

## Chapter VII Directors' Report

### Section 1 Operation of the Company

#### 1. Scope of Principal Activities and Operation Review of the Company

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 components and special parts.

In 2002, despite of the intense market competition, the Company recorded satisfactory operating results. Its principal operating activities are as follows:

- (1) To actively pursue the strategy of textiles as its focus complemented by diversified development and continuous expansion of scope of operations, full-scale technical upgrade of the complete set of cotton yarn textile equipment and vigorous development of shuttleless loom and knitting machinery products, further optimization of product structure and expansion of product mix, successful development of various new products, further enhancement of product capacity, quality and reliability, automation and continuation of the complete set of cotton yarn equipment, and significant improvement in the level of integration of mechanical and electrical equipment.
- (2) To firmly grasp market opportunities, fully adjust organization structure in production, continually increase production, and enhance its market competitiveness.
- (3) To strengthen use of operating capital and investment. By acquiring interests in Changde Textile Machinery and Yichang Textile Machinery, the Company's product chain has been further complemented. It also proposed to set up a non-woven fabric joint venture and a textile technology experiment company. Furthermore, by purchasing fixed assets, investing in technological reforms and establishing research and development bases, it expands the capacity of production and management and facilitates enterprise technical innovations.
- (4) To promote intensive operations and integrated management to facilitate reforms of operating models. In addition, it enhances financial central management, actively conducts use of operating capital, and gradually carry out the central bidding and purchase for bulk goods to intensify cost control and broaden the sources of income. Meanwhile, the Company integrates the sales network and increases market penetration.
- (5) To aggressively speed up the progress of the JW-CIMS project which will increase the Company's level of management modernization. The ERP software developed by its subsidiary, Beijing Ximen Information Technology Company Ltd., ranked first in the software test and evaluation organized by the Ministry of Science and Technology and the China Software Test and Evaluation Center in 2002. The constant progress of the Company's digitalisation has not only upgraded its management modernization level but also enabled it to proceed with informization.

As stated in the financial report prepared in accordance with the HK GAAP for the year ended 31st December 2002, turnover and profit attributable to shareholders of the Company amounted to RMB2,828,438,000 and RMB136,736,000 respectively, representing an increase of 27.68% and 65.35% over the previous year respectively. As at 31st December 2002, bank and cash balances (including pledged bank balances of RMB23,026,000), short-term bank loans and overdrafts and long-term bank loans of the Group amounted to RMB938,510,000, RMB307,720,000 and RMB79,875,000 respectively. The gearing ratio (total long-term loans/net assets) of the Group at 31st December 2002 was 3.45%.

Bank balances and cash as at 31st December 2002 of RMB23,026,000 (2001: Nil) were fixed deposits pledged as collateral for the Group's short-term banking facilities.

At 31st December, 2002, the net book value of the fixed assets pledged as security for the Group's bank loans amounted to approximately RMB112,812,000 (2001: RMB37,355,000).

As stated in the financial report prepared in accordance with the PRC GAAP for the year ended 31st December 2002, revenue from principal activities of the Group amounted to RMB2,828,438,000, representing an increase of 27.68% over the previous year. Profit from principal activities was RMB580,429,000, representing an increase of 33.60% over the previous year.

Including:

Revenue from principal activities of the Company was RMB1,110,492,000, representing an increase of 29.54% over the previous year while its profit from principal activities was RMB185,122,000 representing an increase of 6.69% over the previous year.

**Section 1 Operation of the Company (continued)****1. Scope of Principal Activities and Operation Review of the Company (continued)**

Subsidiaries: Revenue from principal activities of Zhengzhou Hongda New Textile Machinery Company Limited was RMB372,797,000 while profit from its principal activities was RMB51,007,000.

Revenue from principal activities of Qingdao Hongda Textile Machinery Company Limited was RMB610,912,000 while profit from its principal activities was RMB120,049,000.

Revenue from principal activities of Shenyang Hongda Textile Machinery Company Limited was RMB133,467,000 while profit from its principal activities was RMB32,189,000.

Revenue from principal activities of Tianjin Hongda Textile Machinery Company Limited was RMB271,416,000 while profit from its principal activities was RMB59,248,000.

