



经纬纺织机械股份有限公司
JINGWEI TEXTILE MACHINERY CO., LTD.

INTERIM REPORT

2007

半年度报告

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

The 2007 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
 Chinese short name : 經緯紡織
 English short name : JWTM
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 half year report : <http://www.cninfo.com.cn>
<http://www.hkex.com.hk>
<http://www.jwgf.com>
 Place for inspection of half year 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 : JWTM
 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 and its subsidiaries.

II. KEY FINANCIAL DATA AND INDICATORS

1. Prepared in accordance with the PRC Accounting Standards for Business Enterprises

1.1 Major accounting data and financial indicators

Unit: RMB

Items	As at the end of the reporting period	As at the end of the previous year		Increase (decrease) at the end of the reporting period as compared to the end of the previous year (%)	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Total profit	5,726,997,616	5,308,920,296	5,560,373,953	7.87	3.00
Shareholders' equity	2,895,689,024	2,819,661,936	2,846,540,402	2.70	1.73
Net assets per share (RMB)	4.80	4.67	4.71	2.78	1.91

Items	Reporting Period (January to June)	Corresponding period of the previous year		Increase (decrease) at the end of the reporting period as compared to the end of the previous year (%)	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Operating profit	124,711,677	105,995,871	105,995,871	17.66	17.66
Total profit	128,220,641	106,623,993	106,623,993	20.25	20.25
Net profit	97,372,927	82,115,383	82,192,383	18.58	18.47
Net profit after extraordinary items	74,562,823	78,149,000	78,226,000	(4.59)	(4.68)
Basic earnings per share	0.16	0.14	0.14	14.29	14.29
Diluted earnings per share	0.16	0.14	0.14	14.29	14.29
Return on net assets	3.36%	3.03%	3.03%	0.33	0.33
Net cashflow from operating activities	(213,033,761)	(36,028,410)	(36,028,410)		
Net cashflow per share from operating activities	(0.35)	(0.06)	(0.06)		

1.2 Extraordinary items

Unit: RMB

Extraordinary items	Reporting period (January to June)
Profit and loss from disposal of non-current assets	662,940
Government subsidy credited into profit and loss for the period	143,652
Investment income from shares	23,326,454
Gains from debt restructuring	652,139
Other non-operating income and expenses, net	2,050,232
Impact on income tax of extraordinary items	(4,025,313)
Total	22,810,104

1.3 Difference between domestic and foreign Accounting Standards

Unit: RMB

	Domestic Accounting Standards	International Accounting Standards
Net profit	97,372,927	97,372,927
Net assets	2,895,689,024	2,897,974,000
Description of difference	Following the adoption of the Accounting Standards for Business Enterprises, there was no difference between the net profit prepared in accordance with the PRC Accounting Standards for Business Enterprises and the net profit prepared in accordance with HKFRS in the reporting period. The difference in net assets arose from the accumulative effects in the previous years.	

1.4. Return on net assets and earnings per share

Items	Return on net assets (%)		Earnings per share	
	Fully diluted	Weighted average	Fully diluted	Weighted average
	<i>Unit: RMB</i>			
Operating profit	4.31	4.32	0.21	0.21
Net profit	3.36	3.37	0.16	0.16
Net profit after extraordinary items	2.57	2.58	0.12	0.12

2. Financial information prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”)

Condensed Consolidated Profit and Loss Account

	Six months ended 30th June	
	2007 RMB'000	2006 RMB'000
Turnover	2,935,494	2,142,146
Cost of sales	2,506,255	(1,752,024)
Gross profit	429,239	390,122
Other gains – net	34,169	46,123
Distribution expenses	(77,949)	(59,293)
Administrative expenses	(239,728)	(253,672)
Operating profit	145,731	123,280
Finance cost	(21,459)	(16,605)
Share of profits less losses of associated companies and jointly controlled entities	3,949	1,423
Profit before taxation	128,221	108,098
Income tax expenses	(22,153)	(17,465)
Profit for the period	<u>106,068</u>	<u>90,633</u>
Attributable to		
Equity holders of the Company	97,373	83,666
Minority interests	8,695	6,967
	<u>106,068</u>	<u>90,633</u>
Basic earnings per share (expressed in RMB per share)	<u>0.16</u>	<u>0.14</u>

3. The following illustrates the differences in the accounts for the six months ended 30th June 2007 prepared in accordance with the PRC Accounting Standards for Business Enterprises and HKFRS:

	Profit attributable to shareholders		Net assets	
	For the six months		For the six months	
	ended 30th June 2007		ended 30th June 2007	
	Group	Company	Group	Company
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Prepared in accordance with PRC Accounting Standards for Business Enterprises	97,373	14,951	2,895,689	2,803,356
Reversal of equity accounting for the results and reserves of subsidiaries in the accounts of the Company under PRC Accounting Standards for Business Enterprises	-	-	-	(502,240)
Amortisation of negative goodwill not allowed under HKFRS	-	-	(2,918)	(2,918)
Reversal of valuation surplus on land use rights recognised under PRC Accounting Standards for Business Enterprises	-	-	4,200	4,200
Reversal of amortisation relating to valuation surplus on land use rights under PRC Accounting Standards for Business Enterprises	-	-	1,003	-
Prepared in accordance with HKFRS	<u>97,373</u>	<u>14,951</u>	<u>2,897,974</u>	<u>2,302,398</u>

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

I. MOVEMENT IN SHARE CAPITAL DURING THE REPORTING PERIOD

Unit: shares

	Before change		Increase/decrease (+/-)					After change	
	Number	Proportion	New issue	Conversion from statutory Bonus shares	surplus reserve	Others	Sub-total	Number	Proportion
1. Restricted floating shares subject to terms of lock-up	204,280,352	33.83%	—	—	—	(8,621,524)	(8,621,524)	195,658,828	32.40%
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. Shares owned by State legal person	204,255,248	33.83%	—	—	—	(8,615,248)	(8,615,248)	195,640,000	32.40%
3. Other domestic shares	25,104	0.004%	—	—	—	(6,276)	(6,276)	18,828	0.003%
Of which:									
Shares owned by domestic non-state legal persons	—	—	—	—	—	—	—	—	—
Shares owned by domestic natural persons	25,104	0.004%	—	—	—	(6,276)	(6,276)	18,828	0.003%
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	399,519,648	66.17%	—	—	—	8,621,524	8,621,524	408,141,172	67.60%
1. Ordinary shares denominated in RMB	218,719,648	36.23%	—	—	—	8,621,524	8,621,524	227,341,172	37.66%
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%	—	—	—	—	—	603,800,000	100%

Note: As set forth in the above table, for the six months ended 30th June 2007, 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 holding company, China Textile Machinery (Group) Company Limited, increased its shareholdings in the Company by 8,615,248 shares in accordance with the undertaking of the Share Segregation Reform Proposal of the Company on 22nd September 2006, and committed not to dispose of the acquired shares within a period of six months after the implementation of plan to increase its shareholdings. As the lock-up period over the 8,615,248 shares of the Company acquired by the controlling shareholder expired on 23rd March 2007, such portion of shares became unrestricted circulating A shares. In addition, according to "Management Rules on Shares Held by the Directors, Supervisors and Senior Management of the Listed Company and the Changes" issued by the CSRC, the aggregate of 6,276 shares of the Company held by 3 senior management of the Company previously subject to lock-up was released on 22nd May 2007, therefore such portion of shares became unrestricted circulating A shares.



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 shareholders 48,959 (of which the number of Holders of A shares is 48,914 and the number of Holders of H shares is 45)

Shareholdings of the top ten shareholders

Name of shareholder	Type of shareholder	Percentage to total share capital	Total number of shares held (share)	Number of restricted floating shares held (share)	Number of shares under pledge or lock-up (share)
China Textile Machinery (Group) Company Limited	State legal person	33.83%	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited	Foreign legal person	29.73%	179,489,899	–	–
China Construction Bank – Orient Dragon Mixed Open-ended Securities Investment Fund	Domestic non-state legal person	1.48%	8,930,620	–	–
China Construction Bank – Huaxia Bonus Mixed Open-ended Securities Investment Fund	Domestic non-state legal person	0.79%	4,749,167	–	–
Dacheng Income Growth Securities Investment Fund	Domestic non-state legal person	0.77%	4,671,760	–	–
Bank of China – Huabao Xingye Securities Investment Fund for Growth Stocks	Domestic non-state legal person	0.66%	4,000,000	–	–
China Construction Bank – Huabao Xingye Industry Selection Equity Securities Investment Fund	Domestic non-state legal person	0.66%	3,992,465	–	–
China Everbright Bank Company Limited – Taixin Leading Strategies Open-ended Securities Investment Fund	Domestic non-state legal person	0.62%	3,773,210	–	–
Bank of China – Huaxia Dapan Selection Securities Investment Fund	Domestic non-state legal person	0.59%	3,583,111	–	–
Jingyang Securities Investment Fund	Domestic non-state legal person	0.55%	3,300,000	–	–

Shareholdings of the top ten shareholders of unrestricted circulating shares not being subject to terms of lock-up

Name of shareholder	Number of unrestricted floating shares held (Shares)	Class of shares
HKSCC Nominees Limited	179,489,899	Overseas listed foreign shares
Bank of Communications – Orient Dragon Mixed Open-ended Securities Investment Fund	8,930,620	Ordinary shares denominated in RMB
China Textile Machinery (Group) Company Limited	8,615,248	Ordinary shares denominated in RMB
China Construction Bank – 華夏紅利混合型開放式證券投資基金	4,749,167	Ordinary shares denominated in RMB
Dacheng Income Growth Securities Investment Fund	4,671,760	Ordinary shares denominated in RMB
Bank of China – Huabao Xingye Securities Investment Fund for Growth Stocks	4,000,000	Ordinary shares denominated in RMB
China Construction Bank – 華寶興業行業精選股票型證券投資基金	3,992,465	Ordinary shares denominated in RMB
China Everbright Bank Company Limited – 泰信先行策略開放式證券投資基金	3,773,210	Ordinary shares denominated in RMB
Bank of China – Haifutong Dapan Jingxuan Securities Investment Fund	3,583,111	Ordinary shares denominated in RMB
Jingyang Securities Investment Fund	3,300,000	Ordinary shares denominated in RMB

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 9 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. The Company is not aware of whether the above 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:

- i. 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.
- ii. As at 30th June 2007, so far as the Directors, Supervisors and Senior management of the Company are aware, 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:

	Capacity	Number of H Shares (shares)	Approximate percentage in the aggregate issued H share capital (%)	Approximate percentage in the aggregate issued share capital (%)
Value Partners Limited	Investment manager	18,214,000	10.07	3.02
Everbest Investments Limited	Beneficial owner	16,038,000	8.87	2.66
Platinum Asset Management Limited as trustee for the Platinum Asset Management Trust	Trustee (other than passive trustee)	10,980,000	6.07	1.82
Zhang Sheng Han	Beneficial owner	10,240,000	5.00 (Note 1)	1.70
Baring Asset Management Limited	Investment manager	9,812,000	5.43	1.63
Northern Trust Fiduciary Services (Ireland) Limited	Trustee (other than above trustee)	9,312,000	5.15	1.54
Cheah Chong Hye	Interests in controlled corporations (Note 2)	18,214,000	10.07	3.02
The Northern Trust Company (ALA) (Note 3)	(Note 4)	9,316,000 (Shares available for lending)	5.15	1.54

Notes:

1. Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21st October 2003 as shown on the website of the Stock Exchange. However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000, which, if correct, represents approximately 5.66%, instead of 5.00% (as stated in such notice) of the total issued H shares of the Company as at 30th June 2007. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company from 21st October 2003 to present. The Company is also unable to ascertain the actual number of H Shares held by Zhang Sheng Hang from the register of members of the Company as none of the H Shares was registered in the name of Zhang Sheng Hang as at 30th June 2007.
2. Such shares were held by Value Partners Limited in the capacity of investment manager. The share capital of Value Partners Limited was held 35.65% by Cheah Cheng Hye. Pursuant to the Securities and Futures Ordinance, Cheah Cheng Hye was deemed to have interests in the shares of the Company held by Value Partners Limited.
3. Such information on the equity interests in The Northern Trust Company (ALA) is extracted from the corporate substantial shareholder notice of The Northern Trust Company (ALA) filed on 23rd March 2007 with the Company.
4. The corporation substantial shareholder notice filed by The Northern Trust Company (ALA) did not show the capacity in the holding of such H Shares.

Long positions in the A shares of the Company:

	Capacity	Number of A shares (share)	Approximate percentage over the total number of A shares in issue (%)	Approximate percentage in the total issued share capital (%)
China Textile Machinery (Group) Company Limited	Beneficial Owner	204,255,248	48.29	33.83

Save as disclosed above, based on 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 2007.



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)

- iii. On 15th January 2007, China Textile Machinery (Group) Company Limited pledged 204,255,248 shares of the Company (representing 33.83% of the Company's total share capital, including the 100% state-owned legal person shares) held by it to China Hengtian Group Company as a security for the guarantee in the amount of RMB1.494 billion given by China Hengtian Group Company. The pledge period commences from the effective date of the registration of the pledge of shares (15th January 2007) and ends on the date falling two years after the expiry date of the guarantee period under the guarantee agreement.

III. THE SHAREHOLDING OF THE HOLDER OF RESTRICTED FLOATING SHARES SUBJECT TO LOCK-UP AND TERMS OF THE LOCK-UP OF THE COMPANY

Name of holder of shares subject to lock-up	Number of shares held subject to lock-up (shares)	Date on which listing and trading would commence	Number of additional tradable shares (shares)	Terms of lock-up
China Textile Machinery (Group) Company Limited	195,640,000	8th August 2009	58,692,000	Sale price will be no less than RMB7.00 per Share Nil
		8th August 2011	136,948,000	

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, there was no change in the interests of directors and senior management in the shares of the Company.

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

During the reporting period, there was no change in directors, supervisors and senior management of the Company.

III. STAFF

As at 30th June 2007, the Group had 12,351 staff (as at 31st December 2006, the Group had 12,514 staff). For the six months ended 30th June 2007, the aggregate remuneration for the staff of the Group amounted to RMB302,144,000 (RMB268,650,000 for the corresponding period of last year). The remuneration is determined by reference to the individual performance of the staff.

Chapter IV Director's Report

I. OPERATING RESULTS AND FINANCIAL ANALYSIS

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. With a history of manufacturing and developing textile machineries, the Company has established a leading position in the PRC textile machinery sector.

As the pace of upgrading for the textile industry in the PRC has accelerated since the beginning of 2007, the textile industry moved into a new phase of enhancement of quality from the phase of increase of quantity. In the domestic market, the Company devoted more efforts to further enhance the after-sale service system and attracts many large-scale customers representing the high standard of textile expertises in the PRC, which enable the establishment of regional sales and technology services centres at key cities and textile-enterprise concentrated districts as their core, while extending services to surrounding regions, hence rendering one-stop solutions of high quality to the Company's large number of customers. As for the foreign market, the Company successfully exported cotton weaving equipment in sets. This facilitates the Company to achieve the sales strategies of "single items bundled in a set and a bundled set draws more items" in the international market. The Company's work on technology research and development speeded up the process and succeeded in building an enterprise based and market oriented innovational technology system, which can consolidate the functions of production, learning and research. Centering on the pioneering textile technological trends, it enhanced the caliber in creativity and innovation on a full scale, helped master core technology and critical technology. Fruitful results from technology research and development was achieved and positive progress in technological cooperation was made. Management was constantly strengthened. As at 30th June 2007, the amount of concluded orders signed by the Company amounted to RMB2,321,000,000, of which RMB2,214,000,000 was attributable to domestic orders and RMB107,000,000 was attributable to foreign orders.

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 2007 were RMB2,935,494,000 and RMB97,373,000 respectively, representing an increase of 37.04% and 16.38% over the corresponding period in the previous year. As at 30th June 2007, bank balances of the Group amounted to RMB701,810,000 and short-term bank borrowings amounted to RMB769,799,000. Long-term bank borrowings amounted to RMB250,000,000, and the gearing ratio was 8.63% (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 speculating activities.

As stated in the financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises, revenue from main operations of the Group for the six months ended 30th June 2007 amounted to RMB2,935,494,000, representing an increase of 13.20% over the corresponding period in the previous year. Profit from main operations amounted to RMB124,712,000, representing an increase of 17.66% over the corresponding period in the previous year. Net profit amounted to RMB97,373,000, representing an increase of 18.47% over the corresponding period in the previous year. In this connection:

Revenue from the main operations of the Company amounted to RMB1,868,385,000, representing an increase of 16.87% over the corresponding period in the previous year. Operating profit amounted to RMB19,948,000, representing an increase of 29.19% over the corresponding period in the previous year. Net profit amounted to RMB14,951,000, representing an increase of 37.59% over the corresponding period in the previous year.

Subsidiaries:

Revenue and operating profit of Qingdao Hongda Textile Machinery Company Limited amounted to RMB825,076,000 and RMB25,113,000 respectively.

Revenue and operating profit of Changde Textile Machinery Company Limited amounted to RMB242,450,000 and RMB24,953,000 respectively.

Revenue and operating profit of Tianjin Jingwei New Type Textile Machinery Company Limited amounted to RMB178,731,000 and RMB15,001,000 respectively.

Revenue and operating profit of Shenyang Hongda Textile Machinery Company Limited amounted to RMB125,380,000 and RMB2,067,000 respectively.

