

	Six months ended 30th June	
	2006	2005
	<i>RMB '000</i>	<i>RMB '000</i>
Interest expenses		
– Bank loans repayable within five years	16,814	8,630
Net exchange gain	(209)	(121)
	<u>16,605</u>	<u>8,509</u>

8. INCOME TAX EXPENSES

Hong Kong profits tax has not been provided as the Group had no taxable profits in Hong Kong for the period (2005: Nil). The Company and its subsidiaries are subject to PRC enterprise income tax on their assessable profits.

	Six months ended 30th June	
	2006	2005
	<i>RMB '000</i>	<i>RMB '000</i>
Company and subsidiaries		
– PRC taxation	17,542	12,896
Deferred taxation	(77)	(633)
	<u>17,465</u>	<u>12,263</u>

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% (2005: 15%) is applicable to the Company during 2006. The enterprise income tax rates of the Company's subsidiaries range from 15% to 33% (2005: 15% to 33%). In addition, seven other subsidiaries of the Company are subject to a preferential tax rate of 15% in 2006 (2005: 15%).



Notes to the Unaudited Condensed Interim Financial Statements
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9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to the shareholders of RMB83,666,000 (2005: RMB75,344,000) and the weighted average number of 603,800,000 (2005: 603,800,000) shares in issue during the period.

Diluted earnings per share is equal to the basic earnings per share since the Company has no dilutive potential shares as at 30th June 2006.

10. DIVIDEND

- (a) No dividend was proposed by the Company for the six months ended 30th June 2006 (2005: Nil).
- (b) Pursuant to the shareholders' general meeting held on 29th June 2006, the shareholders have approved a final dividend of RMB0.05 (tax inclusive) per share for all domestic, A and H shares. Such dividend is not reflected as dividend payable as at 31st December 2005, but has been reflected as an appropriation of retained profits for the six months ended 30th June 2006.

11. CAPITAL EXPENDITURE

	Patents and trademarks	Software	Total intangible assets	Property, plant and equipment	Land use rights	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount as at 1st January 2006	6,876	7,057	13,933	1,111,207	150,552	1,275,692
Acquisition of subsidiary	–	–	–	21,091	19,500	40,591
Additions/disposals, net	–	12,171	12,171	37,023	15,829	65,023
Amortisation/depreciation charge (note 6)	(372)	(1,421)	(1,793)	(43,432)	(2,727)	(47,952)
	<u>6,504</u>	<u>17,807</u>	<u>24,311</u>	<u>1,125,889</u>	<u>183,154</u>	<u>1,333,354</u>
Closing net book amount as at 30th June 2006						
Opening net book amount as at 1st January 2005	125	7,060	7,185	1,047,507	143,824	1,198,516
Additions/disposals, net	7,433	2,062	9,495	34,893	–	44,388
Amortisation/depreciation charge (note 6)	(288)	(826)	(1,114)	(49,707)	(1,825)	(52,646)
	<u>7,270</u>	<u>8,296</u>	<u>15,566</u>	<u>1,032,693</u>	<u>141,999</u>	<u>1,190,258</u>
Closing net book amount as at 30th June 2005						

Notes to the Unaudited Condensed Interim Financial Statements
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12. TRADE AND BILLS RECEIVABLES

	30th June 2006	31st December 2005
	<i>RMB '000</i>	<i>RMB '000</i>
Trade and bills receivables	1,993,146	1,593,330
Less: Provision	<u>(209,485)</u>	<u>(195,886)</u>
	<u><u>1,783,661</u></u>	<u><u>1,397,444</u></u>

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

	30th June 2006	31st December 2005
	<i>RMB '000</i>	<i>RMB '000</i>
Less than 1 year	1,711,881	1,335,997
1 – 2 years	59,847	56,358
2 – 3 years	59,726	39,001
Over 3 years	<u>161,692</u>	<u>161,974</u>
Total	<u><u>1,993,146</u></u>	<u><u>1,593,330</u></u>