Revenue from principal activities of Changde Textile Machinery Company Limited was RMB178,601,000 while profit from its principal activities was RMB68,562,000.

Revenue from principal activities of Yichang Textile Machinery Company Limited was RMB77,543,000 while profit from its principal activities was RMB25,243,000.

Revenue from principal activities of Beijing Jingwei Textile New Technology Company Limited was RMB23,823,000 while profit from its principal activities was RMB4,898,000.

Revenue from principal activities of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited was RMB39,570,000 while profit from its principal activities was RMB8,879,000.

**Analysis of principal activities by industries and products (in RMB'000)**

	Revenue from principal activities	Cost of principal activities	Gross profit margin (%)	Increase or decrease in revenue from principal activities compared with last year (%)	Increase or decrease in cost of principal activities compared with last year (%)	Increase or decrease in gross profit margin compared with last year (%)
Natural fibre textile machinery	2,165,046	1,688,145	22.03	27.21	25.74	4.31
Of which being connected transactions	100,026	89,174	10.85	1.07	1.59	(4.01)
Chemical fibre textile machinery	109,333	91,917	15.93	(15.41)	(17.37)	14.32
Weaving machinery	199,834	188,548	5.65	325.80	254.41	142.39
Accessories, special parts for weaving machinery and others	354,225	270,062	23.76	5.09	1.01	14.89
Total	2,828,438	2,238,672	20.85	27.68	26.17	4.77
<b>Pricing basis for connected transactions:</b> 1. the market price of the relevant services or products to be bought or supplied; or 2. the cost (including administrative and finance costs) of such services or products, if there is no readily available market price for the service or product; or 3. the prices prescribed by the State; and the annual cost increase shall not exceed the rate of increase in the relevant municipal households consumer price index.						
<b>Explanations on the necessity and on-going nature of connected transactions</b> Such transactions are conducted in the ordinary course of the Group's operations, which ensures the orderly and smooth operations of the Company. Such transactions have warranted their necessity and continuity in the Company's operations.						

**Section 1 Operation of the Company (continued)****1. Scope of Principal Activities and Operation Review of the Company (continued)****Principal activities by regions**

<b>Region</b>	<b>2002 Revenue from principal activities RMB'000</b>	<b>2001 Revenue from principal activities RMB'000</b>	<b>Change %</b>
PRC	2,403,758	1,921,409	25.10
Asia	406,164	200,813	102.26
Africa	2,007	38,307	(94.76)
Others	16,509	54,710	(69.82)
Total	2,828,438	2,215,239	27.68

**2. Major subsidiaries and their operating status**

As at 31st December 2002, the Group's major subsidiaries were as follows:

<b>Name of enterprise</b>	<b>Principal activities</b>	<b>Registered capital (RMB'000)</b>	<b>Equity interest held by the Group (%)</b>	<b>Net assets (RMB'000)</b>	<b>Net profit (RMB'000)</b>
Zhengzhou Hongda New Textile Machinery Company Limited	Development and manufacture of textile machinery and related components and equipment	74,500	98	101,439	6,983
Qingdao Hongda Textile Machinery Company Limited	Manufacture, sale, repairing and leasing of textile machinery and related components and equipment	114,000	98	177,587	25,154
Shenyang Hongda Textile Machinery Company Limited	Development and manufacture of textile machinery and related components; providing technical consultation	71,000	98	88,703	7,660
Tianjin Hongda Textile Machinery Company Limited	Provision for technical consulting and sale of photocopiers and agriculture processing machinery, as well as related components	78,500	98	108,072	14,613
Changde Textile Machinery Company Limited	Manufacture and sale of textile machinery, other machine products and parts and components; powder metallurgy production	42,350	95	72,408	22,008
Yichang Textile Machinery Company Limited	Design, manufacture and sale of enterprise textile machinery and related special components	64,008	100	66,421	4,061
Beijing Jingwei Textile New Technology Company Limited	Technical development, sale of textile machinery and computer hardware and software, sale of agricultural machinery instruments and meters as well as automobile components	100,000	98.4	101,451	4,304
Shanghai Jingwei Dongxing Blowing-Carding Machinery Company Limited	Production and sale of combing machine and related products	50,000	84	58,396	4,119

**3. Major customers and suppliers**

The percentage of the Group's purchases for the year ended 31st December 2002 of RMB89,254,000 attributable to the five largest suppliers of the Group was 6.57%.