Revenue and operating profit of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited amounted to RMB80,202,000 and RMB8,907,000 respectively.

Revenue and operating profit of Shanxi Jingwei Heli Machinery Manufacturing Company Limited amounted to RMB247,705,000 and RMB3,572,000 respectively.

Revenue and operating profit of Wuxi Hongda Texparts Company Limited amounted to RMB 69,178,000 and RMB7,217,000 respectively.

I. OPERATING RESULTS AND FINANCIAL ANALYSIS (continued)
2. Financial Position (prepared in accordance with the PRC Accounting Standards for Business Enterprises)
Major changes in assets and profit and loss of the Company in the reporting period

(Unit: RMB'000)

Major items	As at	As at	Increase/	Increase/
	30th June 2007	31st December 2006	(decrease) changes + / (-)	(decrease) changes (%)
Cash	708,070	905,281	(197,211)	(21.78)
Trading financial assets	3,186	8,886	(5,699)	(64.14)
Trade receivables	640,189	417,955	222,234	53.17
Prepayment	205,018	240,024	(35,006)	(14.58)
Inventories	1,684,777	1,325,808	358,968	27.08
Construction in progress	55,829	106,057	(50,228)	(47.36)
Construction materials	41,816	9,767	32,050	328.15
Notes payable	199,088	354,762	(155,674)	(43.88)
Accounts payable	774,218	658,615	115,603	17.55
Taxes payable	4,690	25,383	(20,692)	(81.52)
Dividend payable	56,409	19,177	37,232	191.45
Other payables	306,079	263,764	42,315	16.04
Long-term loans	250,000	200,000	50,000	25.00
	Six months ended	Six months ended	Increase/	Increase/
Major items	30th June 2007	30th June 2006	(decrease) changes	(decrease) changes (%)
Revenue from operation	2,935,494	2,593,199	342,295	13.20
Distribution expenses	77,949	59,293	18,656	31.46
Finance expenses	16,361	9,274	7,086	76.41
Investment income	28,531	1,643	26,888	1636.79
Income tax expenses	22,153	17,465	4,688	26.84

Reasons for the change:

- Cash: net cash flows from operating activities decreased.
- Trading financial assets: number of unlisted shares held decreased.
- Trade receivables: mainly attributable to the non-consolidation of the jointly controlled entity in the year, non-elimination of the amounts generated from the inter-company transactions and the sales of export product by the agency companies and the unsettlement of the amount.
- Prepayment: prepayment of production raw material expenses increased.
- Inventories: Purchase of the increased real estate development costs of the subsidiaries.
- Construction in progress: number of jointly controlled entity decreased as they were not consolidated in the statement.
- Construction materials: some of the subsidiaries expanded the scale of production and invested into infrastructure.
- Notes payable: bank acceptance decreased.
- Accounts payable: amount due to the manufacturers increased.
- Taxes payable: value added tax payable at the end of previous year accrued in this year was paid in full.
- Dividend payable: 2005 legal persons dividend payable to the controlling shareholder, to which the 2006 dividend approved by the general meeting in 2006 was provide for, was paid.
- Other payables: mainly due to the increase in the current accounts with the third parties.
- Long-term loans: new unsecured loans were created.
- Revenue from operation: the increase in the sales of textile machinery was relatively higher.
- Distribution expenses: the increase in the salaries of the sales staff was relatively higher due to the implementation of remuneration determination, based on awards and performance appraised.
- Finance expenses: due to the increase of loans and interest rates and the increase in discount of bills business, this increased the relevant interest expenses.
- Investment income: investment income from shares increased.
- Income tax expenses: profit for the period increased and accounted for enterprise income tax.



II. OPERATIONS IN THE REPORTING PERIOD

1. Analysis of main operations by sales of products

Categories of products	six months ended 30th June (Unit: RMB'000)					
	Revenue from main operations	Cost of main operations	Profit margin (%)	Increase/ (decrease) in revenue from main operations as compared with the corresponding period in the previous year (%)	Increase/ (decrease) in cost of main operations as compared with the corresponding period in the previous year (%)	Increase/ (decrease) in profit margin as compared with the corresponding period in the previous year (%)
1. Natural fibre textile machinery	2,002,107	1,707,156	14.73	24.11	28.01	(14.99)
2. Weaving machinery	217,303	186,713	14.08	(4.07)	(0.34)	(18.60)
3. Special parts for weaving machinery	195,212	136,399	30.13	5.39	6.35	(2.06)
4. Chemical fibre textile machinery	54,808	39,138	28.59	32.71	32.61	0.18
5. Yarn & thread	50,311	44,723	11.11	(33.74)	(33.96)	2.85
Total	<u>2,519,741</u>	<u>2,114,129</u>	<u>16.10</u>	<u>17.63</u>	<u>21.05</u>	<u>(12.86)</u>

During the reporting period, sales of natural fibre textile machinery accounted for 79.46% of the revenue from main operations, which was increased by 24.11% as compared with the same period of last year, and reached RMB2,002,107,000. Of such sales, combing machines, winding machines and clearing-carding machines accounted for 71.64% of the category. As the sales of horizontal weaving machine and jet weaving machine declined based on the rapid growth in previous year, the sales of textile machines was decreased by 4.07% as compared with the same period of last year. The sales of special parts and accessories of textile machines rose with increasing sales of major equipments and the growth remained stable. As the jointly controlled entity, Anhui Huamao Jingwei Xinxing Textile Company Limited, was not consolidated in the accounting period, the sales of the yarn and thread of the Group was declined by 33.74% as compared with the same period of last year.

The selling prices of some principal like equipment reduced continuously due to market competition, the profitability of the products of the Company was affected. The consolidated profit margin was decreased by 6.90% as compared with the last year.

During the reporting period, the amount regarding the sales of products of main operations by the Company to the fellow subsidiaries and associated companies were RMB329,454,000. Connected transactions with respect to the supply of goods and services to the controlling shareholder and the fellow subsidiaries amounted to RMB435,437,000.

2. Analysis of main operations by regional sales

Region	Revenue from main operations		Increase/(decrease) as compared with the corresponding period in the previous year (%)
	2007 interim	2006 interim	
Domestic sales	2,141,833	2,001,885	6.99
Foreign sales	377,908	140,261	169.43
Of which: Asia	347,223	100,029	247.12
Africa	13,885	31,215	(55.52)
Other regions	16,800	9,017	86.31
Total	<u>2,519,741</u>	<u>2,142,146</u>	<u>17.63</u>

III. OPERATING PROBLEMS AND DIFFICULTIES

Meeting with new development opportunities arising in the textile machinery market, the competition in the domestic market will be further intensified. Certain foreign textile machinery manufacturers have established their own plants and commenced operation in regions with developed textile industries in Mainland China, and became localized at an accelerated pace. Meanwhile, private enterprises in the industry are also growing rapidly. With a flexible operating mechanism, such enterprises have brought pressure of competition with the Company in the aspects of cotton-weaving and printing and dyeing equipment. With particular regard to the low end market, the price war is getting increasingly intensified. Such challenges will place additional pressures and challenges on the development of the Company in the future. Moreover, certain adverse factors (such as the reduction in value-added tax refund for export of textile products, the appreciation of the value of RMB, taxation of cotton charged on a sliding scale and the increase of labour costs) not only affect the operation of textile enterprises, they also dampen the investment sentiment in the textile enterprises, which in turn affect the sales of the Group.

IV. INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD

1. 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.
2. No investment is made by funds raised during the reporting period.



Chapter V Significant Events

I. CORPORATE GOVERNANCE

During the reporting period and strictly in compliance with the Company Laws, the Securities Laws, the Corporate Governance Standards for Listed Companies and relevant laws, rules and regulations of the China Securities Regulatory Commission and the Shenzhen Stock Exchange, the Company continually improved its governance structure and enhanced its internal control system. In accordance with laws, rules and regulations and regulatory documents such as the Notice of Special Activities of Strengthening the Governance of Listed Companies and the Administration Measures on Information Disclosure of Listed Companies by the China Securities Regulatory Commission and the Stock Listing Rules of Shenzhen Stock Exchange (amended in May 2006), the Company has modified its rules and systems such as Articles of Association, terms of reference for Audit Committee of the Board, Management System for Investor Relationship, Information Disclosure System, Internal Reporting System for Significant Information; and conducted self assessment on its corporate governance and formulated the Self Assessment and Rectification Plan for Corporate Governance which was reviewed and approved by the Board.

As at the end of the reporting period, our actual standard of corporate governance has generally met the requirements of the regulatory documents issued by China Securities Regulatory Commission.

II. THE BOARD OF DIRECTORS OF THE COMPANY HAS RESOLVED NOT TO PAY ANY INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30TH JUNE 2007 AND NO SURPLUS RESERVES WOULD BE CAPITALISED.

III. IMPLEMENTATION OF PROFIT APPROPRIATION PROPOSAL FOR THE PREVIOUS YEAR

At the 2006 Annual General Meeting held on 28th June 2007, the resolution on the after-tax profit appropriation proposal for 2006 was passed. Such profit distribution was completed on 18th July 2007.

IV. 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.

V. ACQUISITION AND DISPOSITION OF ASSETS

1. Acquisition of Assets

Unit: RMB '000

Counterparty or ultimate controlling party	Assets acquired or purchased	Date of purchase	Transaction price	Net profit contributed to the company since the date of acquisition to the end of the reporting period	Whether a connected transaction or not	Description of pricing basis	Has all the title concerned been transferred	Have all the related obligations or liabilities been transferred
China Advanced and New Technology Investment and Development Company Limited	Beijing Jingwei Textile Machinery New Technology Company Limited (a subsidiary of the Company agreed to purchase 65% equity share of Beijing Bohong Real Estate Development Company Limited	23 March 2007	100,000	(1,508)	No	Valuation amount	Yes	Yes

V. ACQUISITION AND DISPOSITION OF ASSETS (continued)

2. Equity disposed

Unit: RMB '000

Counterparty	Asset sold or disposed	Date of selling	Transaction price	Contribution of net profit to the Company from the beginning of the year to the date of disposal	Gain or loss arising from the disposal	Whether a connected transaction or not	Description of pricing basis	Has all the title to the assets concerned been transferred	Have all the related obligations or liabilities been transferred
Changchun Chengcheng Investment Development Company Limited	29.41% equity share of Shenzhen Jinghuachi Science and Technology Investment Company Limited (a subsidiary of the Company)	February 2007	25,000	Nil	Nil	No	Market Price	Partly transferred	Yes

State: The Company transferred the equity interest of Shenzhen Jinghuachi Science and Technology Investment Company Limited amounted to RMB25,000,000 to Changchun Chengcheng Investment Development Company Limited in February 2007, of which the equity interest amounted to RMB15,000,000 has been transferred, and the transfer procedures of the remaining equity interest amounted to RMB10,000,000 is in progress. The Company still holds the equity interest of Shenzhen Jinghuachi Science and Technology Investment Company Limited, which amounted to RMB10,000,000 as at 30th June 2007, which accounted for 11.70% of the share capital of RMB85,500,000.

VI. RELATED TRANSACTIONS

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. As CTM was the controlling shareholder and the promoter of the Company, the contracts aforesaid also constituted connected transactions under the Listing Rules, and the transactions contemplated thereunder constituted ongoing connected transactions.

On 12th April 2007, the Company (acting on its own and on behalf of its subsidiaries from time to time) entered into a supplemental agreement to the Composite Services Agreement, so as to reflect the upward adjustment of the amounts for the relevant transactions.

Furthermore, at the 2006 annual general meeting of the Company held on 28th June 2007, the following resolution was considered and approved:

- to approve the form and substance of the supplemental agreement dated 12th April 2007 to the Composite Services Agreement and made between the Group and CTMC Group relating to the provision of the relevant continuing connected transactions by the Group to the CTMC Group for the year ending 31st December 2007;
- to approve all relevant continuing connected transactions as contemplated under the Composite Services Agreement and the Supplemental Agreement for the year ending 31st December 2007; and
- to approve the revised annual cap of RMB1,089,078,078 (equivalent to approximately HK\$1,089,078,078) in respect of provision of the relevant continuing connected transactions by the Group to the CTMC Group for the year ending 31st December 2007, and the directors of the Company were authorised to take any steps as they consider necessary, desirable or expedient in connection with the relevant continuing connected transactions and other transactions contemplated thereby.

All transactions entered into under the Composite Services Agreement and supplemental agreement shall be conducted on normal commercial terms, and prices payable or receivable by the Company shall be determined on the following basis:

- state price shall be applied if the service charge is subject to any pricing regulations of the State;
- 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.

VI. RELATED TRANSACTIONS (continued)

1. Related transactions arising from ordinary business operations (continued)

During the reporting period, connected transactions and ongoing connected transactions of the Group for the year were conducted in accordance with the abovementioned Composite Services Agreement and the supplement agreement and the details were as follows.

Unit: RMB'000

Connected parties	Sales of goods and provision of services and to the connected parties		Purchases of goods services from the connected parties	
	Transaction Amount	Proportion to transaction amount of same type of transaction	Transaction Amount	Proportion to transaction amount of same type of transaction
The Controlling Company of the Group	2,900	0.12%	—	—
Fellow subsidiaries of the Group	119,458	4.74%	342,324	14.43%
Associated companies of the Group	313,079	12.43%	28,342	1.20%
Jointly controlled entities of the Group	37,188	1.48%	—	—
Total	472,625	18.76%	370,666	15.63%

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, 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;

Such transactions are conducted in the ordinary course of the Company's operations and the related parties have had many years of business corporation 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.

2. **No connecting transaction of the nature of acquisition and disposal of assets took place during the reporting period**

VII. MATERIAL CONTRACTS AND PERFORMANCE

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

VII. MATERIAL CONTRACTS AND PERFORMANCE (continued)
2. Material Guarantees

Unit: RMB'000

External guarantees undertaken by the Company (excluding guarantees provided to subsidiaries)						
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 Commercial Buildings Joint Stock Co. Ltd.	27th March 2006	70,000	Joint and Several liability	27th March 2006 to 27th March 2007	Yes	No
Beijing Hualian Commerce and Trade Development Co. Ltd.	27th September 2006	165,000	Joint and Several liability	27th September 2006 to 26th September 2007	No	No
Aggregate guaranteed amount during the reporting period						235,000
Guaranteed balance at the end of the reporting period (A)						165,000
Guarantee provided by the Company to subsidiaries						
Aggregate guaranteed amount to subsidiaries accrued during the reporting period						120,000
Guaranteed balance to subsidiaries as at the end of the reporting period (B)						40,000
Aggregate guarantee (including guarantee to subsidiaries) provided by the Company						
Aggregate guaranteed amount (A+B)						205,000
Aggregate guaranteed amount as a percentage of the net assets value of the Company						7.08%
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.



VIII. 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.

IX. 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 code 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 annual and quarterly report of the Group, the Board of the Company 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 in fact fully complied with the requirements under Code Provision A.1.3.

In order to ensure that the Company is in full compliance with the requirement of the above Code Provisions and to enable it to promptly and efficiently make and implement its decision, the Company will consider to make appropriate amendments to the articles of association and/or Rules Governing the Proceedings of the Board Meetings at an appropriate time.

X. TABLE ON RECEPTION ACTIVITIES IN RESPECT OF RESEARCH, COMMUNICATION AND VISITS DURING THE REPORTING PERIOD

Time of reception	Place of reception	Means of reception	Subject of reception	Key content of discussion and information provided
9th April 2007	Conference room of the Company	On-site research	Schroder Investment Management (Hong Kong) Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
10th April 2007	Conference room of the Company	On-site research	Fullgoal Fund Management Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
17th April 2007	Conference room of the Company	On-site research	渤海證券有限公司	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
18th May 2007	Conference room of the Company	On-site research	太平洋資產管理有限公司	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
18th May 2007	Conference room of the Company	On-site research	MICH Investments, LLC	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
20th May 2007	Conference room of the Company	On-site research	Guotai Asset Management Co., Ltd	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
27th May 2007	Conference room of the Company	On-site research	艾利士通資產有限公司	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
6th June 2007	Conference room of the Company	On-site research	Foundation Asset Management (HK) Ltd	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
7th June 2007	Conference room of the Company	On-site research	Lehman Brothers International	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
12th June 2007	Conference room of the Company	On-site research	Mitsubishi UFJ Securities	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
19th June 2007	Conference room of the Company	On-site research	Triskele Capital Management Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
19th June 2007	Conference room of the Company	On-site research	Sumitomo Mitsui Asset Management Company Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
3rd July 2007	Conference room of the Company	On-site research	Meitai Investment Management Company	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
9th July 2007	Conference room of the Company	On-site research	ICBC Credit Suisse Asset Management Co., Ltd	Content of discussion: basic conditions of the Company Information provided: regular report of the Company

XI. 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 2007.

XII. 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.

XIII. OTHER SIGNIFICANT EVENTS

1. Securities Investments

Serial No.	Type of Stock	Stock code	Stock short name	Initial investment (RMB)	Holding (shares)	Carrying value at the end of the reporting period (RMB)	As a percentage	Gain or loss during the reporting period (RMB)
							of total investment in securities at the end of the reporting period (%)	
1	Overseas listed shares	3313	Meadville Holdings	1,381,477.62	592,000	1,381,477.62	44.42	(126,437)
2	Overseas listed shares	998	China Citic Bank	1,187,008.48	200,000	1,187,008.48	38.17	16,992
3	Overseas listed shares	2678	Texhong Textile	228,706.00	158,000	228,706.00	7.35	9,874
4	Overseas listed shares	420	Fountain Set	142,125.47	50,000	142,125.47	4.57	8,374
5	Overseas listed shares	528	Kingdom Holding	170,630.70	100,000	170,630.70	5.49	(1,631)
	Other investment in securities at the end of the period			-	-	-	-	-
	Gain or loss from disposal of investment in securities during the reporting period			-	-	-	-	23,326,454
	Total			3,109,948.27	-	3,109,948.27	100	23,233,626

Note: The H Shares held by the Group as at the end of the period were held by Hong Kong Huaming Company Limited, a wholly-owned subsidiary incorporated in Hong Kong.

