

VII. FINANCIAL STATEMENTS PREPARED UNDER THE HK GAAP (UNAUDITED)**1. Financial statements****Condensed consolidated profit and loss account***For the six months ended 30th June 2001*

	<i>Notes</i>	Unaudited	
		Six months ended 30th June	2000
		2001	
		<i>Rmb '000</i>	<i>Rmb '000</i>
Turnover	2	1,234,290	831,643
Cost of sales		(991,074)	(664,644)
Gross profit		243,216	166,999
Other revenues		2,340	2,213
Distribution expenses		(26,785)	(20,441)
Administrative expenses		(112,306)	(62,982)
Other operating expenses		(1,563)	(1,767)
Operating profit	3	104,902	84,022
Provision for impairment of fixed assets		(39,538)	—
Net interest expenses		(3,263)	(12,776)
Share of profits of associated companies		296	—
Profit before taxation		62,397	71,246
Taxation	4	(11,145)	(5,317)
Profit after taxation		51,252	65,929
Minority interests		(664)	(568)
Profit attributable to shareholders		50,588	65,361
Dividends	5	(66,418)	—
Basic earnings per share	6	0.08	0.14

The only component of the statement of recognised gain and loss is the profit for the period and a separate statement is not presented.

**Condensed consolidated balance sheets***As at 30th June 2001 and 31st December 2000*

		Unaudited 30th June 2001 Rmb'000	Audited 31st December 2000 Rmb'000
	<i>Notes</i>		
Non-current assets			
Intangible assets		824	925
Fixed assets		565,948	557,669
Investments in associated companies		62,100	7,100
Investment securities		460	1,105
		<u>629,332</u>	<u>566,799</u>
Current assets			
Inventories		835,368	881,381
Trade and bills receivables	7	363,429	325,644
Prepayments to suppliers		148,629	91,542
Amount due from ultimate holding company		33,724	29,383
Amounts due from fellow subsidiaries		88,781	73,961
Taxation recoverable		—	2,041
Deposits, other receivables and prepayments		54,725	62,401
Bank balances and cash		1,539,041	1,611,694
		<u>3,063,697</u>	<u>3,078,047</u>
Current liabilities			
Trade payables	8	348,240	336,477
Advances from customers		414,804	505,869
Amounts due to fellow subsidiaries		36,303	34,497
Amount due to Jingwei Group Company		9,522	11,542
Other payables and accruals		51,978	41,170
Current portion of long-term bank loans	9	23,500	23,500
Taxation payable		34,667	—
Dividend payable		66,418	—
Bank loans			
– secured		25,000	2,400
– unsecured		459,920	414,010
		<u>1,470,352</u>	<u>1,369,465</u>
Net current assets		<u>1,593,345</u>	<u>1,708,582</u>
Total assets less current liabilities		<u>2,222,677</u>	<u>2,275,381</u>
Financed by:			
Share capital	10	603,800	603,800
Reserves	11	1,576,733	1,526,145
Proposed dividend	5	—	66,418
Shareholders' funds		<u>2,180,533</u>	<u>2,196,363</u>
Minority interests		10,144	7,728
Non-current liabilities			
Long-term bank loans	9	<u>32,000</u>	<u>71,290</u>
		<u>2,222,677</u>	<u>2,275,381</u>

Condensed consolidated cash flow statement
For the six months ended 30th June 2001

	Unaudited	
	Six months ended 30th June	
	2001	2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Net cash inflow from operating activities	33,776	136,658
Net cash outflow from returns on investments and servicing of finance	(10,616)	(27,450)
Total taxation paid	(39,297)	(3,812)
Net cash outflow from investing activities	(90,146)	(23,383)
Net cash inflow from financing	33,630	1,226,333
(Decrease)/increase in cash and cash equivalents	(72,653)	1,308,346
Cash and cash equivalents at 1st January	1,611,694	256,266
Cash and cash equivalents at 30th June	1,539,041	1,564,612
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	1,539,041	1,564,612

2. Notes to condensed interim accounts

1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAP's) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised): Events after the balance sheet date

SSAP 14 (revised): Leases

SSAP 31: Impairment of assets

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:

(a) SSAP 9 (revised) Events after balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 11, opening retained earnings at 1st January 2001 have increased by Rmb66,418,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31st December 2000 although not declared until after balance sheet date. A corresponding decrease in current liabilities by Rmb66,418,000 has been reflected in the comparative 31st December 2000 balance sheet.

