

**3. Shareholdings of directors, supervisors and senior management**

Name	Position	As at 1st January 2001	As at 30th June 2001
Yin Shouen	Chairman	0	0
Liu Shitong	Vice-chairman	12,800	12,800
Fan Xinmin	Vice-chairman	0	0
Li Shaoping	Director	0	0
Ye Maoxin	Director and General Manger	10,214	10,214
Yao Yuming	Director and Executive Deputy General Manager	9,200	9,200
Liu Haitao	Director	0	0
Gong Enqing	Director	0	0
Liu Xianming	Director	0	0
Zhang Jianguo	Director	0	0
Wang Weizhi	Director	0	0
Wang Zengjing	Independent Director	0	0
Kon Hiu King, Kenneth	Independent Director	0	0
Lu Yunliang	Chairman of the supervisory committee	0	0
Tu Kelin	Supervisor	0	0
Bao Shanjun	Supervisor	0	0
Yang Enchange	Supervisor	0	0
Cong Yongfa	Supervisor	7,000	7,000
Lin Jianwang	Deputy general manager	0	0
Shu Hong	Deputy general manager	0	0
Zhang Qingxi	Deputy general manager	2,370	2,370
Ye Xuehua	Secretary to the Board	0	0

Note: All shares held by the directors, supervisors and senior management of the Company are A Shares and there have been no changes in their respective shareholdings during the period.

Save as disclosed above, none of the directors, supervisors and their respective spouses or children under the age of 18 had any interest in the shares, bonds or other securities of the Company or its associates (as defined in the Securities Ordinance), nor had any of them subscribed for any interest in the shares or bonds of the Company or its associates (as defined in the Securities Ordinance).

IV. OPERATION REVIEW AND OUTLOOK**(I) Operation Review for the First Half-Year**

The Company is one of the largest textile machinery manufacturers in the PRC. It is principally engaged in the manufacture and sale of textile machinery and components and special parts.

In 2001, with the rapid growth of the national economy and the structural change in the textile industry, there were new requirements for technology innovation of the textile machinery sector, which also offered new opportunities for the Company. Under the leadership of the Company's management, we made use of such opportunities to increase our investments, reinforced our business co-operations and development. The Company has enhanced the structure of operations, product mix, corporate organization and investment adjustment. In addition, the Company succeeded in improving its resources deployment and strengthening its management. Stringent quality control was imposed and more effort was put in the expansion of both the domestic and overseas markets. As a result, all business and financial indicators showed a marked improvement as compared with the corresponding period last year and indeed achieved the best results over the past periods.

In the first half of the year, revenue derived from the principal operations of the Company was Rmb1,234,290,247, up 48.42% over the corresponding period last year. Net profit was Rmb90,487,841 (or Rmb50,588,530 based on HK GAAP), an increase of 37.79% compared with last year, of which:

Revenue generated from the parent company was Rmb445,382,626, 9.51% higher than last year. Net profit amounted to Rmb 90,177,162, representing an increase of 37.97%.

As for the subsidiaries,

Turnover and net profit from Zhengzhou Hongda New Textile Machinery Company Limited (鄭州宏大紡織機械公司) amounted to Rmb168,587,368 and Rmb6,627,296 respectively.

Turnover and net profit from Qingdao Hongda Textile Machinery Company Limited (青島宏大紡織機械公司) amounted to Rmb334,598,023 and Rmb14,500,280 respectively.

Turnover and net profit from Shenyang Hongda Textile Machinery Company Limited (瀋陽宏大紡織機械公司) amounted to Rmb75,899,054 and Rmb5,952,917 respectively.

Turnover and net profit from Tianjin Hongda Textile Machinery Company Limited (天津宏大紡織機械公司) amounted to Rmb155,490,641 and Rmb7,488,387 respectively.

1. Analysis of liquidity and financial resources of the Group (prepared in accordance with the accounting principles generally accepted in Hong Kong)

(1) Analysis of liquidity

As at 30th June 2001, current ratio was 2.06 and quick ratio stood at 1.50. Turnover of annual accounts receivables maintained at 7.16 and turnover of annual inventories was at 2.31. Such indicators reflected the Group was in a healthy position in terms of liquidity and has maintained strong realization and repayment capabilities.

(2) Analysis of financial resources

As at 30th June 2001, the Group had short term bank borrowings of Rmb484,920,000, to be payable by instalment. The Group had no short term debts.

2. Capital structure of the Group

The Group's operations were mainly financed by its profits, bank borrowings and the capital raised from the issue of shares. With regard to capital utilization, in addition to the supervision from the securities organizations and the regulatory authority, the Group has also formulated strict financial management systems and approval procedures for funds withdrawal so as to ensure the effective utilization of capital. Foreign investments shall be resolved by the board of Directors in which the relevant risks and returns are especially monitored.