XIV. ACCOUNTING FIRMS ENGAGED BY THE COMPANY IN 2007

The Company has engaged the same auditor for the past 12 years. In the hope of enhancing the Company's innovative ability in management and saving administration fee, the board decided not to engage PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, and PricewaterhouseCoopers Zhong Tian CPAs Limited Company, Certified Public Accountants, the PRC, as the international and PRC auditors respectively for the year ended 31st December 2007. The Company has communicated with PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company on this matter.

It was considered and approved by shareholders of the Company at the 2007 first extraordinary general meeting of the Company held on 15 August 2007 to engage Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, and Deloitte Touche Tohmatsu CPA Limited, Certified Public Accountants, the PRC, as the international and PRC auditors respectively for the year ending 31st December 2007.

Chapter VI Interim Financial Statements Prepared in Accordance with the PRC Accounting Standards for Business Enterprises (Unaudited)

Balance Sheet

(Prepared in accordance with PRC Accounting Standards for Business Enterprises)

Unit: RMB

Assets	Note	Consolidated		Parent	
		30th June 2007	31st December 2006	30th June 2007	31st December 2006
Current assets					
Cash	VI. 1	708,070,100	905,280,655	365,525,299	567,263,965
Trading financial assets	VI. 2	3,186,401	8,885,556	–	7,004,635
Bills receivables	VI. 3	662,386,274	680,258,116	346,975,650	300,737,604
Trade receivables	VI. 4	640,188,977	417,954,983	381,837,511	264,989,904
Prepayment	VI. 5	205,017,926	240,023,574	59,216,236	71,529,025
Interest receivables		–	–	–	–
Dividend receivables		–	–	16,910,147	16,910,147
Other receivables	VI 6. VII. 2	145,556,890	160,199,224	508,101,541	309,052,318
Inventories	VI. 7	1,684,776,565	1,325,808,336	492,438,838	506,489,233
Of which: Raw material		321,731,287	350,314,154	64,474,110	85,721,793
Work in progress		359,896,753	354,998,410	129,425,729	128,068,099
Finished goods		1,003,148,525	620,495,772	298,538,999	292,699,341
Non-current assets due within one year		–	–	–	–
Other current assets		–	–	–	–
Total current assets		4,049,183,133	3,738,410,444	2,171,005,222	2,043,976,831
Non-current assets:					
Financial assets available-for-sale		–	–	–	–
Held-to-maturity investments		–	–	–	–
Long-term receivables		–	–	–	–
Long-term equity investments	VI 8. VII. 3	151,545,764	163,162,787	1,485,005,766	1,508,005,243
Investment properties		–	–	–	–
Fixed assets	VI. 9	1,136,750,113	1,247,774,957	452,934,341	456,189,002
Construction in progress	VI. 10	55,828,827	106,056,651	20,111,234	13,361,369
Construction materials		41,816,323	9,766,666	7,578,221	2,101,231
Fixed assets pending disposal		–	–	–	–
Productive biological assets		–	–	–	–
Fuel assets		–	–	–	–
Intangible assets	VI. 11	257,954,077	262,520,437	98,158,417	100,829,896
Development expenses		–	–	–	–
Goodwill		–	–	–	–
Long-term prepaid expenses		–	–	–	–
Deferred income tax assets	VI. 12	33,919,379	32,682,011	20,734,927	20,734,927
Other non-current assets		–	–	77,682,683	77,682,683
Total non-current assets		1,677,814,483	1,821,963,509	2,162,205,589	2,178,904,351
Total assets		5,726,997,616	5,560,373,953	4,333,210,811	4,222,881,182

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 Accounting Standards for Business Enterprises)
 Unit: RMB

Liabilities and shareholders' interest	Note	Consolidated		Parent	
		30th June 2007	31st December 2006	30th June 2007	31st December 2006
Current liabilities:					
Short-term borrowings	VI. 20	492,049,000	464,199,191	340,049,000	350,749,191
Trading financial liabilities		-	-	-	-
Bill payables	VI. 14	199,088,346	354,762,038	194,013,115	158,541,791
Trade payables	VI. 15	774,218,115	658,615,135	364,996,722	343,157,489
Receivables in advance	VI. 16	450,672,584	450,239,175	274,535,400	276,225,846
Staff remuneration payables	VI. 17	84,012,504	90,123,472	4,088,774	7,000,000
Tax payables	VI. 18	4,690,306	25,382,736	8,666,561	27,337,973
Interest payables		-	4,253,909	-	-
Dividend payables		56,408,790	19,176,628	48,304,000	11,001,736
Other payables	VI. 19	306,079,194	263,763,834	95,201,483	62,158,471
Non-current liabilities due within 1 year		-	-	-	-
Other current liabilities		-	-	-	-
Total current liabilities		2,367,218,839	2,330,516,118	1,329,855,055	1,236,172,497
Non-current liabilities:					
Long term borrowings	VI. 20	250,000,000	200,000,000	200,000,000	150,000,000
Debenture payables		-	-	-	-
Long-term payables		-	-	-	-
Project expenses payables		-	-	-	-
Estimated liabilities		-	-	-	-
Deferred income tax liabilities		436,020	-	-	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		250,436,020	200,000,000	200,000,000	150,000,000
Total liabilities		2,617,654,859	2,530,516,118	1,529,855,055	1,386,172,497
Shareholders' equity:					
Share capital	VI. 21	603,800,000	603,800,000	603,800,000	603,800,000
Capital reserve	VI. 22	1,272,515,653	1,272,515,653	1,272,515,653	1,272,515,653
Less: Treasury stock		-	-	-	-
Surplus reserve	VI. 23	532,083,768	532,083,768	405,968,883	405,968,883
Undistributed profit	VI. 24	489,325,276	440,256,349	521,071,220	554,424,149
Translation difference of foreign currency statements		(2,035,673)	(2,115,368)	-	-
Total owner's equity attributable to the parent		2,895,689,024	2,846,540,402	2,803,355,756	2,836,708,685
Minority interest		213,653,733	183,317,433	-	-
Total shareholder's equity		3,109,342,757	3,029,857,835	2,803,355,756	2,836,708,685
Total liabilities and owner's equity		5,726,997,616	5,560,373,953	4,333,210,811	4,222,881,182

Legal representative:
Ye Maoxin

Person-in-charge for accounting function:
Yao Yuming

Person in charge of accounting function:
Mao Faqing

Income Statement
(Prepared in accordance with PRC Accounting Standards for Business Enterprises)
Unit: RMB

Item	Note	Consolidated		Parent	
		January to June 2007	January to June 2006	January to June 2007	January to June 2006
1. Operating income	VI. 25, VII. 4	2,935,493,875	2,593,199,205	1,868,384,687	1,598,711,114
Less: Cost of operation		(2,500,837,098)	(2,163,970,763)	(1,738,518,821)	(1,459,727,584)
Business tax and surcharge	VI. 26	(5,418,160)	(5,576,830)	(1,564,068)	(1,575,019)
Distribution expenses		(77,948,948)	(59,293,372)	(39,112,714)	(31,086,245)
Administrative expenses		(228,263,212)	(240,903,220)	(78,319,465)	(80,461,642)
Finance expenses	VI. 27	(16,360,760)	(9,274,371)	(7,168,043)	(2,682,819)
Assets Impairment loss		(10,484,932)	(9,827,516)	(6,550,166)	(9,349,125)
Add: Gain from change in fair value		—	—	—	—
Gain from investment	VI. 28, VII. 5	28,530,912	1,642,738	22,797,038	1,611,941
Of which: (Gains from investment in associates and jointly controlled entities		3,948,566	210,704	2,021,731	(1,308,336)
2. Operating profit		124,711,677	105,995,871	19,948,448	15,440,621
Add: Non-operating income	VI. 29	5,053,350	3,012,855	1,496,660	515,595
Less: Non-operating expenses	VI. 30	(1,544,386)	(2,384,733)	(88,894)	(1,630,042)
Of which: Loss from disposal of non-current assets		(680,573)	(956,608)	(3,272)	(37,421)
3. Total profit		128,220,641	106,623,993	21,356,214	14,326,174
Less: Income tax expenses		(22,153,042)	(17,464,826)	(6,405,143)	(3,459,953)
4. Net profit		106,067,599	89,159,167	14,951,071	10,866,221
Of which: Net profit attributable to the holder of equity of the parent		97,372,927	82,192,383	14,951,071	10,866,221
Minority loss		8,694,672	6,966,784	—	—
5. Earnings per share:					
i) Basic earnings per share		0.16	0.14	—	—
ii) Diluted earnings per share		0.16	0.14	—	—

Item	Consolidated		Parent	
	January to June 2007	January to June 2006	January to June 2007	January to June 2006
1. Profit/(loss) arising from the sale and disposal of units or investees	—	—	—	—
2. Loss arising from natural disasters	—	—	—	—
3. Increase (or decrease) in total profit from changes in accounting policies	—	—	—	—
4. Increase (or decrease) in total profit from changes in accounting estimates	—	—	—	—
5. Loss from debt restructuring	—	—	—	—
6. Others	—	—	—	—

Legal representative:
Ye Maixin

Person-in-charge for accounting function:
Yao Yumin

Person in charge of accounting function:
Mao Faqing

**Cash flow statement**

(Prepared in accordance with PRC Accounting Standards for Business Enterprises)

Unit: RMB

Item	Consolidated		Parent	
	January to June 2007	January to June 2006	January to June 2007	January to June 2006
1. Cash flow from operating activities				
Cash received from sale of goods and provision of services	2,420,226,042	2,575,063,241	1,658,171,667	1,075,310,661
Tax rebates	158,797	1,512,615	–	2,127
Other cash received from activities related to operation	55,091,610	46,307,809	38,220,500	21,540,765
Sub-total of cash inflow from operating activities	2,475,476,449	2,622,883,665	1,696,392,167	1,096,853,553
Cash paid for goods purchased and service rendered	(2,201,325,050)	(2,211,060,418)	(1,739,102,391)	(983,005,553)
Cash paid to or paid for employee	(249,683,905)	(227,783,588)	(81,719,436)	(72,075,495)
Taxes paid	(166,647,183)	(165,850,434)	(65,212,359)	(80,925,895)
Other cash paid for activities related to operation	(70,854,072)	(54,217,635)	(53,319,601)	(36,674,311)
Cash outflow from operating activities	(2,688,510,210)	(2,658,912,075)	(1,939,353,787)	(1,172,681,254)
Net cash flow from operating activities	(213,033,761)	(36,028,410)	(242,961,620)	(75,827,701)
2. Cash flow from investment activities				
Cash received from investment	151,389,013	3,007	150,465,465	3,007
Cash received from gains in investment	20,775,306	3,162,514	20,775,307	536,204
Net cash received from disposal of fixed assets, intangible assets and other long term assets	551,731	1,776,690	130,220	–
Net cash received from disposal of subsidiaries and other operating entities	–	–	–	–
Other cash received from activities related to investment	–	–	–	–
Sub-total of cash inflow from investment activities	172,716,050	4,942,211	171,370,992	539,211
Cash paid for purchase of fixed assets, intangible assets and other long term assets	(75,105,183)	(90,777,539)	(13,719,198)	(11,923,945)
Cash paid for investment	(152,715,503)	(2,325,400)	(191,460,830)	(71,630,564)
Net cash paid for acquiring subsidiaries and other operating entities	–	–	–	–
Other cash paid for activities related to investment	–	–	–	–
Sub-total of cash outflow from investment activities	(227,820,686)	(93,102,939)	(205,180,028)	(83,554,509)
Net cash flow from investment activities	(55,104,636)	(88,160,728)	(33,809,036)	(83,015,298)
3. Cash flow from financing activities				
Proceeds received from investing activities	–	–	–	–
Cash received from borrowings	148,875,000	312,000,000	133,875,000	280,000,000
Other cash received from financing-related activities	–	–	–	–
Sub-total of cash inflow from financing activities	148,875,000	312,000,000	133,875,000	280,000,000
Cash paid for repayment	(58,073,513)	(204,090,000)	(40,000,000)	(180,090,000)
Cash paid for dividend and profit distribution or interest repayment	(19,873,645)	(8,647,390)	(18,843,010)	(4,876,744)
Other cash paid for financing-related activities	–	–	–	–
Sub-total of cash outflow from financing activities	(77,947,158)	(212,737,390)	(58,843,010)	(184,966,744)
Net cash flow from financing activities	70,927,842	99,262,610	75,031,990	95,033,256
4. Exchange impact on cash and cash equivalents	–	–	–	–
5. Net increase/(decrease) in cash and cash equivalents	(197,210,555)	(24,926,528)	(201,738,666)	(63,809,743)
Add: Balance of cash and cash equivalents at the beginning of the period	905,280,655	807,178,788	567,263,965	540,061,991
6. Balance of cash and cash equivalents at the end of the period	708,070,100	782,252,260	365,525,299	476,252,248

Legal representative:
Ye MaixinPerson-in-charge for accounting function:
Yao YumingPerson in charge of accounting function:
Mao Faqing

Cash flow statement (continued)

(Prepared in accordance with PRC Accounting Standards for Business Enterprises)

Unit: RMB

Supplemental Information	Consolidated		Parent	
	January to June 2007	January to June 2006	January to June 2007	January to June 2006
1. Reconciliation of net profit with cash flow from operating activities				
Net profit	106,067,599	89,159,167	14,951,071	10,866,221
Add: Provision on asset impairment	10,484,932	9,827,516	6,550,166	9,349,125
Depreciation of fixed assets, discount and depletion of oil and gas assets, discount on productive biological assets	52,310,160	49,399,077	21,287,695	19,995,231
Amortisation of intangible assets	3,708,773	4,283,600	2,177,898	2,335,387
Amortisation of long-term prepaid expenses	—	—	—	—
Losses on disposal of fixed assets, intangible assets and other long-term assets (figures on gains with brackets)	(314,180)	(1,118,619)	(255,562)	(415,528)
Losses on scrapping of fixed assets (figures on gains with brackets)	—	—	—	—
Losses on changes in fair value (figures on gains with brackets)	—	—	—	—
Finance expenses	16,416,152	9,274,371	7,168,042	2,682,819
Losses on investments (figures on gains with brackets)	(27,022,838)	(1,642,738)	(22,797,037)	(3,003,656)
Decrease in deferred tax assets (figures on increase with brackets)	(1,237,368)	314,000	—	—
Increase in deferred tax liabilities (figures on decrease with brackets)	436,020	(391,000)	—	—
Decrease in inventories (figures on increase with brackets)	(47,122,808)	(194,698,384)	14,050,395	(54,040,402)
Decrease in operating receivables (figures on increase with brackets)	(474,899,674)	34,970,853	(377,805,695)	9,277,513
Increase in operating payables (figures on decrease with brackets)	148,139,471	(35,406,253)	91,711,407	(72,874,411)
Others	—	—	—	—
Net cash flows from operating activities	(213,033,761)	(36,028,410)	(242,961,620)	(75,827,701)
2 Investing and financing activities that do not involve cash receipts and payments				
Conversion of debt into capital	—	—	—	—
Convertible bonds due within one year	—	—	—	—
Fixed assets under finance leases	—	—	—	—
3 Net changes in cash and cash equivalents:				
Cash at end of year	708,070,100	782,252,260	365,525,299	476,252,248
Less: Cash at beginning of period	(905,280,655)	(807,178,788)	(567,263,965)	(540,061,991)
Add: Cash equivalents at end of period	—	—	—	—
Less: Cash equivalents at beginning of period	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	(197,210,555)	(24,926,528)	(201,738,666)	(63,809,743)

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



Consolidated Statement of Changes in Shareholders' Equity
(Prepared in accordance with PRC Accounting Standards for Business Enterprises)
As at 30th June 2007
Unit: RMB