The percentage of the Group's turnover for the year ended 31st December 2002 of RMB520,753,000 attributable to the five largest customers of the Group was 18.41%.

Except as disclosed above, as at 31st December 2002, none of the directors and supervisors of the Company or any of their associates (as defined by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) or any shareholders (which, to the best knowledge of the Board owns 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

**Section 1 Operation of the Company (continued)****4. Analysis of the reasons for the material changes as opposed to previous year in operating results and profit composition**

There was a revenue from operating lease amounting to RMB31,640,000, which was the rental income from a third party company renting the Company's property.

**5. Difficulties encountered in operations and solutions**

China is the major country of textile production in the world. With its accession into the WTO, export of textile products has since increased significantly. The market of textile machinery was boosted by the booming production and sale sectors of the textile industry. However, the textile machinery industry has been increasingly competitive with numerous privately-owned small businesses and domestic enterprises started their businesses in machine assembling and installation in recent years, which has imposed great impact to market prices. Meanwhile, foreign textile machinery companies moved their production operations to the PRC, reducing the price level of textile machinery. This, together with an upward trend of textile machinery exports, has created a more difficult operating environment for the Company. As a result, the Company established its strategy for business operation in 2003, i.e. "to facilitate technological and managerial innovations in the course of digitalization and further enhance its competitive strength". The Company is also committed to stepping up technological innovation, to enhance the overall technical performance of the complete set of cotton yarn equipment, and to improve the quality of textile equipment products. More efforts will be made to promote intellectual rights of its own products and to build up its core competitiveness. The Company will invest in new projects and expand its scope of business so as to maintain its leading position in the PRC textile machinery industry.

**Section 2 Investments of the Company****1. Use of proceeds from the issue of shares**

<b>Aggregate Proceeds</b>		<b>Total amount utilised for the year</b>		<b>Accumulated utilised amount</b>	
<i>RMB '000</i>		<i>RMB '000</i>		<i>RMB '000</i>	
1,234,800		324,350		1,031,380	
<b>Committed project</b>	<b>Intended funding</b>	<b>Any project change</b>	<b>Actual funding</b>	<b>Revenue generated sale revenue</b>	<b>Whether it is in line with the project progress and expected revenue</b>
New cotton and textile equipment package	149,200	No	160,300	342,000	Yes
Non-weaving cloth and post-finish equipment	43,000	No	37,000	61,000	Yes
Establishment of technology development centre	72,200	No	101,400	30,000	Yes
Development of new non-knitting machine	65,600	No	21,080	182,000	Yes
Localisation of major technology equipment	82,500	No	92,080	45,000	Yes
Industrialisation of high and new technology	110,000	Proposed change of use of the unutilised proceeds, subject to approval of general meetings	45,000	30,000	No
Information centre and CIMS system	22,700	No	22,800	1,700	Yes
Replenished liquidity	–	No	370,820	–	Yes
Additional appropriation	183,730	No	180,900	258,000	Yes
Total	728,930	–	1,031,380	949,700	–

Reasons for not being in line with the project progress and expected revenue

In respect of the industrialisation of high and new technology, the Company intended to apply the proceeds of RMB110,000,000 in the joint establishment of Jintu Office Automation Company Limited. According to its prudent policy, the Company had initially invested RMB45,097,000, with the balance to be applied by instalments based on the operation of the Company. However, in view of the operation of the Company and the market situation in the last two years, the Company believes that it will be subject to greater investment exposure with continued capital contribution to the project. As a result, the balance of the proceeds has not been applied.

**Section 2 Investments of the Company (continued)****2. Other investments**

There were no other investments during the period.