(II) Investments of the Company

1. Use of proceeds from the issue of shares

The Company issued 180,000,000 additional A Shares in May 2000 and the net proceeds raised was Rmb1,234.8 million after deduction of issue expenses. In the period under review, the Company had applied the proceeds as set out in the prospectus. The relevant details are as follows:

(unit: Rmb ten thousand)

Method of fund raising	Projects committed for investment	Planned investments in 2001	Actual investments in the first half of 2001	Planned economic efficiency	Economic efficiency achieved
Issue of additional A Shares	New complete set of cotton textile equipment	7,040	4,552	3,258	1,050
Issue of additional A Shares	High-ended non-spinning cloth and finishing equipment	1,800	2,000	1,068	–
Issue of additional A Shares	Establishment of Jingwei technology development centre	2,180	2,300	500	200
Issue of additional A Shares	New non-spinning textile machine	3,160	600	1,260	–
Issue of additional A Shares	Domestic production of major national technical equipment	4,400	2,200	3,897	180
Issue of additional A Shares	Commercialization of new advanced technology	5,700	4,500	5,092	–
Issue of additional A Shares	Establishment of Jingwei textile machine information centre and CIMS system	1,000	500	300	–
Issue of additional A Shares	For working capital purposes	–	5,700	–	1,000
	Total		22,352		

In the first half of 2001, the Company invested Rmb223.52 million of the funds raised, which together with the amount of Rmb298.67 million invested in 2000, it had applied in aggregate Rmb522.19 million of the proceeds raised as at 30th June 2001, representing 42.29% of the total proceeds raised. The remaining proceeds of Rmb712.61 million has been deposited with bank.

2. Other investments

During the reporting period, the Company has invested in the establishment of 深圳市博略科技投资有限公司. The authorized capital of 深圳市博略科技投资有限公司 is Rmb85,550,000, of which the Company's contribution amounted to Rmb35,000,000, representing 40.94% of the shareholdings of the company.

**(III) Financial Position of the Company (based on the PRC GAAP)**

Changes in the main accounting items and reasons for such increases and decreases (unit: Rmb ten thousand)

	As at 30th June 2001	As at 31st December 2000	Changes (+/-)	Percentage of change (%)
Target projects				
Total assets	372,994	363,403	9,591	2.64
Accounts receivable	52,638	47,658	4,980	10.45
Net inventories	83,537	88,138	-4,601	-5.22
Net long term investments	5,736	269	5,467	20.32 times
Total fixed assets	50,631	45,859	4,772	10.41
Long term liabilities	3,200	7,129	-3,929	-55.11
Shareholders' equity	217,927	208,878	9,049	4.33
	As at 30th June 2001	As at 30th June 2000	Changes (+/-)	Percentage of change (%)
Target projects				
Profit from principal operations	23,999	16,559	7,440	44.93
Net profit	9,049	6,567	2,482	37.80

Reasons for the above changes:

1. The increase in total assets is attributable to the increase in profit for the period under review.
2. The increase in accounts receivable is attributable to the increase in principal operations.
3. The decrease in inventories is attributable to the increase in sales volume resulted in higher turnover of the inventories.
4. The increase in long term investments is attributable to new investments in the current period.
5. The increase in fixed assets is attributable to the increase of construction in progress in the current period.
6. The decrease of long term liabilities is attributable to the repayment of long term borrowings in the current period.
7. The increase of shareholders' equity is attributable to the increase in profit in the current period.
8. The increase in profit from principal operations is attributable to the increase in sales in the current period.
9. The increase of net profit is attributable to the increase in sales in the current period.

(IV) Outlook for the second half year

The PRC's imminent accession to the World Trade Organization will bring positive effect to the textile industry. The Company intends to capture the opportunities arising from this historic moment. It will adhere to the policy of improving economic efficiencies by adjusting business structure, optimizing resources allocation and capitalizing on its overall strength. The Company is committed to achieving the objectives of business diversification, modernization of management and internationalization of operations. The Company will concentrate on its core business, introduce advanced technology and keep on developing new products and improving existing products. It also plans to raise the grading and quality of its products gradually so as to increase the competitiveness of its products and enhance economic results.