Items	Amount for the year							Shareholders' equity in total
	Owner's equity attributable to the Parent							
	Share capital	Capital reserve	Less: Treasury stocks	Surplus reserve	Unallocated profit	Others	Minority interests	
I. Balance at the end of the previous year	603,800,000	1,272,515,653	-	532,083,768	413,377,883	(2,115,368)	183,317,433	3,002,979,369
Add: Change in accounting policies					26,878,466			26,878,466
Correction of mistakes for previous periods								-
II. Balance at the beginning of this year	603,800,000	1,272,515,653	-	532,083,768	440,256,349	(2,115,368)	183,317,433	3,029,857,835
III. Increase or decrease for the year (figures for decrease in brackets)	-	-	-	-	49,068,927	79,695	30,336,300	79,484,922
(I) Net profit					97,372,927			97,372,927
(II) Profit and losses directly taken to owner's equity	-	-	-	-	-	79,695	30,336,300	30,415,995
1. Net changes in the fair value of financial assets available for sale								-
2. Effect on changes in other owner's equity in the investees under the equity method								-
3. Effect on income tax related to the items taken to owner's equity								-
4. Others						79,695	30,336,300	30,415,995
Sub-total for (I) and (II) above	-	-	-	-	97,372,927	79,695	30,336,300	127,788,922
(III) Capital injected and reduced by the owner	-	-	-	-	-	-	-	-
1. Capital injected by the owner								-
2. Settlement by shares taken to owner's equity								-
3. Others								-
(IV) Profit appropriation	-	-	-	-	(48,304,000)	-	-	(48,304,000)
1. Withdrawal from surplus reserve								-
2. Allocation to owner (or shareholder)					(48,304,000)			(48,304,000)
3. Others								-
(V) Transfer within owner's equity	-	-	-	-	-	-	-	-
1. Transfer to capital reserve (or capital)								-
2. Transfer to surplus reserve (or capital)								-
3. Recovery of losses in surplus reserve								-
4. Others								-
IV. Balance at the end of this year	<u>603,800,000</u>	<u>1,272,515,653</u>	<u>-</u>	<u>532,083,768</u>	<u>489,325,276</u>	<u>(2,035,673)</u>	<u>213,653,733</u>	<u>3,109,342,757</u>

Legal representative:
Ye Maoxin

Person in charge of accounting function:
Yao Yuming

Person in charge of accounting department:
Mao Faqing

Consolidated Statement of Changes in Shareholders' Equity (continued)
 (Prepared in accordance with PRC Accounting Standards for Business Enterprises)
 As at 30th June 2007
 Unit: RMB

Items	Comparative amount for the previous year							
	Owner's equity attributable to the Parent							
	Share capital	Capital reserve	Less: Treasury stocks	Surplus reserve	Unallocated profit	Others	Minority interests	Shareholders' equity in total
I. Balance at the end of the previous year	603,800,000	1,262,250,342	-	445,913,186	346,107,716	(93,593)	159,906,066	2,817,883,717
Add: Change in accounting policies								-
Correction of mistakes for previous periods								-
II. Balance at the beginning of this year	603,800,000	1,262,250,342	-	445,913,186	346,107,716	(93,593)	159,906,066	2,817,883,717
III. Increase or decrease for the year (figures for decrease in brackets)	-	-	-	50,000,000	1,925,383	99,216	34,081,620	86,106,219
(I) Net profit					82,115,383		34,081,620	116,197,003
(II) Profit and losses directly taken to owner's equity	-	-	-	-	-	99,216	-	99,216
1. Net changes in the fair value of financial assets available for sale								-
2. Effect on changes in other owner's equity in the investees under the equity method								-
3. Effect on income tax related to the items taken to owner's equity								-
4. Others						99,216		99,216
Sub-total for (I) and (II) above	-	-	-	-	82,115,383	99,216	34,081,620	116,296,219
(III) Capital injected and reduced by the owner	-	-	-	-	-	-	-	-
1. Capital injected by the owner								-
2. Settlement by shares taken to owner's equity								-
3. Others								-
(IV) Profit appropriation	-	-	-	50,000,000	(80,190,000)	-	-	(30,190,000)
1. Withdrawal from surplus reserve				50,000,000	(50,000,000)			-
2. Allocation to owner (or shareholder)					(30,190,000)			(30,190,000)
3. Others								-
(V) Transfer within owner's equity	-	-	-	-	-	-	-	-
1. Transfer to capital reserve (or capital)								-
2. Transfer to surplus reserve (or capital)								-
3. Recovery of losses in surplus reserve								-
4. Others								-
IV. Balance at the end of this year	<u>603,800,000</u>	<u>1,262,250,342</u>	<u>-</u>	<u>495,913,186</u>	<u>348,033,099</u>	<u>5,623</u>	<u>193,987,686</u>	<u>2,903,989,936</u>

Legal representative:
Ye Maixin

Person in charge of accounting function:
Yao Yuming

Person in charge of accounting department:
Mao Faqing

Statement of Changes in Shareholders' Equity of the Parent
 (Prepared in accordance with PRC Accounting Standards for Business Enterprises)
 As at 30th June 2007
 Unit: RMB

Items	Amount for the year					Shareholders' equity in total
	Share capital	Capital reserve	Less: Treasury stocks	Surplus reserve	Unallocated profit	
I. Balance at the end of the previous year	603,800,000	1,272,515,653		405,968,883	539,492,767	2,821,777,303
Add: Change in accounting policies					14,931,382	14,931,382
Correction of mistakes for previous periods						-
II. Balance at the beginning of this year	603,800,000	1,272,515,653	-	405,968,883	554,424,149	2,836,708,685
III. Increase or decrease for the year (figures for decrease in brackets)						
(I) Net profit					14,951,071	14,951,071
(II) Profit and losses directly taken to owner's equity						
1. Net changes in the fair value of financial assets available for sale						
2. Effect on changes in other owner's equity in the investees under the equity method						
3. Effect on income tax related to the items taken to owner's equity						
4. Others						
Sub-total for (I) and (II) above	-	-	-	-	14,951,071	14,951,071
(III) Capital injected and reduced by the owner						
1. Capital injected by the owner						
2. Settlement by shares taken to owner's equity						
3. Others						
(IV) Profit appropriation						
1. Withdrawal from surplus reserve					(48,304,000)	(48,304,000)
2. Allocation to owner (or shareholder)					(48,304,000)	(48,304,000)
3. Others						
(V) Transfer within owner's equity						
1. Transfer to capital reserve (or capital)						
2. Transfer to surplus reserve (or capital)						
3. Recovery of losses in surplus reserve						
4. Others						
IV. Balance at the end of this year	<u>603,800,000</u>	<u>1,272,515,653</u>	<u>-</u>	<u>405,968,883</u>	<u>521,071,220</u>	<u>2,803,355,756</u>

Legal representative:
Ye Maoxin

Person in charge of accounting function:
Yao Yuming

Person in charge of accounting department:
Mao Faqing

Statement of Changes in Shareholders' Equity of the Parent (continued)
 (Prepared in accordance with PRC Accounting Standards for Business Enterprises)
 As at 30th June 2007
 Unit: RMB

Items	Comparative amount for the previous year					Shareholders' equity in total
	Share capital	Capital reserve	Less: Treasury stocks	Surplus reserve	Unallocated profit	
I. Balance at the end of the previous year	603,800,000	1,262,250,342		337,605,809	454,415,093	2,658,071,244
Add: Change in accounting policies						–
Correction of mistakes for previous periods						–
II. Balance at the beginning of this year	603,800,000	1,262,250,342	–	337,605,809	454,415,093	2,658,071,244
III. Increase or decrease for the year (figures for decrease in brackets)						
(I) Net profit					82,115,383	82,115,383
(II) Profit and losses directly taken to owner's equity	–	–	–	–	–	–
1. Net changes in the fair value of financial assets available for sale						–
2. Effect on changes in other owner's equity in the investees under the equity method						–
3. Effect on income tax related to the items taken to owner's equity						–
4. Others						–
Sub-total for (I) and (II) above	–	–	–	–	82,115,383	82,115,383
(III) Capital injected and reduced by the owner	–	–	–	–	–	–
1. Capital injected by the owner						–
2. Settlement by shares taken to owner's equity						–
3. Others						–
(IV) Profit appropriation	–	–	–	50,000,000	(80,190,000)	(30,190,000)
1. Withdrawal from surplus reserve				50,000,000	(50,000,000)	–
2. Allocation to owner (or shareholder)					(30,190,000)	(30,190,000)
3. Others						–
(V) Transfer within owner's equity	–	–	–	–	–	–
1. Transfer to capital reserve (or capital)						–
2. Transfer to surplus reserve (or capital)						–
3. Recovery of losses in surplus reserve						–
4. Others						–
IV. Balance at the end of this year	<u>603,800,000</u>	<u>1,262,250,342</u>	<u>–</u>	<u>387,605,809</u>	<u>456,340,476</u>	<u>2,709,996,627</u>

Legal representative:
Ye Maoxin

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 Accounting Standards for Business Enterprises)
(All amounts are stated 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”, or the “holding company” and formerly known as China National Textile Machinery Corporation) as sole promoter.

The shares amounted to 220,000,000 owned by domestic legal persons 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 in February 1996. In November 1996, the Company issued 23,000,000 A shares, which included 13,000,000 listed shares on Shenzhen Stock Exchange in December 1996 and 10,000,000 employee shares listed and traded on Shenzhen Stock Exchange in June 1997. In May 2000, the Company issued an additional 180,000,000 A shares. Subsequent to this issuance, the total shares issued by the Company amounted to 603,800,000.

In August 2006, the Company carried out a shareholding restructuring: the Company’s non-tradable shareholder China Textile Machinery (Group) Limited (“CTM Group”) transferred and paid to holders of the Company’s tradable A shares on the basis of 1.2 A shares and RMB2.5 in cash for every 10 A shares held by such shareholders. The Company originally had 203,000,000 tradable A shares issued, hence a total sum of 24,360,000 shares and RMB50,750,000 were paid. Financial ratios such as total assets, total liabilities, total share holder’s equity, total shared capital and net profit are not affected by the shareholding restructuring.

The Company and its subsidiaries (collectively, referred to as “the Group”) are principally engaged in the manufacture and sale of textile machinery.

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The financial statements have been prepared in accordance with Accounting Standards for Business Enterprises and the practice and guidance notes promulgated by the Ministry of Finance on 15 February 2006, and the relevant requirements of China Securities Regulatory Commission, which give a true and fair view of the financial position and operating results of the Group during the six months before 2007.

2 Accounting period

The accounting period starts on 1st January and ends on 31st December.

3 Recording currency

The recording currency of the Group is the Renminbi (RMB).

4 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.

5 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.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**6 Financial assets and financial liabilities****(1) Classification of financial assets**

- (a) Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss. Financial assets held for trading are financial assets held for the purpose of selling in the short term so as to obtain spread. Financial assets designated at fair value through profit or loss are financial assets as designated on the bases of risk management and strategic investment needs.
- (b) Held-to-maturity investments are mainly non-derivative financial assets with fixed maturities and fixed or determinable payments that the Group has the positive intention and ability to hold to maturity.
- (c) Receivables are mainly the amounts receivable from sales of goods or provision of labour services, which are not quoted in an active market with fixed or determinable payments.
- (d) Available-for-sale financial assets are financial assets that are not classified as financial assets at fair value through profit or loss, held-to-maturity investments and receivables.

(2) Recognition and measurement of financial assets

- (a) Financial assets at fair value through profit or loss are initially recognised at fair value that they are acquired, and transaction costs are charged to profit or loss for the period in which they arise. Cash dividends or interests from bonds as declared and distributed that are included in the consideration paid are separately recognized as receivables. The interests or cash dividends obtained during the period of holding shall be recognized as gains from investment. Gains and losses arising from changes in the fair values are included in the profit or loss for the period in which they arise. The differences arising from the fair value of the financial assets and the amount initially recognized shall be accounted as gains from investment when dealing with such financial assets, and the changes in the fair values will be charged to the profit or loss for the period accordingly.
- (b) Held-to-maturity investments are initially recognised at the sum of the fair value that they are acquired and transaction costs are charged to profit or loss for the period in which they arise. Interests from bonds accrued but not yet paid that are included in the consideration paid are separately recognized as receivables. Income from interests shall be recognized during the period held-to-maturity investments are held according to the outstanding costs unamortized and effective interest rate as gains from investment. The differences arising from the fair value of the held-to-maturity investments and the carrying amount of such investments shall be accounted as gains from investment when dealing with such financial assets.
- (c) Receivables. Receivables are the amounts received by the Group from sales of goods or provision of labour services externally, which are initially recognised at the contract or agreement value receivable from the purchaser. The receipt of the contract or agreement value shall be deferred, which is substantially measured at the present value of the receivables that are financial in nature. The differences arising from the fair value of the consideration when they are arise and the carrying amount of such receivables shall be accounted as profit or loss for the period when dealing with such financial assets.
- (d) Available-for-sale financial assets are initially recognised at the sum of the fair value that they are acquired and transaction costs are charged to profit or loss for the period in which they arise. Interests from bonds accrued but not yet paid and cash dividends declared but not yet distributed are included in the consideration paid, and shall be separately recognized as receivables. The interests or cash dividends obtained during the period of holding available-for-sale financial assets shall be recognized as gains from investment. As at the balance sheet date, available-for-sale financial assets are measured at fair value, and changes in the fair values are charged to capital reserve. The differences arising from the consideration when they are acquired and the carrying amount of the financial assets shall be accounted as gains from investment when dealing with available-for-sale financial assets. At the same time, the accumulated amount on the changes in the fair values originally taken to shareholders' equity will be transferred out from the amounts to be dealt with and included as gains from investment accordingly.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

6 Financial assets and financial liabilities (continued)

(3) Classification of financial liabilities

- (a) Financial liabilities at fair value through profit or loss are financial liabilities held for trading and those designated at fair value through profit or loss.
- (b) Other financial liabilities

(4) Recognition and measurement of financial liabilities

- (a) Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are charged to profit or loss for the period in which they arise. They are measured at fair value on subsequent balance sheet dates. Gains and losses arising from changes in the fair values are included in the profit or loss for the period in which they arise, except those related to arbitrage.
- (b) Other financial liabilities are initially recognized at fair value, and transaction costs are charged to profit or loss for the period in which they arise. They are measured subsequently during the period of holding by effective interest rate method on the outstanding costs unamortized. However, those derivative financial liabilities that are linked with equity instruments not quoted in an active market and fair value not measurable but must be settled by the delivery of such equity instruments shall be measured according to costs. The financial guarantee contracts or commitment to loans in other financial liabilities will be subsequently measured after initial recognition according to the amount that is the higher of the following:
 - The amount determined for the liabilities as expected;
 - The initial amount recognized after deduction of the balance of after accumulated amortization as determined according to the principles of the revenue for the Company.

(5) Impairment of financial assets

At each balance sheet date, the Group reviews the carrying amounts of its financial assets other than financial liabilities at fair value through profit or loss. If there is any indication that a particular financial asset has suffered an impairment loss, impairment provision shall be charged for that financial asset.

When there is an impairment loss incurred by the financial assets measured at outstanding costs unamortized, the carrying amount of such financial asset is reduced to the present value discounted from its future cash flow. The amount as reduced shall be recognized as impairment loss of assets and charged to the profit or loss for the period.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**6 Financial assets and financial liabilities (continued)****(5) Impairment of financial assets (continued)**

Any financial assets with individual amount substantial will be subject to individual impairment tests. If there is any objective evidence indicating that it has suffered an impairment, the impairment loss will be recognized and charged to profit or loss for the period. Any financial asset with individual amount not substantial may also be included in the portfolio of financial assets with similar features in credit risks for impairment tests.

The Group usually classifies its assets into portfolios according to the age of the receivables on the balance sheet date, which is principal basis of evidence for determining the features of credit risks. The Group then determines the provision on bad debts according to its experiences.

The receivables of the Group are account receivables and other receivables. Account receivables are accountable receivables from connected parties and account receivables from non-connected parties. The account receivables from non-connected parties that are materially different from the recoverability of account receivables from connected parties and other receivables are specifically provided for bad debts according to individual identification approach. Other account receivables from non-connected parties not specifically provided for bad debts are provided for general bad debts according to the following proportion by the aging analysis approach:

Age	Proportion
Within one year	0%
One year to within two years	20%
Two years to within three years	50%
More than three years	100%

Other receivables are specifically provided for bad debts by the Group according to individual identification approach.

Following the recognition of impairment losses on financial assets measured by outstanding costs unamortized, if there is any objective evidence indicating that the value of such financial asset is recovered, and the recognition of such loss is objectively related to any event occurred thereafter, the impairment loss originally recognized will be reversed and charged to the profit or loss for the period.

If the derivative financial assets that are equity instrument investments not quoted in an active market and fair value not measurable or are linked to such equity instrument investment that must be settled by the delivery of such equity instruments has suffered an impairment, the difference between the carrying amount of such equity instrument investment or derivative financial asset and the present value as determined from the discount of future cash flow by the prevailing market rate of income from similar financial assets shall be recognized as impairment loss and charged to the profit or loss for the period, and will not be reversed in the subsequent periods.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

7 Inventories

Inventories include goods in transit, raw materials, development cost, work in progress, and finished goods, and are presented at the lower of cost and net realizable value.

Inventories are recorded at cost. The cost of raw materials used and the sale of finished goods are accounted for using the weighted average method. Development cost comprises land cost, construction cost, other direct and indirect development cost. Finished goods and work in process comprise material costs, direct labour and an appropriate allocation of all production overhead expenditures.

Provisions for declines in the value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realizable value. In some circumstances where items of inventories have similar purposes or end uses and relate to the same product line produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis for that group of similar or related items of inventories. For large quantity and low value items of inventories, provision is made based on classes of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated costs necessary to conclude the sale.

The Group adopts perpetual inventory system.

8 Long-term equity investments

(1) Recognition and initial measurement

(a) Long-term equity investments formed from the merger of entities under same control

When the Group acquires an entity under the same control, and settles the merger consideration in cash payment, transfer of assets other than cash or assumption of liabilities, the carrying amount attributable to the owner's equity of the investee on the merger date is accounted as initial investment costs of long-term equity investments, and the difference between the carrying amount of net assets acquired and the merger consideration shall be charged to the capital reserve. If the amount standing in capital reserve is not sufficient to set off, then the remaining amount not set off will be charged to retained earnings.