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

13. TRADE AND BILLS PAYABLES

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

	30th June 2006	31st December 2005
	<i>RMB '000</i>	<i>RMB '000</i>
Less than 1 year	1,734,838	1,404,181
1 – 2 years	60,065	57,373
2 – 3 years	6,449	5,803
Over 3 years	<u>20,615</u>	<u>25,781</u>
Total	<u><u>1,821,967</u></u>	<u><u>1,493,138</u></u>

14. BORROWINGS

	30th June 2006	31st December 2005
	<i>RMB '000</i>	<i>RMB '000</i>
Current		
– Short-term bank loans (note)	836,338	689,739
– Current portion of long-term bank loans	<u>–</u>	<u>20,000</u>
Total	<u><u>836,338</u></u>	<u><u>709,739</u></u>

At 30th June 2006, the group's bank loans were repayable as follows:

	30th June 2006	31st December 2005
	<i>RMB '000</i>	<i>RMB '000</i>
Within one year	<u><u>836,338</u></u>	<u><u>709,739</u></u>

Note: Included in the unsecured bank loans above was a loan of RMB60,000,000 as at 30th June 2006 which was guaranteed by Jingwei Group Company with an aggregate amount of facility of RMB70,000,000 (note 20).

**Notes to the Unaudited Condensed Interim Financial Statements**

(Prepared in Accordance with HKFRS)

15. AMOUNT DUE FROM/TO HOLDING COMPANY, FELLOW SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

The amounts with the holding companies are unsecured, interest free and have no fixed terms of repayment.

The amounts with fellow subsidiaries, associated companies and jointly controlled entities are unsecured, interest free and have no fixed term of repayment.

16. SHARE CAPITAL

	No. of shares	RMB '000
Registered, issued, and fully paid		
State-owned legal person 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	<u>203,000,000</u>	<u>203,000</u>
At 30th June 2006 and 31st December 2005	<u><u>603,800,000</u></u>	<u><u>603,800</u></u>

17. CONTINGENT LIABILITIES

	30th June 2006 RMB '000	Group 31st December 2005 RMB '000
Guarantees for bank loans of third parties	315,000	405,000
Guarantees for bank loans of related parties	<u>—</u>	<u>10,000</u>
	<u><u>315,000</u></u>	<u><u>415,000</u></u>

18. CAPITAL COMMITMENTS

	30th June 2006 RMB '000	31st December 2005 RMB '000
Contracted but not provided for		
Construction in progress and equipment	<u>5,954</u>	<u>44,143</u>
Authorised but not contracted for		
Construction in progress and equipment	<u>15,200</u>	<u>—</u>

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19. BUSINESS COMBINATIONS

On February 2006, The Company acquired 10% of the share capital of Wuxi Hongda Texparts Company Limited (“Wuxi Texparts”) from Wuxi Huaming Automatic Technology Company Limited at a consideration of RMB4,800,000. After the acquisition, the company and the company’s subsidiary Hong Kong Huaming Company Limited (“Hong Kong Huaming”) hold 35% of the share capital of Wuxi Texparts in total. According to Wuxi Texparts’ article of association, the Group has absolute control on Wuxi Texparts, which should be consolidated in the Group.

The acquired business contributed revenues of RMB16,615,000 and net profit of RMB1,222,000 to the Group for the period from acquisition to 30th June 2006. If the acquisition had occurred on 1st January 2006, consolidated revenue and consolidated profit for the half-year ended 30th June would have been RMB19,270,000 and RMB1,414,000 respectively.