Changes to headings used in the previously reported 31st December 2000 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) SSAP 31 Impairment of assets

In accordance with SSAP 31, an asset is impaired when the carrying amount exceeds its recoverable amount and that provision for impairment should be applied on a prospective basis. During the six months ended 30th June 2001, the Group has recognised a total provision of Rmb39,538,000 for the impairment of fixed assets and is charged against results for the period.

**2. Turnover**

The Group is principally engaged in textiles manufacturing, manufacture, retail and distribution of textile machinery.

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2001	2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Crediting		
Investment income	<u>1,508</u>	<u>360</u>
Charging		
Depreciation	22,794	21,069
Staff costs	85,681	62,183
Retirement benefit costs	<u>6,654</u>	<u>5,123</u>

4. Taxation

No Hong Kong profits tax has been provided as the Group had no taxable profits in Hong Kong for the period (2000: Nil). The Company and its subsidiaries are subject to PRC income tax on their assessable profits.

In accordance with an approval document issued by the State Administration of Taxation of Shanxi Province on 28th September 1995, income tax rate of 15% is applicable to the Company during the period (2000: 15%). The income tax rates of the Company's subsidiaries range from 15% to 27% (2000: 15% to 27%) and one of the Company's subsidiaries enjoyed tax exemption from 1999 to 2004 and will be subject to a preferential income tax rate of 7.5% from 2005 to 2009. In addition, three subsidiaries of the Company enjoyed tax exemption from 1999 to 2000 and will be subject to a preferential tax rate of 15% from 2001 to 2003. Another subsidiary of the Company enjoyed tax exemption from 1999 to 2001 and will be subject to a preferential tax rate of 15% from 2002 onwards.

No deferred taxation has been accounted for during the period as there were no material timing differences.

5. Dividends

	Six months ended 30th June	
	2001	2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Final dividend for 2000, Rmb0.11 per share (Note (i))	<u>66,418</u>	<u>—</u>

Note (i): The previously recorded final dividends proposed and declared after 31st December 2000 but accrued in the accounts for the year ended 31st December 2000 were Rmb66,418,000. Under the Group's new accounting policy as described in Note 1(a), these have been written back against opening reserves as at 1st January 2001 in Note 11 and are now charged in the period in which they were proposed.

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of Rmb50,588,000 (2000: Rmb65,361,000) and the weighted average of 603,800,000 (2000: 453,800,000) shares in issue during the period.

No diluted earnings per share is presented as the Group does not have any dilutive potential shares.

7. Trade and bills receivables

	30th June 2001	31st December 2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Trade and bills receivable	416,260	373,072
Less: Provision	(52,831)	(47,428)
	<u>363,429</u>	<u>325,644</u>

The ageing analysis of the gross trade and bill receivables as at 30th June 2001 is as follows:

	30th June 2001	31st December 2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Less than 1 year	273,838	232,617
1-2 years	69,034	69,146
2-3 years	37,131	36,767
Over 3 years	36,257	34,542
Total	<u>416,260</u>	<u>373,072</u>

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

8. Trade payables

The ageing analysis of the trade payables as at 30th June 2001 were as follows:

	30th June 2001	31st December 2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Less than 1 year	306,125	294,688
1-2 years	20,395	21,223
2-3 years	18,346	18,210
Over 3 years	3,374	2,356
Total	<u>348,240</u>	<u>336,477</u>

9. Long-term bank loans

	30th June 2001	31st December 2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Bank loans, unsecured		
Wholly repayable within five years	55,500	94,790
Current portion of long-term bank loans	(23,500)	(23,500)
	<u>32,000</u>	<u>71,290</u>

At 30th June 2001, the Group's bank loans were repayable as follows:

	30th June 2001	31st December 2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Within one year	23,500	23,500
In the second year	19,500	38,000
In the third to fifth year	12,500	33,290
	<u>55,500</u>	<u>94,790</u>

The bank loans carry interest at market rates.