(b) Long-term equity investments formed from the merger of entities not under the same control

When the Group acquires an entity not under the same control, the merger cost is accounted as initial investment costs of long-term equity investments. The merger cost is the fair value on the amount paid to obtain the controlling interest in the investee on the acquisition date, the liabilities arise or take up or the equity securities issued. The merger costs on the merger of the entities through several deals of exchanges in different phases are the sum of each transaction cost. Expenses directly related to the merger of entities are also included in the merger costs.

The difference between the merger costs in excess of the amount attributable to the fair value of the identifiable net assets of the investee acquired in the acquisition will be recognized by the purchasing party as goodwill. If the merger costs are less than the amount attributable to the fair value of the identifiable net assets of the investee acquired in the acquisition, it will be charged to the profit or loss for the period by the purchasing party.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**8 Long-term equity investments (continued)****(1) Recognition and initial measurement (continued)**

- (c) Long-term equity investments other than those formed from the merger of entities

The actual purchase considerations are the initial investment costs for the long-term equity investments that are acquired by cash payments. The initial investment costs are the costs directly related to the acquisition of long-term equity investments, taxes and other necessary expenses.

The fair value of equity securities at issuance are the initial investment costs for the long-term equity investments that are acquired by issuing equity securities.

The long-term equity investments injected by the investors determined according to the value agreed in investment contracts or agreements are the initial investment costs, other than those value that is not fairly agreed in investment contracts.

The initial investment costs of long-term equity investments obtained from exchange of non-monetary assets are determined according to the provisions on the “Exchange of Non-monetary Assets” in the accounting regulations and standards.

The initial investment costs of the long-term equity investments obtained from debt restructuring are determined according to the provisions on the “Debt Restructuring” in the accounting regulations and standards.

(2) Approaches for the recognition of revenue

The long-term equity investments are accounted by cost method if the Group does not exercise control over the investees, does not have common control or significant effect on the investees, are not quoted in active markets, and the fair value are not reliably measured. Gains from investment are recognized when the investees declare cash dividend or profit. The cash dividend or profit over the amount allocated to accumulated net profit on the date of investment are used to write-down the investment costs.

The investees for which the Group has common control or significant influence are accounted by equity method. Gains from investment are determined from the net profit or loss attributable to the investees after the acquisition of equity interests. In determining the net profit or loss that shall be attributable to the investees, the fair value on the identifiable assets of the investees acquired at the time of investment are the basis for which the net profit of the investees are recognized after adjustment. Other changes on the owners' equities of the investees other than the net profit or loss are accounted into the shareholders' equity after adjusting for the carrying amount of the long-term equity investments. When the Group recognizes the net loss arising from the investee, the carrying amounts of the long-term equity investments and other long-term interests substantially forming the net investments of the investees are written down to the extent of zero, other than the obligations on additional losses assumed from contractual agreements. If the investees record net profit for each subsequent years, the Group shall resume to recognize the share of gains after the making up of attributed unrecognized loss from the share of gains entitled.

If the Group can exercise control over the investees, such investees are regarded as the subsidiaries of the Group and are consolidated with the Group.

If the Group has the rights to participate in deciding the financial and operating policies of an entity, but cannot control or jointly control with other parties for the formulation of such policies, the investees are regarded as associates where the Group may exercise substantial influence. Associates are those investees that have more than 20% but less than 50% of the voting shares held by the Group.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 Long-term equity investments (continued)

(3) Recognition of impairment for assets

If there is any evidence in impairment for the long-term equity investments on the balance sheet date as a result of continuous fall in market value or deterioration in the operation of the investees, the recoverable amount of the long-term equity investment is determined as to the higher of the net amount for the fair value of the long-term equity investments after deducting for the costs of disposals and the present value discounted from the expected future cash flow of the long-term equity investments. If the recoverable amount of the long-term equity investments is less than the carrying value, the carrying value of the assets can be written down to the recoverable amount, and the amount written down is recognized as impairment losses for assets, which will be charged to the profit or loss for the period. At the same time, impairment provision on the assets will be made accordingly. The impairment provision on long-term equity investments will not be reversed in subsequent years.

9 Fixed assets and depreciation

Fixed assets include buildings, machinery and equipment used in production, held for rental to others, or held for management purposes, which have useful lives of more than one year. Effective 1st January 2001, when construction takes place upon the Company's land and the construction is for the Company's own use, the carrying value of the land use rights is capitalized as part of the building costs within fixed assets.

Fixed assets purchased or constructed were initially recorded at cost. Fixed assets being revalued during reorganisation of the Company are recorded at the revalued amount approved by the State Assets Management Bureau.

Depreciation of fixed assets is calculated on the straight-line method to write off the cost or revalued amount of the assets to their residual values over their estimated useful lives. When a provision for impairment loss has been made for a fixed asset, the depreciation rate and depreciation charge for the fixed asset are recalculated based on the asset's carrying amount and its remaining useful life.

The estimated useful lives, estimated residual values and yearly depreciation rates of fixed assets are as following:

	Estimated useful lives	Estimated residual value	Yearly Depreciation rate
Plant and buildings			
– Cost	9–50 years	5%	1.9% to 10.56%
– Land use rights	20 years	60%	2%
Machinery and equipment	7–22 years	5%	4.32% to 13.57%
Motor vehicles	9 years	5%	10.56%

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**9 Fixed assets and depreciation (continued)**

When fixed assets are sold, transferred, disposed of or destroyed, gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the assets, reduced by related taxes and expenses, and are included in non-operating income/expenses.

Repairs and maintenance of fixed assets are expensed as incurred. Subsequent expenditures for major reconstruction, expansion, improvement and renovation are capitalized when it is probable that future economic benefits in excess of the original assessment of performance will flow to the Company. Capitalized expenditures arising from major reconstruction, expansion and improvement are depreciated using the straight-line method over the remaining useful lives of the fixed assets. Capitalized expenditures arising from the renovation of fixed assets are depreciated over the expected beneficial period.

Individual fixed assets for which there are indications that the carrying values are higher than their recoverable amounts, arising from the occurrence of events or changes in circumstances, are reviewed for impairment. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as an impairment loss.

10 Construction in progress

Construction in progress represents fixed assets under construction or installation and is stated at cost. Cost comprises construction cost and other direct costs, original cost of plant and equipment and installation costs. Borrowing costs on specific borrowings for financing the construction or acquisition of fixed assets are capitalized as part of the cost of the fixed assets until the assets are ready for their intended use. Construction in progress is transferred to fixed assets and depreciation commences when the assets are ready for their intended use, and depreciation begins from the following month.

Individual constructions in process for which there are indications that the carrying values are higher than their recoverable amounts, arising from the occurrence of events or changes in circumstances, are reviewed for impairment.

11 Intangible assets and amortisation

Intangible assets include land use rights, trade marks, patents and softwares.

Land use rights purchased or obtained through payment of land transfers fees are initially recorded at cost and classified as intangible assets. Land use rights are amortised on a straight-line basis over 50 years. Effective 1st January 2001, if construction takes place on the Company's land held for own use, the carrying value of the related land use rights is transferred to the construction in progress account.

Trademarks and patents are stated at cost and are amortized on the straight-line basis over 10 years.

Software is initially stated at cost and are amortized on the straight-line basis over 5 years.

Individual intangible assets for which there are indications that the carrying values are higher than their recoverable amounts, arising from the occurrence of events or changes in circumstances, are reviewed for impairment. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as an impairment loss.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

12 Borrowing costs

Borrowing costs, including interest, ancillary costs and exchange differences, incurred in connection with specific borrowings obtained for the acquisition or construction of fixed assets are capitalized as costs of the fixed assets when capital expenditures and borrowing costs have been incurred and the activities have commenced to enable the assets to be ready for their intended use. The capitalization of borrowing costs ceases when the assets are ready for their intended use and borrowing costs are recognized as expenses thereafter.

Borrowing cost include interest calculated based on the weighted average cost of fixed assets purchased or constructed and the weighted average rate of related borrowings during the period. The amount of borrowing costs capitalised during the period should not exceed the amount of borrowing costs actually incurred during that period.

All other borrowing costs are expensed in the period when incurred.

13 Employee social security benefits

Employees of the group participate in employee social security plans, including pension, medical, housing and other welfare benefits, organised and administered by the government authorities in accordance with relevant regulations.

According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Company are calculated based on percentages of the total salary of employees (or on other basis) subject to a certain ceiling, and are paid to the labor and social welfare authorities. Contributions to the plans are capitalized as production costs or expensed as incurred.

14 Profit distribution

Distribution of cash dividends is recognized as a liability in the period when the profit appropriation plan is approved by the General Meeting of Shareholders.

15 Revenue recognition

(1) Sales of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, when the Company neither retains continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when it is probable that the economic benefits associated with the transaction will flow to the enterprises and when the relevant amount of revenue and costs can be measured reliably.

(2) Other revenues are recognised on the following bases

Interest income is recognised on a time proportion basis taking into account deposit balances and effective yield.

Subsidy income is recognized when received.

Leasing income is recognised using the straight-line method over the lease term.

16 Operating Lease

Lease of assets where all the risk and rewards incident to ownership of the assets are in substance transferred to the lessees are classified as finance leases. All others leases are operating leases. Payments made under operating leases are expensed on a straight-line basis over the period of the lease.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

II. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)**17 Income tax**

The Group recognizes the tax base when it obtains assets and liabilities. If the carrying amounts of assets and liabilities is different from the tax base, deferred income tax assets and deferred income tax liabilities are recognized. Enterprise tax expense is recognized based on current period taxable income and tax rates.

18 Basis of preparation of consolidated financial statement

Consolidated financial statements, which includes the Company and all subsidiaries consolidated, are prepared in accordance with the Accounting Standards for Business Enterprises and relevant requirements.

The results of the subsidiaries are consolidated from the date when the Company has obtained control and likewise, they are no longer consolidated when the Company ceased control over them. All significant inter-company balances and transactions within the Group have been eliminated in the preparation of the consolidated financial statements. Minority interests in the consolidated financial statements represent the portion of the shareholders equity of the subsidiaries that are not owned by the Company.

Accounting policies adopted by the subsidiaries, jointly controlled entities and the Company are consistent.

III. TAXATION

The major taxes of the Group are listed as follows:

Category	Rate	Basis of tax computation
Income tax	15–33%	Taxable income
Value Added Tax	17%	17% of sales revenue of textile machinery and spare parts less deductible VAT input
Business tax	5%	Rental income
City construction tax	7%	Turnover tax payable
Education fee levy	3%	Turnover tax payable

IV. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group invested RMB100,000,000 in March 2007 to acquire 65% equity interest of Beijing Bohong Real Estate Development Company Limited, and the acquisition is consolidated in April 2007.

During the reporting period, the jointly controlled entities, Anhui Huamao Jingwei New Type Textile Company Limited, consolidated in last year is excluded by the Group in accordance with Accounting Standards for Business Enterprises.

The scope of the consolidated financial statements is consistent with that of last year except the aforesaid.

V. CHANGES IN ACCOUNTING POLICIES AND THEIR IMPACTS

The Group implemented the PRC accounting standards for business enterprises published by the Ministry of Finance on 15th February 2006 with effective from 1st January 2007. The figures for the beginning of the period and the previous year in the balance sheet and the income statement were adjusted retrospectively and restated in this disclosure pursuant to the requirements in the standards. The major changes for the balance sheet as at 31st December 2006 were: increase in trading financial assets of RMB8,885,556, decrease in long-term equity investments arising from the different in equity investments under common control of RMB5,803,515, increase in deferred tax assets of RMB32,682,011, retrospective adjustment and increase in unallocated profit of RMB26,878,466. The major changes for the income statement between January and June 2006 was the retrospective adjustment and decrease in income tax charges of RMB77,000.

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. CASH**

	30th June 2007	31st December 2006
Cash in hand	1,010,444	1,023,935
Cash at bank	618,847,447	893,525,277
Other cash	88,212,209	10,731,443
	<u>708,070,100</u>	<u>905,280,655</u>

2. TRADING FINANCIAL ASSETS

	30th June 2007	31st December 2006
Stocks	3,109,949	8,885,556
Futures	76,452	-
	<u>3,186,401</u>	<u>8,885,556</u>

Stocks are the stocks held by a foreign subsidiary of the Company in Hong Kong Stock Exchange.

Futures are the futures held by a subsidiary of the Company in Zhejiang Province Yongan Futures Company.

3. NOTES RECEIVABLE

	30th June 2007	31st December 2006
Bank draft	483,511,274	455,412,925
Commercial bills	178,875,000	224,845,191
	<u>662,386,274</u>	<u>680,258,116</u>

4. ACCOUNTS RECEIVABLE

	30th June 2007	31st December 2006
Original cost of Accounts Receivable	843,453,355	615,368,046
Less: Specific Provision	(10,244,116)	(10,244,116)
General Provision	(193,020,262)	(187,168,947)
	<u>640,188,977</u>	<u>417,954,983</u>

Detail information of accounts receivable and bad debt provision listed by ageing is as follows:

	30th June 2007			31st December 2006		
	Amount	%	Provision Amount	Amount	%	Provision Amount
Ageing						
Within 1 year	580,371,277	69	-	363,368,261	59	-
Within 1 to 2 years	49,197,677	6	(11,243,262)	43,630,659	7	(11,560,687)
Within 2 to 3 years	27,335,619	3	(14,577,063)	33,837,731	6	(15,354,001)
Over 3 years	186,548,782	22	(177,444,053)	174,531,395	28	(170,498,375)
	<u>843,453,355</u>	<u>100</u>	<u>(203,264,378)</u>	<u>615,368,046</u>	<u>100</u>	<u>(197,413,063)</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. ACCOUNTS RECEIVABLE (continued)

Receivables from shareholders holding 5% and above of the Company's equity interest and related parties are as follows:

	30th June 2007	31st December 2006
Due from the holding company	102,044	1,025,794
Due from fellow subsidiaries	108,971,796	115,727,000
Due from associated companies	155,825,448	69,480,722
Due from jointly controlled entities	66,132,639	33,695,013
	<u>331,031,927</u>	<u>219,928,529</u>

5. ADVANCES TO SUPPLIERS

	30th June 2007		31st December 2006	
	Amount	%	Amount	%
Ageing				
Within 1 year	201,997,168	99	237,349,571	99
Within 1 to 2 years	1,128,123	–	767,030	–
Within 2 to 3 years	102,235	–	377,820	–
Over 3 years	1,790,400	1	1,529,153	1
	<u>205,017,926</u>	<u>100</u>	<u>240,023,574</u>	<u>100</u>

Advances to shareholders holding 5% and above of the Company's equity interest and related parties are as follows:

	30th June 2007	31st December 2006
Fellow subsidiaries	54,962,476	94,469,812
Associated companies	2,278	1,570,887
	<u>54,964,754</u>	<u>96,040,699</u>

Notes to the Financial Statements

 (Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
 (All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
6. OTHER RECEIVABLES

	30th June 2007	31st December 2006
Others receivables	159,095,371	173,051,718
Less: Specific provisions	<u>(13,538,481)</u>	<u>(12,852,494)</u>
	<u>145,556,890</u>	<u>160,199,224</u>

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

	30th June 2007			31st December 2006		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Ageing						
Within 1 year	132,083,554	83	–	151,040,781	87	–
Within 1 to 2 years	7,646,603	5	(10,209)	3,048,951	2	(23,208)
Within 2 to 3 years	9,789,516	6	(7,000,000)	10,271,687	6	(7,000,000)
Over 3 years	9,575,698	6	<u>(6,528,272)</u>	8,690,299	5	<u>(5,829,286)</u>
	<u>159,095,371</u>	<u>100</u>	<u>(13,538,481)</u>	<u>173,051,718</u>	<u>100</u>	<u>(12,852,494)</u>

7. INVENTORIES

	31st December 2006			30th June 2007
Goods in transit	2,209,373			2,926,478
Raw materials	358,036,274			343,859,360
Work in progress	367,633,451			366,773,479
Finished goods	642,209,249			668,204,229
Development Cost	–			352,551,140
	<u>1,370,088,347</u>			<u>1,734,314,686</u>
Provision-		Additions	Decreases	
		for the year	for the year	
Raw materials	(9,931,493)	–	–	(9,931,493)
Work in progress	(12,635,041)	(2,268,357)	–	(14,903,398)
Finished goods	(21,713,477)	<u>(3,923,782)</u>	934,029	<u>(24,703,230)</u>
	<u>(44,280,011)</u>	<u>(6,192,139)</u>	<u>934,029</u>	<u>(49,538,121)</u>
	<u>1,325,808,336</u>			<u>1,684,776,565</u>

Development costs are for the payment of the land numbered 36, which located in Da Tun Road, Beishatan, Chaoyang District, Beijing for the acquisition of Beijing Bohong Real Estate Development Company Limited by the Group in March 2007, together with compensation for the development of the land, compensation for demolition and relocation as well as construction safety costs.