**3. Financial Position of the Company**

Under the PRC GAAP:

Item	2002 RMB'000	2001 RMB'000	Percentage of change (%)	Reasons for change
Other receivables	267,350	154,583	72.95	mainly due to increased acquisitions amounts due from the ultimate controlling shareholders and its fellow subsidiaries
Advance to suppliers	225,126	105,279	113.84	mainly due to non-settlement of creditor accounts in respect of equipment components acquired in batches for trading purposes with an aging period of less than one year
Inventories	1,308,194	885,566	47.72	mainly due to increased acquisitions and stock building up out of expanded production
Intangible assets	124,799	67,064	86.09	land use right as a result of acquisitions of subsidiaries
Notes payable	309,717	85,100	263.94	additional notes under acceptance of banks with maturity less than one year
Accounts payable	543,454	285,117	90.61	increased deferred payment to vendors
Advances from customers	923,485	448,824	105.76	deposits and prepayments made in advance by customers for equipment
Other payables	179,329	89,698	99.93	mainly due to increased acquisition and increased outstanding non-operating payments
Long-term liabilities	65,667	93,075	(29.44)	as a result of partial repayment of long-term borrowing
Total assets	4,774,180	4,012,056	19.00	increased acquisitions and realised profit for the year
Shareholders' equity	2,271,549	2,170,081	4.68	realised profit for the year and increased acquisitions
Profit from main operations	580,429	434,459	33.60	sales revenue increased by 27.68%
Profit from other operations	43,273	8,476	410.53	mainly due to rental income from properly lease
Non-operating expenses	11,734	3,477	237.47	mainly due to increase in provision for impairment in value of fixed assets during that year
Net profit	137,685	122,888	12.04	realised profit for the year and increased acquisitions

**4. Fixed assets**

Detail of the movements in fixed assets are set out in note 13 to the accounts under HK GAAP.

**Section 2 Investments of the Company (continued)****5. Principal property**

Particulars of the Group's principal investment property as at 31st December 2002 is as follows:

<b>Address</b>	<b>Tenure</b>	<b>Group's interest</b>
4 An Zhen Xi Li Wu Qu Chao Yang District, Beijing PRC	Medium lease	100%

**6. Retirement benefit scheme**

Details of the retirement benefit scheme of the Group are set out in note 5 to the accounts under HK GAAP.

**7. Donations**

Donations made by the Group during the year amounted to RMB85,000 (2001: Nil).

**Section 3 Business Plans of the Board For 2003**

In 2003, the Company will continue to pursue the strategy for reform and development and production operation. Its strategic targets are to facilitate technological and managerial innovation in the course of digitalization and further consolidate the Company's competitive strength. The Company aims at continuous and rapid corporate development and is committed to establishing itself as a diversified, internationalized and modernized conglomerate with international competitiveness:

1. continue to accelerate the digitalization of corporate establishment, set up technological innovation, management and innovation of its networking platform;
2. further consolidate internal resources and facilitate an optimal distribution of resources;
3. accelerate the development of new products and enhance competitiveness;
4. further integrate sales and marketing resources and increase its market share;
5. centralise its financial management and strengthen its use of the operating capital; and
6. enhance cost control to increase its economic effectiveness.

#### Section 4 Report on the work of the Directors

##### 1. Board meetings held during the period of this report and contents of resolutions passed

- (1) The fourth meeting of the third term of the Board of Directors was held on 5th February 2002 and the following resolutions were considered and passed:
  1. the acquisition of certain equity interest in Changde Textile Machinery and Yichang Textile Machinery by the Company from China Textile Machinery (Group) Company Limited and the relevant equity acquisition agreement thereof;
  2. the joint establishment of Wuxi Textile Technology Testing Company Limited and Hongda Non-woven Fabric Engineering Technology Company Limited by the Company and China Textile Machinery (Group) Company Limited by way of capital contribution and the relevant joint venture agreements thereof;
  3. the acquisition of operating assets related to cotton yarn production business by the Company and its four subsidiaries from the five subsidiaries of China Textile Machinery (Group) Company Limited and the relevant assets acquisition agreements thereof;
  4. the transfer of operating assets of its chemical fibre production business by the Company to China Textile Machinery (Group) Company Limited and the relevant assets transfer agreement thereof;
  5. the Composite Services Contract entered into among the Company and its subsidiaries as one party and China Textile Machinery (Group) Company Limited and its subsidiaries as the other party;

and the press announcement in respect of the above resolutions was published on 7th February 2002 in the “China Securities Post”, “Securities Times”, and “Wen Wei Po” and “The Standard” in Hong Kong.