Details of net assets acquired are as follows:

	2006 <i>RMB '000</i>
Total purchase consideration	4,800
Fair value of net assets acquired – shown as below	<u>4,800</u>
Excess of fair value of net assets acquired over consideration	<u><u>–</u></u>

After the completion of the acquisition in 2006, the assets and liabilities arising from the acquisition are as follows:

	Acquiree’s carrying amount <i>RMB '000</i>	Fair value <i>RMB '000</i>
Cash and cash equivalents	5,448	5,448
Property, plant and equipment (Note 11)	40,591	40,591
Inventories	37,278	37,278
Receivables	24,123	24,123
Payables	<u>(59,439)</u>	<u>(59,439)</u>
Net assets	48,001	48,001
The share held by Hong Kong Huaming (25%)		(12,000)
Minority interests (65%)		<u>(31,201)</u>
Net assets acquired		<u>4,800</u>
Purchase consideration settled in cash		4,800
Cash and cash equivalents in subsidiary acquired		<u>(5,448)</u>
Cash outflow on acquisition		<u><u>(648)</u></u>

Notes to the Unaudited Condensed Interim Financial Statements
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20. RELATED PARTY TRANSACTIONS

The Group is controlled by China Textile Machinery (Group) Company Limited which owns 36.44% of the Company's shares. The remaining 63.56% of the shares are widely held. The holding company of the Group is China Textile Machinery (Group) Company Limited. China Textile Machinery (Group) Company Limited is the controlled subsidiary of China Hengtian Group Company (the "Ultimate holding company"). The ultimate holding company and the holding company also hold investments in various subsidiaries ("Fellow Subsidiaries"). These parties sell goods and provide relevant services and leases to the Company and vice versa. Fellow subsidiaries, similar to the Company are also under the control of the holding company or ultimate holding company, and therefore constitute related parties of the Company.

The ultimate holding company itself is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24, "Related party disclosures", state-owned enterprises and their subsidiaries, ("Other state-owned (entities) other than the ultimate holding company, directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

For purpose of related party transaction disclosure, the Group has identified the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multilayered corporate structure and the ownership structures change over time as a result of transfers and privatisation programmes. Due to the pervasiveness of the Group's retail transactions with the entities' employees on corporate business, their key management personnel and close family members, and other related parties, there is no feasible way to track such transactions and ensure the completeness of certain disclosures. Nevertheless, management believes that meaningful information relative to related party transactions has been disclosed.

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

i) Investment

		Six months ended 30th June	
		2006	2005
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Purchases of other investments			
– Holding company	(i)	–	11,294
– Associated company	(i)	6,912	–
		<u>6,912</u>	<u>–</u>

ii) Sales of goods and services

		Six months ended 30th June	
		2006	2005
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Sales of finished goods			
– Fellow subsidiaries	(ii)	4,331	4,429
– Associated companies		138,128	93,129
– Jointly controlled entities		64	–
Sales of raw materials and components			
– Fellow subsidiaries	(ii)	112,176	112,823
Receive of processing fee			
– Fellow subsidiaries	(ii)	–	63
– Jointly controlled entities		4,057	–
Provision of other supporting services expense			
– Holding company		2,903	–
– Fellow subsidiaries	(ii)	2,416	2,792
Rental income			
– Fellow subsidiaries	(ii)	2,545	3,286
– Associated companies		462	–
		<u>462</u>	<u>–</u>

Notes to the Unaudited Condensed Interim Financial Statements
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20. RELATED PARTY TRANSACTIONS (Continued)

iii) Purchases of goods and services

		Six months ended 30th June	
		2006	2005
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Purchases of finished goods			
– Fellow subsidiaries	(ii)	200,978	186,236
Purchases of raw material and components			
– Fellow subsidiaries	(ii)	49,705	63,514
– Associated companies		7,284	–
– Jointly controlled entities		370	–
Purchases of tools model			
– Fellow subsidiaries	(ii)	9,291	7,523
Purchases of castings			
– Fellow subsidiaries	(ii)	16,717	61,873
– Associated companies		13,428	–
Purchases of package			
– Fellow subsidiaries	(ii)	–	4,967
Purchases of energy			
– Fellow subsidiaries	(ii)	2,640	2,144
– Associated companies		5,177	–
Processing fees paid			
– Fellow subsidiaries	(ii)	48,925	35,928
Fees paid for transportation services			
– Fellow subsidiaries	(ii)	1,623	4,521
– Associated companies		1,147	–
Fees paid for repairs and maintenance services			
– Fellow subsidiaries	(ii)	9,856	11,537
Fees paid for other supporting services			
– Fellow subsidiaries	(ii)	22,670	5,650
– Associated companies		172	–
Rental expense			
– Fellow subsidiaries	(ii)	866	5,888
– Associated companies		4,243	–
Staff accommodation rental expenses			
– Fellow subsidiaries	(ii)	177	–
Estate administrative expense			
– Fellow subsidiaries	(ii)	<u>118</u>	<u>–</u>