Notes to the Financial Statements(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****8. LONG TERM EQUITY INVESTMENT**

	30th June 2007	31st December 2006
Investment in associated companies	98,287,232	123,551,728
Investment in jointly controlled entities	13,647,473	–
Other equity investment	45,934,314	45,934,314
Provision for long term equity investment	(6,323,255)	(6,323,255)
	<u>151,545,764</u>	<u>163,162,787</u>

9. FIXED ASSETS

	Land and Building	Machinery and equipment	Motor vehicles	Total
Cost				
At 31st December 2006	712,944,305	1,732,957,828	101,134,840	2,547,036,973
Addition for the period	4,199,678	31,890,365	3,366,128	39,456,171
Deduction for the period	–	(5,441,559)	(2,346,778)	(7,788,337)
Newly acquired subsidiaries	509,594	220,330	429,000	1,158,924
Net of jointly controlled entities	(12,400,000)	(90,289,963)	(220,590)	(102,910,553)
At 30th June 2007	<u>705,253,577</u>	<u>1,669,337,001</u>	<u>102,362,600</u>	<u>2,476,953,178</u>
Accumulated depreciation				
At 31st December 2006	240,586,296	979,073,471	41,266,314	1,260,926,081
Addition for the period	8,844,066	37,633,016	4,608,684	51,085,766
Deduction for the period	–	(4,668,136)	(1,266,798)	(5,934,934)
Newly acquired subsidiaries	5,379	78,458	112,394	196,231
Net of jointly controlled entities	(280,526)	(4,126,051)	6,231	(4,400,346)
At 30th June 2007	<u>249,155,215</u>	<u>1,007,990,758</u>	<u>44,726,825</u>	<u>1,301,872,798</u>
Impairment Provision				
At 31st December 2006	1,329,010	37,006,925	–	38,335,935
Deduction for the period	–	(5,669)	–	(5,669)
At 30th June 2007	<u>1,329,010</u>	<u>37,001,256</u>	<u>–</u>	<u>38,330,266</u>
Net book value				
At 31st December 2006	<u>471,028,999</u>	<u>716,877,432</u>	<u>59,868,526</u>	<u>1,247,774,957</u>
At 30th June 2007	<u>454,769,352</u>	<u>624,344,987</u>	<u>57,635,775</u>	<u>1,136,750,114</u>

The jointly controlled entities of the period is not consolidated, therefore the net fixed asset consolidated at the beginning of the period is reduced by RMB98,510,207.

The acquisition of subsidiary is the fixed assets consolidated for the Group's acquisition of Beijing Bohong Real Estate Development Company Limited in March 2007.

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****10. CONSTRUCTION IN PROGRESS**

Principal items	31st December 2006	Addition for the period	Transfer to fixed assets	Consolidated changes transfer out	30th June 2007	Source of capital
Assembly work-shop of Changde	8,580,451	3,816,249	-	-	12,396,700	Self financing
New workshop of Shenyang Huaming development zone	3,569,040	6,325,386	-	-	9,894,426	Self financing
Machines and equipments of Shenyang Huaming development zone	5,943,677	3,734,680	(8,040,130)	-	1,638,227	Self financing
Hunnan workshop of Shenyang Hongda	3,209,361	-	-	-	3,209,361	Self financing
Machines and equipments of Yuci branch office	8,187,096	13,409,205	(9,635,223)	-	11,961,078	Self financing
Assembly work-shop of Yuci branch office	346,366	4,938,092	-	-	5,284,458	Self financing
Combined parts of bearing support of Yuci branch office	2,760,843	213,050	(2,973,893)	-	-	Self financing
Resources Planning System of Yuci branch office	1,915,000	17,800	-	-	1,932,800	Self financing
Digital lathe of Tianjin Hongda	1,267,000	140,000	-	-	1,407,000	Self financing
Installation workshop of Yichang Jingwei	-	1,330,520	-	-	1,330,520	Self financing
Gas and water network of Yichang branch office	-	974,088	-	-	974,088	Self financing
Lathe extension of Weixin Electrical & Machinery	1,221,000	-	-	-	1,221,000	Self financing
Cotton and textile reconstruction of Kunshan Jingwe	1,087,500	368,256	(823,656)	-	632,100	Self financing
Machines and equipments of Anhui Huamao Jingwe	63,301,092	-	-	(63,301,092)	-	-
Other	4,668,225	1,391,295	(2,112,450)	-	3,947,070	-
Total	106,056,651	36,658,621	(23,585,352)	(63,301,092)	55,828,828	

Others include projects less than RMB500,000.

11. INTANGIBLE ASSETS

Item	Cost	31st December 2006	Addition for the period	Amortisation for the period	30th June 2007	Accumulated Amortisation
Land use rights	269,493,478	240,261,697	684,002	(2,761,943)	238,183,756	(31,309,722)
Trademark and patents	21,407,238	16,106,354	-	(492,556)	15,613,798	(5,793,440)
Software	12,167,092	6,152,386	40,000	(2,035,863)	4,156,523	(8,010,569)
Total	303,067,808	262,520,437	724,002	(5,290,362)	257,954,077	(45,113,731)

12. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	30th June 2007	31st December 2006
Deferred income tax assets item		
Provision for bad debts	13,375,765	13,375,765
Provision for inventory impairment	6,621,260	6,621,260
Provision for fixed assets impairment	10,654,436	10,654,436
Provision for long-term equity investments impairment	750,000	750,000
Non-deductible accrued expenses	995,868	995,868
Other	1,522,050	284,682
	33,919,379	32,682,011
Deferred income tax liabilities item		
Fixed asset depreciation	436,020	-
	436,020	-

Notes to the Financial Statements

 (Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
 (All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
13. PROVISION FOR ASSETS IMPAIRMENT

	31st December 2006	Addition for the period	Reversal and wrote off for the period	30th June 2007
I. Provision for bad debts	210,265,557	8,965,340	(2,428,038)	216,802,859
Of which: Accounts receivable	197,413,063	8,182,913	(2,331,598)	203,264,378
Other receivables	12,852,494	782,427	(96,440)	13,538,481
II. Provision for inventory impairment	44,280,011	6,192,139	(934,029)	49,538,121
Of which: Raw materials	9,931,493	–	–	9,931,493
Work in progress	12,635,041	2,268,357	–	14,903,398
Finished goods	21,713,477	3,923,782	(934,029)	24,703,230
III. Provision for long-term equity investments impairment	6,323,255	–	–	6,323,255
IV. Provision for fixed assets impairment	38,335,935	–	(5,669)	38,330,266
Of which: Buildings	1,469,495	–	–	1,469,495
Equipment	36,855,648	–	(5,669)	36,849,979
Conveyance	10,792	–	–	10,792
Total	<u>299,204,758</u>	<u>15,157,479</u>	<u>(3,367,736)</u>	<u>310,994,501</u>

14. NOTES PAYABLE

	30th June 2007	31st December 2006
Trade acceptance	190,912,278	308,714,706
Bank acceptance	8,176,069	46,047,332
	<u>199,088,346</u>	<u>354,762,038</u>

15. ACCOUNTS PAYABLE

Accounts payable mainly represents the payable for purchase of materials.

Included in accounts payable are payable to the related companies as follows:

	30th June 2007	31st December 2006
Due to the holding company	–	6,301,380
Due to fellow subsidiaries	24,176,113	63,203,613
Due to associated companies	2,745,317	539,621
Due to jointly controlled entities	–	500,503
	<u>26,921,430</u>	<u>70,545,117</u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. ADVANCES FROM CUSTOMERS**

Included in advances from customers are related companies as follows:

	30th June 2007	31st December 2006
Due to holding company	3,449,046	11,863,710
Due to fellow subsidiaries	1,242,718	1,851,192
	<u>4,691,764</u>	<u>13,714,902</u>

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

17. EMPLOYEE REMUNERATION PAYABLE

Principal items	31st December 2006	Addition for the period	Paid for the period	30th June 2007
Salaries, bonuses and subsidies	24,423,001	226,718,331	(232,895,464)	18,245,868
Employee benefit	46,556,967	9,468,500	(18,662,907)	37,362,560
Social insurance premiums	6,984,214	46,341,963	(42,569,880)	10,756,297
Of which: Pension insurance	5,957,431	30,202,144	(27,651,367)	8,508,208
Medical insurance	395,087	11,013,956	(10,264,354)	1,144,689
Unemployment insurance	627,589	3,018,411	(2,801,476)	844,524
Industrial injury insurance	1,365	1,107,595	(961,893)	147,067
Childbirth insurance	2,742	994,177	(885,403)	111,516
Annual premiums payment	-	5,680	(5,387)	293
Housing reserve funds	707,469	11,174,984	(9,829,579)	2,052,874
Labour union expenses	4,099,317	3,087,523	(1,835,115)	5,351,725
Staff education expenses	6,150,069	2,374,066	(1,544,089)	6,980,046
Other	1,202,435	2,977,820	(917,121)	3,263,134
Total	<u>90,123,472</u>	<u>302,143,187</u>	<u>(308,254,155)</u>	<u>84,012,504</u>

18. TAXATION PAYABLES

Taxation items	30th June 2007	31st December 2006
Value Added Tax	(1,315,051)	17,936,305
Income tax	2,767,088	2,764,143
Business tax	144,519	185,774
City construction tax	342,464	1,269,051
Property tax	143,121	95,712
Land usage tax	596,150	384,203
Education levy	249,604	713,285
Other	1,762,411	2,034,263
	<u>4,690,306</u>	<u>25,382,736</u>

Notes to the Financial Statements

 (Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
 (All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
19. OTHER PAYABLES

Included in the other payables are payable to the related companies as follows:

	30th June 2007	31st December 2006
Due to the holding company	6,974,840	17,875,599
Due to fellow subsidiaries	47,732,005	75,303,666
Due to associated companies	–	10,151,674
Due to jointly controlled entities	–	55,000
	<u>54,706,845</u>	<u>103,385,939</u>

20. SHORT-TERM LOANS AND LONG-TERM LOANS

Categories	Original currency of loans	Short-term loans		Long-term loans	
		30th June 2007	31st December 2006	30th June 2007	31st December 2006
Unsecured	RMB	37,000,000	35,950,000	250,000,000	–
	USD	156,174,000	156,174,000	–	–
Guaranteed	RMB	20,000,000	47,500,000	–	200,000,000
Collateralized	RMB	100,000,000	–	–	–
Discounted notes	RMB	178,875,000	224,575,191	–	–
		<u>492,049,000</u>	<u>464,199,191</u>	<u>250,000,000</u>	<u>200,000,000</u>

The interest rate per annum of the unsecured loans of the Group during the reporting period was ranged from 3.65% to 6.36% for short-term loans and from 5.67% to 6.01% for long-term loans.

The collateralized loans was the loan granted by Pinggu branch of Industrial and Commercial Bank for the payment of part of the title of the land parcel no. 36, which is located in Da Tun Road, Beishatan, Chaoyang District, Beijing for the acquisition of Beijing Bohong Real Estate Development Company Limited by the Group in March 2007. The interest rate per annum was 6.75%.

21. SHARE CAPITAL

	30th June 2007	31st December 2006
Tradable shares subject to restrictions		
Of which: Shares owned by domestic legal persons	195,640,000	204,255,248
Shares owned by domestic individuals	18,828	25,104
Tradable shares subject to no restrictions		
Of which: Shares traded in RMB domestically	227,341,172	218,719,648
Shares traded in foreign currencies domestically	–	–
Shares traded in Hong Kong	180,800,000	180,800,000
Others	–	–
Tradable shares subtotal	<u>603,800,000</u>	<u>603,800,000</u>
Total	<u>603,800,000</u>	<u>603,800,000</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****22. CAPITAL SURPLUS**

	30th June 2007	31st December 2007
Share premium	1,247,954,114	1,247,954,114
Other capital surplus	24,561,539	24,561,539
Of which: Equity Investment Provision	20,361,539	20,361,539
Surplus on revaluation of assets	4,200,000	4,200,000
	<u>1,272,515,653</u>	<u>1,272,515,653</u>

23. SURPLUS RESERVE

	30th June 2007	31st December 2006
Statutory surplus fund	354,320,721	354,320,721
Discretionary surplus fund	177,763,047	177,763,047
	<u>532,083,768</u>	<u>532,083,768</u>

24. UNDISTRIBUTED PROFITS

	January to June 2007	2006
Undistributed profit at the beginning of the year	440,256,349	346,107,716
Add: Net Profit attributable to the Group for the period	97,372,927	183,630,749
Less: Transfer to statutory surplus reserve	–	(36,170,582)
Transfer to discretionary surplus reserve fund	–	(50,000,000)
Dividend for common stock		
– Cash dividends approved by general meeting of shareholders	(48,304,000)	(30,190,000)
Undistributed profits at the end of the period	<u>489,325,276</u>	<u>413,377,883</u>
Add: Adjustments of new accounting standards		<u>26,878,466</u>
Undistributed profits at the end of adjustment		<u>440,256,349</u>

Pursuant to the resolution passed on Board of directors' meeting held on 18th April 2007, the Company proposed to distribute a final cash dividend of RMB 0.8 (pre-tax) for every ten shares held by shareholders for year 2006, based on the total shares of 603,800,000, totalling RMB48,304,000. The aforesaid distribution was approved by the general meeting of shareholders held on 28th June 2007.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**25. REVENUES FROM OPERATIONS**

	January to June 2007			January to June 2006		
	Revenues from operations	Cost of operations	Gross profit	Revenues from operations	Cost of operations	Gross profit
Revenues from main operations	2,519,740,550	2,114,128,849	405,611,701	2,142,145,628	1,746,447,470	395,698,158
Revenues from other operations	415,753,325	386,708,250	29,045,075	451,053,577	417,523,293	33,530,284
	<u>2,935,493,875</u>	<u>2,500,837,099</u>	<u>434,656,776</u>	<u>2,593,199,205</u>	<u>2,163,970,763</u>	<u>429,228,442</u>

(1) Primary reporting format – business segments

The income, costs, profits, assets and liabilities from the business segments of main operations of the Group was mainly from the manufacture and sale of textile machinery and yarn and thread.

Other operations of the Group were mainly the sales of raw materials and auxiliary parts, for which the scale is not adequate to report as a segment independently.

(2) Secondary reporting format – geographical segments

Region	January to June 2007		January to June 2006	
	Operating profit	Operating cost	Operating profit	Operating cost
Domestic	2,557,585,472	2,178,222,048	2,452,939,048	2,048,358,455
Foreign	377,908,403	322,615,056	140,260,157	115,612,308
Of which: Asia	347,223,186	296,129,305	100,029,361	82,675,537
Africa	13,885,152	11,976,935	31,214,742	25,482,130
Other regions	16,800,065	14,508,816	9,016,054	7,454,641
	<u>2,935,493,875</u>	<u>2,500,837,099</u>	<u>2,593,199,205</u>	<u>2,163,970,763</u>

26. SALES TAX

	January to June 2007	January to June 2006
Business tax	152,771	8,840
City construction tax	3,812,172	4,363,994
Education levy	1,226,053	1,076,455
Price control fund	172,833	127,541
Other	54,331	–
	<u>5,418,160</u>	<u>5,576,830</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCIAL EXPENSES

	January to June 2007	January to June 2006
Interest expense	21,416,703	16,813,835
Less: Interest income	(6,078,229)	(7,938,556)
Exchange gain	41,795	(208,613)
Administration fee of financial institutions	980,491	607,705
	<u>16,360,760</u>	<u>9,274,371</u>

28. INCOME FROM INVESTMENT

	January to June 2007	January to June 2006
Income from stock	23,326,454	47,318
Investment income from associated companies and jointly controlled entities	3,948,566	210,704
Other investment income	1,255,892	1,384,716
	<u>28,530,912</u>	<u>1,642,738</u>

29. NON-OPERATING INCOME

	January to June 2007	January to June 2006
Income on disposal of non-current assets	1,343,513	1,681,360
Income of debt restructuring	652,139	-
Forfeited income	37,133	8,839
Income of Government subsidies	143,652	869,036
Other outstanding payables	221,292	-
Others	2,655,621	453,620
	<u>5,053,350</u>	<u>3,012,855</u>

30. NON-OPERATING EXPENSES

	January to June 2007	January to June 2006
Loss on disposal of non-current assets	(680,573)	(956,608)
Forfeited loss	(155,034)	(11,364)
Donation	(214,000)	(131,400)
Extraordinary loss	-	(30,830)
Others	(494,779)	(1,254,531)
	<u>(1,544,386)</u>	<u>(2,384,733)</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. ACQUISITION OF ASSETS**

On 23rd March 2007, Beijing Jingwei Textile Machinery New Technology Company Limited, a subsidiary of the Company entered into a share transfer agreement with China Advanced and New Technology Investment and Development Company Limited to purchase 65% equity share of Beijing Bohong Real Estate Development Company Limited, a subsidiary of China Advanced and New Technology Investment and Development Company Limited. The share transfer has been completed on 6th April 2007.

During the period from the date of acquisition to 30th June 2007, the operating income and net profit contributed by Beijing Bohong Real Estate Development Company Limited to the Group amounted to RMB310,473 and RMB-1,508,074 respectively.