For the purpose of achieving the Company's business objectives, the following tasks are to be taken:

1. To be market-oriented, accelerate the technical advancement, raise the quality and grading of products. The Company will place further efforts on technology development in order to attain technical innovation so that its main products will meet the high international technical standards. The functions of the Company's technical centre will further be capitalised upon. The functions of the centre are to track the development of international textile technology, bring in new technology so as to improve the spinning weaving manufacture process, develop proprietary technology and patent products and finally improve the competitiveness of the Company. A complete set of cotton spinning facilities will be developed and further efforts will be placed on the technology projects of the development of the complete technology of cotton spinning and spinning weaving automation. The aim is to upgrade the standard of cotton spinning facilities to match the international level in the 90s.
2. Optimize internal management system. The Company will drive on the optimization of internal operation and management systems in a bid to satisfy the requirement of market economy. Financial management will be the focus of efforts in which bulk purchases, financial budgeting, cost management, fund allocation will be the major concerns. It is intended that the competitive edge of the Company's products will be enhanced by lowering the costs. The management will also strive for the attainment of ISO 9000 certification and improvement of product management. The implementation of JW-CIMS will be speeded up and finally a higher standard of modernized corporate management will be achieved. Moreover, statistics reporting will be further improved so that the management can keep abreast of the latest state of affairs of the Company and address any problems immediately when they arise.

3. Refine the marketing system. The Company will follow the line of centralized management and unified marketing strategy. It will further build up its domestic and overseas marketing networks, take advantage on its complete set of cotton spinning machines to promote sales and the Company's product brandname, monitor the sales activities and services both before and after sales, with a view to increasing the market share of the Company. The staff responsible for foreign trade business will be re-aligned and efforts will be made to develop overseas markets and raise the proportion of exports and therefore greater amounts of foreign exchange income can be generated. At the same time, the Company will complete the establishment of the JWGF website and drive forward the e-commerce operations.
4. Proceed on business development by creating new profit centers. On the foundation of a successful core business, the Company will seek to diversify its business by carefully selecting a few high-tech projects with small amount of investment, quick recovery period, low risks and promising prospects. By making investments, acquiring share interests and joint development with external parties, the business structure of the Company will be further adjusted and new sources of profit growth are allowed to be cultivated.
5. Emphasise on human assets and increase staff loyalty. To enhance human resources management, attract high caliber staff, establish a healthy incentive and control system in order to allow the staff to take initiative and trigger creativity.

V. SIGNIFICANT EVENTS

1. The board of the Company has resolved not to recommend the payment of an interim dividend for the period ended 30th June 2001; common reserve will not be transferred into share capital.
2. Proposed allocation of profit, transfer of common reserve to share capital for the prior year and their implementation.

Based on the Company's net profit for the year 2000 of Rmb133,311,000 in accordance with the "Accounting Standards of Enterprises" and "Accounting Policies of Joint Stock Companies Limited with Limited Liability" (promulgated by the Ministry of Finance of the People's Republic of China) implemented prior to 2001, the Company made, on the basis of 603.8 million shares, a payment of final dividend of Rmb0.11 per share (amounting to HK\$0.103715), tax included, to all shareholders of the Company. After a drawdown of 10% for statutory common reserve of Rmb13,331,000 and 10% for statutory public welfare fund of Rmb13,331,000 from the above net profit pursuant to the Company's Articles, thus allowing a distributable profit of Rmb106,649,000 for the year, which, when adding the undistributed profit of Rmb127,120,000 at the beginning of the year, resulting in an aggregate amount of profits distributable to shareholders of Rmb233,769,000. The total payment of final dividend amounted to Rmb66,418,000 and the remaining undistributed profit of Rmb167,351,000 were carried forward to the next year.

By virtue of the implementation of the new "Accounting Policies of Enterprises", "Accounting Standards of Enterprises" and their supplemental provisions, the Company have made provisions for the impairment of value of certain fixed assets. The profit and loss for the year 2000 and shareholders' equity for prior years have been adjusted accordingly, and the accumulated decrease in undistributed profits amounted to Rmb39,538,000.

Such profit distribution was completed on 18th July 2001.

No transfer of common reserve to share capital was proposed for the year 2000.

No share allotment was recommended during the period.

3. The Company has no material litigation and arbitration during the period.
4. There were no acquisition and take-over and assets restructuring during the period.
5. For details of the significant related party transactions during the reporting period, please refer to note 3 to the Financial statements.
6. "The 3 Separations" in respect of personnel, assets and financial affairs, being personnel independence, assets integrity and financial independence, is fully implemented in the Company and its controlling shareholder.
 - 1) As to personnel: the Company exercises absolute independence in respect of labour, human resources and payroll management; such as the senior management general managers and deputy general managers who receive their salaries from the listed company have not taken up any significant office in other companies controlled by the controlling shareholder.
 - 2) As to assets: the Company has its own production systems, auxiliary production systems and matching facilities, as well as independent sale and purchase system.
 - 3) As to financial affairs: the Company has established an independent finance department and also an independent accounting and auditing system and financial management system; and it has maintained separate accounts with banks.
7. During the period, there was no entrustment, contracting and lease of assets of other companies by the Company or vice versa.