10. Share capital

	No. of shares	Rmb '000
Registered, issued, and fully paid		
Domestic shares of Rmb1.00 each	220,000,000	220,000
H shares of Rmb1.00 each	180,800,000	180,800
A shares of Rmb1.00 each	203,000,000	203,000
At 30th June 2001 and 31st December 2000	<u>603,800,000</u>	<u>603,800</u>

The domestic shares, H shares and A shares rank pari passus in all respects.

11. Reserves

	Capital reserve Rmb '000	Statutory surplus reserve (note a) Rmb '000	Statutory public welfare fund (note b) Rmb '000	Discre- tionary surplus reserve Rmb '000	Retained profit (note c) Rmb '000	Total Rmb '000
At 1st January 2000	195,065	24,945	24,945	27,764	131,169	403,888
Transfer from profit and loss account	—	23,855	23,855	—	—	47,710
Issue of new shares	1,054,800	—	—	—	—	1,054,800
Profit for the year retained	—	—	—	—	86,165	86,165
At 31st December 2000	<u>1,249,865</u>	<u>48,800</u>	<u>48,800</u>	<u>27,764</u>	<u>217,334</u>	<u>1,592,563</u>
Company and subsidiaries	1,249,865	48,800	48,800	27,764	217,334	1,592,563
Associated companies	—	—	—	—	—	—
At 31st December 2000	<u>1,249,865</u>	<u>48,800</u>	<u>48,800</u>	<u>27,764</u>	<u>217,334</u>	<u>1,592,563</u>
At 1st January 2001 as previously reported	1,249,865	48,800	48,800	27,764	150,916	1,526,145
Effect of adopting SSAP 9 (revised)	—	—	—	—	66,418	66,418
At 1st January 2001 as restated	1,249,865	48,800	48,800	27,764	217,334	1,592,563
Profit for the period retained	—	—	—	—	50,588	50,588
Proposed final dividend for the year 2000	—	—	—	—	(66,418)	(66,418)
At 30th June 2001	<u>1,249,865</u>	<u>48,800</u>	<u>48,800</u>	<u>27,764</u>	<u>201,504</u>	<u>1,576,733</u>
Company and subsidiaries	1,249,865	48,800	48,800	27,764	201,504	1,576,733
Associated companies	—	—	—	—	—	—
At 30th June 2001	<u>1,249,865</u>	<u>48,800</u>	<u>48,800</u>	<u>27,764</u>	<u>201,504</u>	<u>1,576,733</u>

Notes:

- (a) The Company and its subsidiaries are required to transfer 10% of profit after taxation to statutory surplus reserve until the statutory surplus reserve reaches 50% of registered capital of respective companies in accordance with the respective Articles of Association.
- (b) The Company and its subsidiaries are required to transfer 10% of profit after taxation to statutory public welfare fund in accordance with the respective Articles of Association.

The statutory public welfare fund can only be used for the collective benefits and facilities of the Group' employees. Employees are only entitled to use these facilities while the title and ownership of the facilities will remain with the Group. The fund forms part of the shareholders' funds and is not distributable other than on liquidation. Any transfer to this fund must be made before the distribution of dividend to shareholders.