Detail of revalued amount of consolidated assets of the Group at the date of acquisition was as follow:

Cash in hand and cash at bank	38,745,326
Inventories – Development cost	300,530,740
Other current assets	2,338,290
Net fixed asset	881,065
Intangible assets	40,000
Short-term loans	(203,000,000)
Accounts payable	(11,108,056)
Advances from customers	(8,606,583)
Other payables	(16,900,247)
Other current liabilities	(2,920,535)
	<hr/>
Total	100,000,000
Interest proportion of the Group	65%
Shareholding proportion of minority interest	35%

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. ACCOUNTS RECEIVABLES

	30th June 2007	31st December 2006
Original cost of accounts receivables	456,268,863	334,547,310
Less: provisions	<u>(74,431,352)</u>	<u>(69,557,406)</u>
	<u><u>381,837,511</u></u>	<u><u>264,989,904</u></u>

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

	30th June 2007			31st December 2006		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Ageing						
Within 1 year	348,479,425	76	—	231,649,273	69	—
Within 1 to 2 years	33,515,878	7	(6,944,422)	28,290,254	9	(5,757,298)
Within 2 to 3 years	11,461,583	3	(6,850,949)	12,892,221	4	(5,680,988)
Over 3 years	<u>62,811,977</u>	<u>14</u>	<u>(60,635,981)</u>	<u>61,715,562</u>	<u>18</u>	<u>(58,119,120)</u>
	<u><u>456,268,863</u></u>	<u><u>100</u></u>	<u><u>(74,431,352)</u></u>	<u><u>334,547,310</u></u>	<u><u>100</u></u>	<u><u>(69,557,406)</u></u>

Receivables from shareholders holding 5% and above of the Company's equity interest and related parties are as follows:

	30th June 2007	31st December 2006
Due from the holding company	—	440,000
Due from associated companies	56,930,989	56,454,291
Due from associated companies	131,786,080	62,818,527
Due from jointly controlled companies	<u>66,132,639</u>	<u>33,606,682</u>
	<u><u>254,849,708</u></u>	<u><u>153,319,500</u></u>

Notes to the Financial Statements

 (Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
 (All amounts are stated in Rmb Yuan unless otherwise stated)

VII. NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)
2. OTHER RECEIVABLES

	30th June 2007	31st December 2006
Other receivables	508,948,290	309,899,067
Less: Specific provision for bad debts	(846,749)	(846,749)
	<u>508,101,541</u>	<u>309,052,318</u>

Ageing and provision for bad debts of other receivable:

	30th June 2007			31st December 2006		
	Amount	%	Bad debt provision	Amount	%	Bad debt provision
Ageing						
Within 1 year	465,988,714	92	–	255,450,256	83	–
1-2 years	21,941,172	4	–	33,853,323	11	–
2-3 years	2,355,470	–	–	4,332,507	1	–
Over 3 years	18,662,934	4	(846,749)	16,262,981	5	(846,749)
	<u>508,948,290</u>	<u>100</u>	<u>(846,749)</u>	<u>309,899,067</u>	<u>100</u>	<u>(846,749)</u>

3. LONG TERM EQUITY INVESTMENT

	30th June 2007	31st December 2006
Investment in associated companies	77,972,789	102,845,272
Investment in jointly controlled entities	13,647,473	11,753,259
Investment in subsidiaries	1,368,518,902	1,368,540,110
Other equity investment	24,866,602	24,866,602
	<u>1,485,005,766</u>	<u>1,508,005,243</u>

4. REVENUES FROM OPERATIONS

	January to June 2007			January to June 2006		
	Revenues from operations	Cost of operations	Gross profit	Revenues from operations	Cost of operations	Gross profit
Revenues from main operations	1,639,042,578	1,516,710,305	122,332,273	1,352,603,015	1,226,564,358	126,038,657
Revenues from other operations	229,342,109	221,808,515	7,533,594	246,108,099	233,163,226	12,944,873
	<u>1,868,384,687</u>	<u>1,738,518,821</u>	<u>129,865,866</u>	<u>1,598,711,114</u>	<u>1,459,727,584</u>	<u>138,983,530</u>

5. INVESTMENT INCOME

	January to June 2007	January to June 2006
Income from stock	19,519,415	
Investment income (loss) from associated companies and jointly controlled entities	2,021,731	(1,308,336)
Other investment income	1,255,892	2,920,277
	<u>22,797,038</u>	<u>1,611,941</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. RELATION OF THE COMPANY AND RELATED PARTY

Name of related party	Relation with the Company
China Hengtian Group Company	Ultimate holding company
China National Textile Machinery Corporation (Group) Company Limited	Holding 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
Zhengzhou Textile Machinery Company Limited	Fellow subsidiaries
Zhengzhou Textile Machinery Plant	Fellow subsidiaries
Weinan Textile Machinery Plant	Fellow subsidiaries
China 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
Beijing Hongda Tiancheng Trading Company Limited	Fellow subsidiaries
Shanying Parts Company	Fellow subsidiaries
China Textile Industry Company Sales and Technical Service Company	Fellow subsidiaries
Yuci Chemical Fibre Machinery Company Limited	Fellow subsidiaries
Hongda Investment Company Limited	Fellow subsidiaries
China Garments Company Limited	Subsidiaries of ultimate holding company
Jingjin Associated Packing Plant	Associated company of Jingwei Machinery (Group) Company Limited
Qingdao Luhuan Engineering Company Limited	Associated companies
Hongda Research Company Limited	Associated companies
Qingdao Jinyi Pressing and Casting Company Limited	Associated companies
Shenyang Jingxing Textile Machinery Company Limited	Associated companies
Shenzhen Jinghuachi Science and Technology Investment Company Limited	Associated companies
China Textile Machinery and Technology Import and Export Corporation	Associated companies
Zhengzhou Hongda Non-Woven Fabric Company Limited	Associated companies
Qingdao Jinshan City Hotel	Associated companies
Qingdao Lanlifeng Laser Technology Company Limited	Associated companies
Beijing Chen Yu Tai He Property Development Co., Ltd.	Associated companies
Anhui Huamao Jingwei Xin Xing Textile Company Limited	Jointly controlled entities

The subsidiaries of the holding company, the subsidiaries of the ultimate holding 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 joint venture enterprises.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)**2. RELATED PARTY TRANSACTIONS**

The Group is controlled by China National Textile Machinery (Group) Co., Ltd which owns 33.83% of the Company's shares. The remaining 66.17% of the shares are widely held. The ultimate parent of the Group is China National Textile Machinery (Group) Co., Ltd. China National Textile Machinery (Group) Co., Ltd is the controlled subsidiary of China Hengtian Group Company (the "Controlling Shareholders"). The Controlling Shareholder and the Company also holds investments in various subsidiaries ("Fellow Subsidiaries"), associated companies and joint venture enterprises. These parties sell goods and provide relevant services and leases to the Company and vice versa. Fellow subsidiaries, associated companies and joint venture enterprises, similar to the Company are also under the control of the Controlling Shareholder, and therefore constitute related parties of the Company.

(1) *The following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the six months ended 30th June 2007:*

- i) Sales of goods and services

		For the six months ended 30th June	
		2007	2006
		<i>RMB'000</i>	<i>RMB'000</i>
Sales of finished goods:			
– Fellow subsidiaries	(i)	16,824,880	4,331,477
– Associated companies		312,629,575	138,127,963
– Jointly controlled entities		37,188	63,813
Sale of raw materials and components			
– Fellow subsidiaries	(i)	91,849,897	112,175,612
– Associated companies		419,403	–
Receive of processing fee			
– Fellow subsidiaries	(i)	7,186,480	4,056,879
Receive of provision of supporting services expense			
– Holding company	(i)	2,900,000	2,903,266
– Fellow subsidiaries		3,596,527	2,415,513
– Associated companies		30,000	–
Rental income			
– Fellow subsidiaries	(i)	2,979,982	2,544,526
– Associated companies		–	461,507
		<u> </u>	<u> </u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)**2. RELATED PARTY TRANSACTIONS (continued)**

(1) *The following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the six months ended 30th June 2007 (continued):*

		For the six months ended 30th June	
		2007	2006
		<i>RMB'000</i>	<i>RMB'000</i>
ii)	Purchases of goods and services		
		Note	
	Purchases of finished goods:		
	– Fellow subsidiaries	(i)	190,728,357
	Purchases of raw material and components:		
	– Fellow subsidiaries	(i)	64,363,601
	– Associated companies		5,838,340
	– Jointly controlled entities		–
	Purchase of tools model		
	– Fellow subsidiaries	(i)	9,296,302
	– Associated companies		58,111
	Purchase of castings		
	– Fellow subsidiaries	(i)	35,444,870
	– Associated companies		22,419,094
	Purchase of packaging materials		
	– Fellow subsidiaries	(i)	1,350,641
	Purchase of energy		
	– Fellow subsidiaries	(i)	1,219,200
	– Associated companies		–
	Processing fees paid		
	– Fellow subsidiaries	(i)	17,122,593
	– Associated companies		27,245
	Fees paid for transportation services		
	– Fellow subsidiaries	(i)	3,304,939
	– Associated companies		–
	Fees paid for repairs and maintenance services		
	– Fellow subsidiaries	(i)	15,173,587
	Fees paid for other supporting services		
	– Fellow subsidiaries	(i)	4,320,707
	– Associated companies		–
	Rental expense		
	– Fellow subsidiaries	(i)	506,959
	– Associated companies		–
	Staff accommodation rental expenses		
	– Fellow subsidiaries	(i)	172,883
	Estate administrative expense		
	– Fellow subsidiaries	(i)	–
	Interest expense		
	– Fellow subsidiaries	(i)	731,184
			–
iii)	Acceptance of guarantees for loans		
			Six months ended 30th June
			2007
			2006
	Acceptance of guarantees for loans		
	– Holding companies		200,000
	– Fellow subsidiaries		20,000
			–
			70,000

Notes:

(i) These transactions are conducted under the “Contract of Comprehensive Services” and Supplemental contract between the Group and the holding company on 18th August 2004 and 12th April 2007 respectively.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

2. RELATED PARTY TRANSACTIONS (continued)

(2) Pricing policy

The general price policy for the “Contract of Composite Service” and the supplemental contract were:

- (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.

IX. CONTINGENT LIABILITIES

	30th June 2007	31st December 2006
Guarantees for bank loans of third party	165,000,000	235,000,000
	<u>165,000,000</u>	<u>235,000,000</u>

As at 30th June 2007, the details of guarantees for loans of third parties are as follows:

Beneficiary	Guaranteed Amount
Beijing Hualian Commerce and Trade Development Co. Ltd.	165,000,000
	<u>165,000,000</u>

X. COMMITMENTS ISSUE

On 30th June 2007 and 31st December 2006, the Group had the following capital commitments and lease commitments which were mainly used for construction and purchase of equipments.

(1) CAPITAL COMMITMENTS

	30th June 2007	31st December 2006
Construction and purchase of equipment approved but not contracted	40,916,000	10,000,000
Construction and purchase of equipment contracted but not provided for	<u>11,735,524</u>	<u>5,247,596</u>

(2) LEASE COMMITMENTS

Land rental	30th June 2007	31st December 2006
Less than 1 year	1,717,900	2,045,103
1–2 years	1,717,900	1,717,900
2–3 years	572,633	-
	<u>4,008,433</u>	<u>3,763,003</u>
Property rental	30th June 2007	31st December 2006
Less than 1 year	3,383,550	8,683,336
	<u>3,383,550</u>	<u>8,683,336</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

XI. SUBSEQUENT EVENT

The Company was granted a composite banking credit facilities of RMB0.3 billion from Beijing Xinyuan Branch of China Everbright Bank in July 2007.

XII. SUPPLEMENTARY INFORMATION

1. ADJUSTMENT ITEMS OF COMPARABLE INCOME STATEMENT

Items	January to June 2006 Before adjustment	January to June 2006 After adjustment
Operating cost	2,163,970,763	2,163,970,763
Distribution expenses	59,293,372	59,293,372
Administrative expenses	250,730,736	240,903,220
Gain on fair value change	-	-
Investment income	1,642,738	1,642,738
Net profit	82,115,383	82,192,383

2. NET PROFIT FROM JANUARY TO JUNE 2006 BY SIMULATED ADOPTION OF NEW ACCOUNTING STANDARDS AND THE DIFFERENCE ADJUSTMENT OF NET PROFIT DISCLOSED IN THE INTERIM OF 2006

Items	Amounts
Net profit from 1st January to 30th June 2006 (original accounting standards)	82,115,383
Add: aggregate effect of retrospective adjustment item	77,000
Of which: Operating cost	-
Distribution expenses	-
Administrative expenses	(9,827,516)
Gain on fair value change	-
Investment income	-
Income tax	77,000
Others	9,827,516
Less: Effect of retrospective adjustment item on the share of profit and loss by minority shareholders	-
Net profit attributable to owners of the parent company from 1st January to 30th June 2006 (new accounting standards)	82,192,383
Based on the assumption that the pro forma information of the new accounting standards were fully implemented	
1. Add: aggregate effect of other items	1,420,713
Of which: Distribution expenses	-
Profit and loss from debt restructuring	-
Profit and loss from exchange of non-monetary assets	-
Investment income	2,729,049
Income tax	-
Others	(1,308,336)
2. Add: Effect of retrospective adjustment item on the share of profit and loss by minority shareholders	-
3. Add: share of profit and loss of minority shareholders showed in the original interim financial statement	6,966,784
Pro forma net profit from 1st January to 30th June 2006	90,579,880

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

XII. SUPPLEMENTARY INFORMATION (continued)

2. NET PROFIT FROM JANUARY TO JUNE 2006 BY SIMULATED ADOPTION OF NEW ACCOUNTING STANDARDS AND THE DIFFERENCE ADJUSTMENT OF NET PROFIT DISCLOSED IN THE INTERIM OF 2006 (continued)

Assuming the new accounting standards were fully implemented between January and June 2006, the condensed income statement would be as follows:

Items of condensed income statement	As stated according to the new standards	Less: value consolidated with jointly controlled entities	Add: Income from the equity interests in jointly controlled entities	Add: Difference in the equity investment amortized originally	As stated according to the new standards fully implemented
I. Operating income	2,593,199,205	16,864,189	–	–	2,576,335,016
Operating cost	2,163,970,763	15,670,367	–	–	2,148,300,396
Distribution expenses	59,293,372	24,973	–	–	59,268,399
Administrative expenses	240,903,220	1,034,886	–	–	239,868,334
Finance expenses	9,274,371	1,442,221	–	–	7,832,150
Gains from investment	1,642,738	–	1,308,336	1,420,713	4,371,787
II. Operating profit	105,995,871	-1,308,274	1,308,336	1,420,713	107,416,522
III. Total profit	106,623,993	-1,308,336	1,308,336	1,420,713	108,044,706
Less: Income tax charges	17,464,826	–	–	–	17,464,826
IV. Net profit	89,159,167	-1,308,336	1,308,336	1,420,713	90,579,880
Of which: Profit attributable to the owners by the parent	82,192,383	–	–	–	83,613,096
Profit and losses attributable to minority interests	6,966,784	–	–	–	6,966,784

Notes: Profit and losses as stated on the basis of fully retrospective adjustment in accordance with new accounting standards

- 1) The Group is required to deconsolidate Anhui Huamao Jingwei Xin Xing Textile Company Limited, a jointly controlled entity and adjust the net profit and losses according to the equity method;
- 2) The difference in the equity investment under common control originally amortized was reversed with an increase in gains from investment.

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 2007

	Note	Unaudited	
		Six months ended 30th June 2007	Six months ended 30th June 2006
		RMB '000	RMB '000
Turnover	4	2,935,494	2,142,146
Cost of sales		<u>(2,506,255)</u>	<u>(1,752,024)</u>
Gross profit		429,239	390,122
Other gains, net	5	34,169	46,123
Distribution expenses		(77,949)	(59,293)
Administrative expenses		<u>(239,728)</u>	<u>(253,672)</u>
Operating profit	6	145,731	123,280
Finance cost	7	(21,459)	(16,605)
Share of profits less losses of associated companies and joint venture companies		<u>3,949</u>	<u>1,423</u>
Profit before taxation		128,221	108,098
Income tax expenses	8	<u>(22,153)</u>	<u>(17,465)</u>
Profit for the period		<u><u>106,068</u></u>	<u><u>90,633</u></u>
Attributable to:			
Equity holders of the Company		97,373	83,666
Minority interest		<u>8,695</u>	<u>6,967</u>
		<u><u>106,068</u></u>	<u><u>90,633</u></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><u>0.16</u></u>	<u><u>0.14</u></u>
Dividend	10	<u><u>–</u></u>	<u><u>–</u></u>

The notes on pages 65 to 74 form an integral part of this condensed interim financial information.

Condensed Consolidated Balance Sheet
(Prepared in Accordance with HKFRS)

As at 30th June 2007 and 31st December 2006

	<i>Note</i>	Unaudited 30th June 2007 RMB'000	Audited 31st December 2006 RMB'000
ASSETS			
Non-current assets			
Tangible and Intangible assets	11	1,491,540	1,627,034
Investments in associated companies and jointly controlled entities		111,935	127,092
Available-for-sale financial assets		39,611	39,611
Deferred income tax assets		33,919	33,919
		1,677,005	1,827,656
Current assets			
Inventories		1,684,777	1,326,039
Trade and bills receivables	12	2,026,064	1,799,548
Prepayment to suppliers		205,018	140,564
Deposits, other receivables and prepayment		145,557	135,618
Amounts due from fellow subsidiaries, associated companies and jointly controlled entities	15	330,930	337,145
Other financial assets at fair value through profit or loss		3,186	8,886
Restricted bank deposits		6,260	7,891
Bank balances and cash		701,810	897,390
		5,103,602	4,653,081
Total assets		6,780,607	6,480,737
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	603,800	603,800
Other reserves		1,779,912	1,779,833
Retained earnings			
– Proposed final dividend		–	48,304
– Others		514,262	416,889
		2,897,974	2,848,826
Minority interest		206,902	176,565
Total equity		3,104,876	3,025,391

The notes on pages 65 to 74 form an integral part of this condensed interim financial information.