iv) Guaranteed debt

		Six months ended 30th June	
		2006	2005
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Guaranteed debt received			
– Fellow subsidiaries	(ii)	<u>70,000</u>	<u>70,000</u>



Notes to the Unaudited Condensed Interim Financial Statements
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20. RELATED PARTY TRANSACTIONS (Continued)**v) Others**

	Six months ended 30th June	
	2006	2005
	<i>RMB '000</i>	<i>RMB '000</i>
Balances with:		
– Associated companies	<u>28,000</u>	<u>–</u>

vi) Related party transactions with other state-owned enterprises

	Six months ended 30th June	
	2006	2005
	<i>RMB '000</i>	<i>RMB '000</i>
Sales of finished goods	213,560	194,497
Sales of raw materials and components	2,746	85,913
Interest income	979	417
Purchases of finished goods	9,224	–
Purchases of raw material and components	167,308	226,284
Purchases of tools model	95	90
Purchases of energy	28,684	454
Processing fees paid	226	1,456
Fees paid for transportation services	1,261	–
Fees paid for repairs and maintenance services	–	734
Interest expense	4,518	3,062
Received debt	<u>129,000</u>	<u>385,000</u>

vii) Key management compensation

	Six months ended 30th June	
	2006	2005
	<i>RMB '000</i>	<i>RMB '000</i>
Salaries and other short-term employee benefits	1,053	1,033
Post-employment benefits	48	30
	<u>1,101</u>	<u>1,063</u>

Notes:

- (i) The Company's subsidiary Hong Kong Huaming Company Limited acquired 25% equity interest of Wuxi Hongda Texparts Company Limited from China Textile Machinery (Group) Company Limited at a consideration of RMB 11,294,000 in May 2005. The acquisition is in Hong Kong dollars. (Investment amount is calculated based on RMB basis exchange rate on the acquisition date)

In April 2006, the Company acquired 11.55% equity interest in Wuxi Jingwei Textile Technology Examination Company Limited (“Wuxi Jingwei”) (無錫經緯紡織科技試驗有限公司) held by Wuxi Textile Engineering Examination Center Co. Ltd (無錫紡織機械試驗中心有限公司), an associated company of Beijing Jingpeng Investment Management Co., Ltd. (北京京鵬投資管理有限公司) a subsidiary of the Company, at a consideration of RMB 6,911,700. Hence, the Company's percentage shareholdings reached 66.55%. The consideration of this transaction was determined based on 11.55% of the appraised net assets value of Wuxi Jingwei as at 31st December 2004. Transfer procedures of this transaction have been completed.

- (ii) The transactions between the Group and its fellow subsidiaries were carried out with reference to the “Service Agreement” signed on 18th August 2004.

21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

For the six months ended on 30 June 2006, there was no change in the Company's shareholding structure. However, the controlling shareholder of the Company has since June 2006 taken steps to implement the share segregation reform, and the Share Segregation Reform Proposal in respect of the Company was approved at a meeting of therelevant shareholders of the Company held on 17 July 2006. On 8 August 2006, the nature of the original non-circulating shares will be changed to circulating A shares subject to certain lock-up arrangement, and the number of shares held by the controlling shareholders was also changed.



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 2006 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 publicly disclosed in the newspapers and magazines specified by the China Securities Regulatory Commission during the reporting period; and
4. Memorandum and Articles of Association of the Company.

Jingwei Textile Machinery Company Limited
Board of Directors

15th August 2006