- (c) Retained earnings are analysed below:

	30th June 2001	31st December 2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Retained earnings	201,504	150,916
Proposed final dividend for the year 2000	—	66,418
	<u>201,504</u>	<u>217,334</u>

12. Contingent liabilities

	Company	
	30th June 2001	31st December 2000
	Rmb '000	Rmb '000
Guarantees for bank loans of subsidiaries	24,520	13,650

13. Commitments

- (a) At 30th June 2001, the following capital commitments of the Group, principally for construction and equipment purchases, were outstanding:

	30th June 2001	31st December 2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Contracted but not provided for	<u>2,816</u>	<u>10,937</u>
Authorised but not contracted for	<u>2,769</u>	<u>486,580</u>

- (b) Commitments under operating leases

At 30th June 2001, the Group's total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30th June 2001	Restated 31st December 2000
	<i>Rmb '000</i>	<i>Rmb '000</i>
Within one year	10,076	14,426
In the second to fifth year inclusive	39,002	50,614
After the fifth year	35,345	60,449
Total	<u>84,423</u>	<u>125,489</u>

**14. Related party transactions**

The followings is a summary of significant related party transactions, which in the opinion of the directors, were entered into by the Group in the normal course of business.

		Six months ended 30th June	
		2001	2000
	Notes	Rmb '000	Rmb '000
Transactions with China National Textile Machinery (Group) Limited ("CTMC")			
Purchase of raw materials and components	(II)	525	1,975
Sale of finished goods	(I)	531	14,242
Sale of finished goods	(II)	1,028	25,133
Paid interest expenses	(II)	—	189
Bank loan guarantee in favour of the company	(I)	—	53,250
Transactions with Jingwei (Group) Company			
Sale of finished goods	(I)	22,088	8,689
Sale of raw materials and components	(I)	634	642
Fees received for the provision of supporting services	(I)	4,784	1,157
Rental income	(I)	288	288
Rental expenses	(I)	325	325
Purchase of tools	(I)	6,013	5,873
Purchase of raw materials and components	(I)	2,657	1,902
Fees paid for transportation services	(I)	1,118	529
Fees paid for repairs and maintenance services	(I)	5,285	2,639
Fees paid for other supporting services	(I)	8,145	7,843
Bank loan guarantees in favour of the Company	(I)	115,180	369,120
Sale of raw materials and components	(II)	5,204	6,423
Fees received for the provision of supporting services	(II)	1,185	5,429
Processing fees paid	(II)	34,000	28,983
Six months ended 30th June			
		2001	2000
	Notes	Rmb '000	Rmb '000
Transactions with other fellow subsidiaries			
Purchase of raw materials and components	(I)	8,832	6,646
Sale of finished goods	(I)	9,751	18
Sale of finished goods	(II)	8,045	1,741
Sale of components and special parts	(II)	2,089	2,715
Fees paid for other supporting services	(II)	6,116	2,316
Purchase of raw materials and components	(II)	60,615	30,168
Purchase of tools model	(II)	4,740	2,750
Purchase of castings	(II)	24,527	30,839
Purchase of package	(II)	—	388
Purchase of energy	(II)	7,205	6,269
Processing fees paid	(II)	48,370	27,743
Processing fees received	(II)	—	612
Rental expenses	(II)	15,018	6,005
Interest expense	(II)	—	173
Bank loan guarantees in favour of the Company	(II)	24,600	21,663
Transactions with an associated company of Jingwei (Group) Company			
Purchase of raw materials	(I)	9,641	10,781
Sales of raw materials	(I)	—	1,699

Notes:

- (I) These transactions were conducted in accordance with the agreement entered into at the time of reorganisation took place on 15th August 1995.
- (II) These transactions were conducted in accordance with the composite service agreement in connection with the assets exchange agreements dated 15th November 1999.



15. Comparative figures

The other revenues and other operating expenses for the six months ended 30th June 2000 have been reclassified to conform with the current period presentation. The reclassification did not have any effect on the operating profit.

VIII. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Secretarial of the board of directors of the Company

1. Copy of the 2001 interim report with the signature of the chairman of the board;
2. The accounts signed and sealed by the authorised representative, chief accounting officer, person in charge of the accounting firm;
3. All original copies of the Company's documents to be disclosed in the newspapers designated by the CSRC during the reporting period and drafts of announcements; and
4. The constitution of the Company.

The Board of Directors
Jingwei Textile Machinery Company Limited

17th August 2001