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

As at 30th June 2007 and 31st December 2006

	<i>Note</i>	Unaudited 30th June 2007 RMB '000	Audited 31st December 2006 RMB '000
LIABILITIES			
Non-current liabilities			
Long-term borrowings		250,000	200,000
Deferred income tax liabilities		436	1,237
		250,436	201,237
Current liabilities			
Trade and bills payables	13	1,726,712	1,799,709
Taxation payable		4,690	23,762
Borrowings	14	769,799	522,787
Advances from customers		450,672	421,714
Amount due to holding company	15	–	46,015
Amount due to fellow subsidiaries, associated companies and jointly controlled entities	15	26,921	151,605
Other payables and accruals		390,092	288,517
Dividend payable		56,409	–
		3,425,295	3,254,109
Total liabilities		3,675,731	3,455,346
Total equity and liabilities		6,780,607	6,480,737
Net current assets		1,678,307	1,398,972
Total assets less current liabilities		3,355,312	3,266,628

The notes on pages 65 to 74 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 2007

	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 2006		603,800	1,695,684	394,112	175,473	2,869,069
Net gains 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		–	–	–	28,002	28,002
Dividend relating to 2006 paid in 2007		–	–	(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>
Balance at 1st January 2007		<u>603,800</u>	<u>1,779,833</u>	<u>465,193</u>	<u>176,565</u>	<u>3,025,391</u>
Net gains recognised directly in equity						
– Exchange differences arising on translation of the accounts of a foreign subsidiary		–	79	–	–	79
Profit for the period		–	–	97,373	8,695	106,068
Total recognised income for the six months ended 30th June 2007		–	79	97,373	8,695	106,147
Transfer from retained earnings		–	–	–	–	–
Acquisition of minority interest	19	–	–	–	21,642	21,642
Dividend relating to 2006 paid in 2007		–	–	(48,304)	–	(48,304)
Balance at 30th June 2007		<u>603,800</u>	<u>1,779,912</u>	<u>514,262</u>	<u>206,902</u>	<u>3,104,876</u>

The notes on pages 65 to 74 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 2007

		Unaudited	
		Six months ended 30th June	
		2007	2006
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Net cash used in operating activities		(213,034)	(206,542)
Cash flows from investing activities:			
– acquisition of subsidiary, net of cash acquired	19	(61,255)	648
– purchases of property, plant and equipment		(75,105)	(45,372)
– proceeds on disposal of property, plant and equipment		552	1,047
– other investing cash flow – net		80,703	130,523
Net cash flows from investing activities		(55,105)	86,846
Cash flows from financing activities:			
– dividends paid		(11,000)	–
– repayments of borrowings		(58,074)	(207,090)
– other finance cash flows – net		140,002	312,209
Net cash flows from/(used in) financing activities		70,928	105,119
Net decrease in cash and cash equivalents		(197,211)	(14,577)
Cash and cash equivalents at 1st January		905,281	796,523
Effect of foreign exchange rate changes		–	99
Cash and cash equivalents at 30th June		<u>708,070</u>	<u>782,045</u>
Analysis of balances of cash and cash equivalents:			
– Cash and cash equivalent		708,070	782,045
– Time deposits with maturity more than three months		–	–
		<u>708,070</u>	<u>782,045</u>

The notes on pages 65 to 74 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 20th August 2007.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim accounts 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 condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2006. In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (hereinafter collectively referred to as the “new HKFRSs”), which are either effective for the financial year of the Group beginning on 1st January 2007.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS ³
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1st January 2007.

² Effective for annual periods beginning on or after 1st March 2006.

³ Effective for annual periods beginning on or after 1st May 2006.

⁴ Effective for annual periods beginning on or after 1st June 2006.

⁵ Effective for annual periods beginning on or after 1st November 2006.

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods of the Group. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 23 (Amendment)	Borrowing Costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC)-INT 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January 2009.

² Effective for annual periods beginning on or after 1st March 2007.

³ Effective for annual periods beginning on or after 1st January 2008.

The Directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

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

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% (2006: 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	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
Sales of goods	<u>2,935,494</u>	<u>2,142,146</u>

Primary reporting format – business segments

No analysis on primary reporting format-business segments for the six months ended 30th June 2007 and 2006 respectively is presented as the Group engaged only in the manufacture and sale of textile machinery during these period.

Secondary reporting format – geographical segment

	Turnover		Segment results		Total assets		Capital expenditure	
	Six months ended 30th June				As at	As at	Six months ended 30th June	
	2007	2006	2007	2006	30 Jun 2007	31 Dec 2006	2007	2006
	<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	2,557,586	2,001,886	89,182	111,704	6,516,101	6,201,282	84,949	105,607
Other countries	377,908	140,260	55,293	9,935	152,571	152,363	3	7
	<u>2,935,494</u>	<u>2,142,146</u>	144,475	121,639	6,668,672	6,353,645	<u>84,952</u>	<u>105,614</u>
Investment income			1,256	1,641				
Operating profit			<u>145,731</u>	<u>123,280</u>				
Investments in associated companies and jointly controlled entities					111,935	127,092		
Total Assets					<u>6,780,607</u>	<u>6,480,737</u>		

5. OTHER GAINS, NET

	Six months ended 30th June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank and a fellow subsidiary	6,078	7,939
Investment income	24,582	1,641
Net gain on disposal of property, plant and equipment	663	2,144
Others	2,846	34,399
	<u>34,169</u>	<u>46,123</u>

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

6. OPERATING PROFIT

Operating profit had credited and charged the following items:

	Six months ended 30th June	
	2007	2006
	<i>RMB '000</i>	<i>RMB '000</i>
Crediting		
Reversal of provision for property, plant and equipment	–	1,401
Net exchange gain	(42)	209
	<u> </u>	<u> </u>
Charging		
Amortisation of intangible assets	2,528	1,793
Auditor's remuneration	3,500	1,850
Cost of inventories sold	2,500,837	1,746,447
Depreciation	51,086	43,432
Amortisation of land use rights	2,762	2,727
Operating lease expense-land and buildings	4,176	3,741
Provision for doubtful and bad debts	6,537	10,010
Provision for inventories obsolescence	5,258	1,181
Staff costs, include directors' and supervisors' emoluments	302,144	268,650
	<u> </u>	<u> </u>

7. FINANCE COST

	Six months ended 30th June	
	2007	2006
	<i>RMB '000</i>	<i>RMB '000</i>
Interest expenses:		
– Bank loans repayable within 5 years	21,417	16,814
Net exchange gain	42	(209)
	<u> </u>	<u> </u>
	<u>21,459</u>	<u>16,605</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 (2006: Nil). The Company and its subsidiaries are subject to PRC enterprise income tax on their assessable profits.

	Six months ended 30th June	
	2007	2006
	<i>RMB '000</i>	<i>RMB '000</i>
Company and subsidiaries		
– PRC taxation	21,342	17,542
Deferred taxation	811	(77)
	<u> </u>	<u> </u>
	<u>22,153</u>	<u>17,465</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% (2006: 15%) is applicable to the Company during 2007. The enterprise income tax rates of the Company's subsidiaries range from 15% to 33% (2006: 15% to 33%). In addition, seven other subsidiaries of the Company are subject to a preferential tax rate of 15% in 2007 (2006: 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 RMB97,373,000 (2006: RMB83,666,000) and the weighted average number of 603,800,000 (2006: 603,800,000) shares in issue during the period.

No diluted earnings per share is presented since the Company has no dilutive potential shares during the period (2006: nil).

10. DIVIDEND

- (a) No dividend was proposed by the Company for the six months ended 30th June 2007 (2006: nil).
- (b) Pursuant to the shareholders' general meeting held on 28th June 2007, the shareholders have approved a final dividend of RMB0.08 (tax inclusive) per share for all domestic, A and H shares. Such dividend is not reflected as dividend payable as at 31st December 2006, but has been reflected as an appropriation of retained profits for the six months ended 30th June 2007.

11. CAPITAL EXPENDITURE

	Patents and trademarks <i>RMB'000</i>	Software <i>RMB'000</i>	Total intangible assets <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Total <i>RMB'000</i>
Opening net book amount as at 1st January 2007	16,113	6,145	22,258	1,363,065	239,452	1,624,775
Acquisition of subsidiary	–	–	–	963	–	963
Additions/disposals, net	–	40	40	83,265	684	83,989
Deduction of joint venture companies	–	–	–	(161,812)	–	(161,812)
Amortisation/depreciation charge	(492)	(2,035)	(2,527)	(51,086)	(2,762)	(56,375)
Closing net book amount as at 30th June 2007	<u>15,621</u>	<u>4,150</u>	<u>19,771</u>	<u>1,234,395</u>	<u>237,374</u>	<u>1,491,540</u>
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	(372)	(1,421)	(1,793)	(43,432)	(2,727)	(47,952)
Closing net book amount as at 30th June 2006:	<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>

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

12. TRADE AND BILLS RECEIVABLES

	30th June 2007	31st December 2006
	<i>RMB '000</i>	<i>RMB '000</i>
Trade and bills receivables	2,229,328	1,991,162
Less: Provision	(203,264)	(191,614)
	<u>2,026,064</u>	<u>1,799,548</u>

The ageing analysis is as follows:

	30th June 2007	31st December 2006
	<i>RMB '000</i>	<i>RMB '000</i>
Less than 1 year	1,966,245	1,755,369
1 – 2 years	49,198	40,080
2 – 3 years	27,336	31,890
Over 3 years	186,549	163,823
	<u>2,229,328</u>	<u>1,991,162</u>

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

13. TRADE AND BILLS PAYABLES

	30th June 2007	31st December 2006
	<i>RMB '000</i>	<i>RMB '000</i>
Less than 1 year	1,650,719	1,748,094
1 – 2 years	23,163	25,195
2 – 3 years	26,128	16,475
Over 3 years	26,702	9,945
	<u>1,726,712</u>	<u>1,799,709</u>

14. BORROWINGS

	30th June 2007	31st December 2006
	<i>RMB '000</i>	<i>RMB '000</i>
Short-term bank loans	<u>769,799</u>	<u>522,787</u>

The interest rate per annum of the bank loans of the Group during the reporting period was ranged from 3.65% to 6.75%. The above loans included collateralized loans of RMB100,000,000. The loans were the loans granted by Pinggu branch of Industrial and Commercial Bank for the payment of part of the title of the land parcel no. 36, which is located in Da Tun Road, Beishatan, Chaoyang District, Beijing for the acquisition of Beijing Bohong Real Estate Development Company Limited by the Group in March 2007. The interest rate per annum was 6.75%.

Notes to the Unaudited Condensed Interim Financial Statements
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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 of the Group 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	195,640,000	195,640
H shares of RMB1.00 each	180,800,000	180,800
A shares of RMB1.00 each	227,360,000	227,360
	<u>603,800,000</u>	<u>603,800</u>
At 30th June 2007 and 31st December 2006	<u>603,800,000</u>	<u>603,800</u>

17. CONTINGENT LIABILITIES

	30th June 2007 RMB'000	31st December 2006 RMB'000
Guarantees for bank loans of third parties	<u>165,000</u>	<u>235,000</u>

18. COMMITMENTS

(a) Capital commitments

	30th June 2007 RMB'000	31st December 2006 RMB'000
Contracted but not provided for		
Construction in progress and equipment	<u>11,736</u>	<u>5,248</u>
Authorised but not contracted for		
Construction in progress and equipment	<u>40,916</u>	<u>10,000</u>

(b) Lease Commitments

As at 30th June 2007, the minimum payment for the lease of the Group under the non-cancelable lease contract was as follows:

	30th June 2007 RMB'000	31st December 2006 RMB'000
Land and property		
Within 1 year	5,101	10,728
2 – 5 years	2,290	1,718
	<u>7,391</u>	<u>12,446</u>

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

19. BUSINESS COMBINATIONS

On 23rd March 2007, Beijing Jingwei Textile New Technology Co., Ltd., a subsidiary of the Company entered into the equity interest transfer agreement with China High-New Technology Investment Development Co., Ltd. and was transferred 65% equity interests of Beijing Bohong Real Estate Development Co., Ltd., a subsidiary controlled by China High-New. The relevant equity interest transfer procedures were completed on 6th April 2007.

From the date of acquisition to 30th June 2007, the contribution of Beijing Bohong Real Estate Development Co., Ltd. to the turnover and net profits of the Group were RMB310,473 and RMB-1,508,074 respectively.

	2007
	<i>RMB'000</i>
Total purchase consideration	100,000
Fair value of net assets acquired	<u>100,000</u>

After the completion of the acquisition in March 2007, the assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's
	<i>RMB'000</i>	carrying
		amount
		<i>RMB'000</i>
Cash and cash equivalents	38,745	38,745
Property, plant and equipment	881	881
Inventories	354,376	299,934
Other non-current assets	40	40
Receivables	2,338	2,338
Short-term loans	(203,000)	(203,000)
Current liabilities	(39,534)	(39,534)
Net assets	<u>153,846</u>	<u>99,404</u>
Minority interests (35%)	<u>53,846</u>	
Net assets acquired	<u>100,000</u>	
Purchase consideration settled in cash		100,000
Cash and cash equivalents acquired		<u>(38,745)</u>
Cash outflow on acquisition		<u>61,255</u>

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

The Company is controlled by China Textile Machinery (Group) Company Limited which owns 33.83% of the Company's shares. The remaining 66.17% of the shares are widely held. The holding company of the Company 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 during the six months ended 30th June 2007:

i) Investment

		Six months ended 30th June	
		2007	2006
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Purchases of other investments			
– Associated company		–	6,912
		<u> </u>	<u> </u>

ii) Sales of goods and services

		Six months ended 30th June	
		2007	2006
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Sales of finished goods			
– Fellow subsidiaries	(i)	16,825	4,331
– Associated companies	(i)	312,630	138,128
– Jointly controlled entities	(i)	37	64
Sales of raw materials and components			
– Fellow subsidiaries	(i)	91,850	112,176
– Associated companies	(i)	419	–
Receiving of processing fee			
– Fellow subsidiaries	(i)	7,186	4,057
Provision of other supporting services expense			
– Holding company	(i)	2,900	2,903
– Fellow subsidiaries	(i)	3,597	2,416
– Associated companies	(i)	30	–
Rental income			
– Fellow subsidiaries	(i)	2,980	2,545
– Associated companies	(i)	–	462
		<u> </u>	<u> </u>

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

20. RELATED PARTY TRANSACTIONS (continued)

iii) Purchases of goods and services

		Six months ended 30th June	
	<i>Note</i>	2007	2006
		<i>RMB'000</i>	<i>RMB'000</i>
Purchases of finished goods			
– Fellow subsidiaries	(i)	190,728	200,978
Purchases of raw material and components			
– Fellow subsidiaries	(i)	64,364	49,705
– Associated companies	(i)	5,838	7,284
– Jointly controlled entities	(i)	–	370
Purchases of tools model			
– Fellow subsidiaries	(i)	9,296	9,291
– Associated companies	(i)	58	–
Purchases of castings			
– Fellow subsidiaries	(i)	35,445	16,717
– Associated companies	(i)	22,419	13,428
Purchases of package			
– Fellow subsidiaries	(i)	1,351	–
Purchases of energy			
– Fellow subsidiaries	(i)	1,219	2,640
– Associated companies	(i)	–	5,177
Processing fees paid			
– Fellow subsidiaries	(i)	17,123	48,925
– Associated companies	(i)	27	–
Fees paid for transportation services			
– Fellow subsidiaries	(i)	3,305	1,623
– Associated companies	(i)	–	1,147
Fees paid for repairs and maintenance services			
– Fellow subsidiaries	(i)	15,174	9,856
Fees paid for other supporting services			
– Fellow subsidiaries	(i)	4,321	22,670
– Associated companies	(i)	–	172
Rental expense			
– Fellow subsidiaries	(i)	507	866
– Associated companies	(i)	–	4,243
Staff accommodation rental expenses			
– Fellow subsidiaries	(i)	173	177
Estate administrative expense			
– Fellow subsidiaries	(i)	–	118
Interest expense			
– Fellow subsidiaries	(i)	731	–

iv) Guaranteed debt

		Six months ended 30th June	
	<i>Note</i>	2007	2006
		<i>RMB'000</i>	<i>RMB'000</i>
Guaranteed debt received			
– Holding company		200,000	–
– Fellow subsidiaries		20,000	70,000
		<u>200,000</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	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Balances with:		
– Associated companies	–	28,000

vi) Related party transactions with other state-owned enterprises

	Six months ended 30th June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of finished goods	336,086	213,560
Sales of raw materials and components	10,670	2,746
Interest income	3,078	979
Purchases of finished goods	3,320	9,224
Purchases of raw material and components	133,470	167,308
Purchases of tools model	43	95
Purchases of energy	32,759	28,684
Processing fees paid	2,466	226
Fees paid for transportation services	671	1,261
Fees paid for repairs and maintenance services	43	–
Purchases of castings	3,536	–
Interest expense	10,440	4,518
Received debt	250,000	129,000

vii) Key management compensation

	Six months ended 30th June	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other short-term employee benefits	1,404	1,053
Post-employment benefits	92	48
	<u>1,496</u>	<u>1,101</u>

Notes:

- (i) The transactions were carried out with reference to the “Service Agreement” signed on 18th August 2004 and the supplementary Contract signed on 12th April 2007 between the Group and the Holding Company.

21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Company was granted composite banking credit facilities of RMB0.3 billion from Beijing Xinyuan Branch of China Everbright Bank in July 2007.

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 2007 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

21st August 2007