

## Summary of Significant Matters

1. The Company was not engaged in any material litigation or arbitration during the year.
2. In May 2000, the Company issued 180,000,000 A Shares at an issue price of RMB7.21 and raised net proceeds of RMB1,234,800,000.
3. Connected transactions and ongoing connected transactions

Details of the connected transactions and ongoing connected transactions of the Group during the year are set out in the notes to the financial statements on pages 54-60, and pages 82-83. The connected transactions and the ongoing connected transactions have been approved by the Board of Directors of the Company. The Audit Committee comprising the independent non-executive directors of the Company have reviewed the connected transactions and confirmed that:

- (i) such transactions were entered into by the Company in the ordinary and usual course of its business;
  - (ii) such transactions were entered into either (1) on normal commercial terms, or (2) where there was no available comparison, on terms that were fair and reasonable so far as the shareholders of the Company are concerned;
  - (iii) such transactions were entered into either (1) in accordance with the terms of the agreements governing such transactions (including volumes of transaction and basis of pricing), or (2) where there was no such agreements, on terms no less favourable than terms available to third parties; and
  - (iv) the connected transactions and ongoing connected transactions were disclosed in the annual report of the Group in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules.
  - (v) the amounts of the connected transaction did not exceed the caps set out by the waiver granted by the Hong Kong Stock Exchange.
4. The Company and the controlling shareholders are independent, i.e. personnel are independent, assets are separated and finance is independent. (1) With respect to personnel, the Company is independent in respect of labour, personnel and salary management. (2) With respect to assets, the Company owns its independent systems of production, accessory production and related facilities. Other than the trademark of "Jingwei" which is owned by Jingwei Group, other intangible assets, such as industrial intellectual property and non-patented technology, are owned by the Company. The Company owns its purchasing and sales systems independently. (3) With respect to finance, the Company has its own independent finance and accounting department and established its independent accounting and audit system and financial management system. The Company keeps its own separate bank accounts.

### **5. Auditors**

The Company's accounts were audited by PricewaterhouseCoopers Zhong Tian (formerly Price Waterhouse Da Hua), PRC Certified Public Accountants and PricewaterhouseCoopers, Hong Kong Certified Public Accountants. There were no changes in the PRC and international auditors for the past three years.

### **6. Impact of newly constructed staff quarters on the Company's results**

Commencing 2000, the Company has implemented the staff quarters policy in accordance with the relevant policies of the state and local governments.

### **7. Trust Deposits**

As at 31st December 2000, the Company has placed its major deposits in the four main State-owned commercial banks in China. There is no arrangement for the Company to engage in trust deposits. Moreover, all deposits due in 2000 are recoverable.

### **8. The unified income tax and the cancellation of tax refund concession by local governments**

The Company was registered as a high and new technology enterprise in the Taiyuan High and New Technology Industrial Development Zone of Shanxi Province. In accordance with an approval document issued by State Tax Bureau of Shanxi Province on 28th September 1995, the Company is currently subject to an income tax rate of 15%. The Company is not entitled to any financial refund in respect of the income tax paid. The Company is not aware of any government policy change such that the tax rate referred to above would be varied.

### **9. Impact on the Company upon China's accession into the World Trade Organisation ("WTO")**

As the Company has competitive advantages over the technology, management, products, research and development aspects of the natural fibre textile machinery and part of the chemical fibre textile machinery, coupled with the cancellation of the restrictions over textile quotas which beneficial to the exports of the PRC textile products, the impact on the Company subsequent to the accession of China into the WTO will be minimal in the short term. Over the long run, the accession into the WTO will bring about more intensive competition in terms of capital, technology, product, sales network and talents. The Company has and will continue to study and setup workable strategies and measures to minimise the impact on the Company brought by the accession into the WTO and accelerate the development of the Company.