#### Section 4 Report on the work of the Directors (continued)

##### 1. Board meetings held during the period of this report and contents of resolutions passed (continued)

- (2) The fifth meeting of the third term of the Board of Directors was held on 12th March 2002. The Shareholders' circular in its form and content issued to foreign shareholders in respect of the matters discussed and approved in the fourth meeting of the third term of the Board of Directors and a supplementary announcement to domestic shareholders were both approved.

The press announcement of the above resolutions was published on 13 March 2002 in the "China Securities Post" and "Securities Times".

- (3) The sixth meeting of the third term of the Board of Directors was held on 28th March 2002 and the following resolutions were considered and passed:

1. the Directors' Report of the Company for the year 2001;
2. the Annual Report and its Summary of the Company for the year 2001;
3. the profit distribution proposal of the Company for 2001: the Company realised net profit of RMB122,204,000 under PRC GAAP, 10% of which, i.e. RMB12,220,000 would be appropriated to each of the statutory surplus reserve and the statutory public welfare fund pursuant to the Articles of Association of the Company. The resultant distributable profit of RMB97,764,000, when combined with the undistributed profit of RMB131,392,000 brought forward at the beginning of the year, resulted in a total profit of RMB229,156,000 available for distribution to the shareholders. A final dividend of RMB0.06 (tax inclusive) per share amounting to a total of RMB36,228,000 was proposed. The balance of undistributed profit of RMB192,928,000 was carried forward to the next year;
4. The 2002 profit distribution proposal: Dividend distribution for 2002 will be made once the percentage of net profit available for distribution at the end of 2002 will not be less than 10%; the undistributed profit available for distribution at the end of 2001 will not be less than 20%; the dividend distribution in respect of 2002 will be in the form of cash. The Board of the Company reserves its right to adjust the dividend distribution policy subject to the actual circumstances then;
5. the proposal to the shareholders' meeting for the approval for Messrs. Lu Yunliang and Li Xiaoping to cease to be directors of the Company due to reshuffling of duties and the appointment of Messrs. Zhang Jie and Pan Shunqun as directors of the Company;
6. the 2001 annual general meeting be held on 23rd May 2002.

The press announcement in respect of the above resolutions was published on 2 April 2002 in the "China Securities Post", "Securities Times", and "Wen Wei Po" and "The Standard" in Hong Kong.

- (4) The seventh meeting of the third term of the Board of Directors was held on 24th April 2002 and the following resolutions were passed:

1. the 2002 First Quarterly Report of the Company;
2. the provisional proposal submitted to the 2001 annual general meeting for approval by China National Textile Machinery (Group) Company Limited, the controlling shareholder of the Company, and consent to submit the following provisional proposals to the 2001 annual general meeting for approval:
  - i. to consider and approve the resignation of Mr. Liu Shitong, the Vice-Chairman of the Supervisory Committee of the Company, from his office as a supervisor;
  - ii. to consider and approve the passing of a special resolution in respect of the granting of a mandate to the Board of Directors of the Company to issue additional H Shares as and when appropriate;



#### Section 4 Report on the work of the Directors (continued)

##### 1. Board meetings held during the period of this report and contents of resolutions passed (continued)

- (4) The seventh meeting of the third term of the Board of Directors was held on 24th April 2002 and the following resolutions were passed: (continued)

- iii. to consider and approve the special resolution to amend the Articles of Association of the Company.

The press announcement in respect of the above resolutions was published on 25th April 2002 in the “China Securities Post”, “Securities Times”, and “Wen Wei Po” and “The Standard” in Hong Kong.

- (5) The eighth meeting of the third term of the Board of Directors was held on 23rd May 2002 and the following resolutions were passed:

1. the appointment of Mr. Zhang Jie as the Chairman of the Company with his term commencing from the date on which this resolution was passed to the expiry date of third term of the Board of Directors;
2. for a more efficient use of capital and enhance financial position of the Company, it was agreed that investments in government bonds and corporate bonds would be financed by cash in hand;
3. the approval of the following authorisation issues in respect of the credit limit of the Company's banking facilities:

- i. the total short-term banking credits of the Company for the year ended 2001 amounted to RMB638.50 million (short-term borrowings and acceptance bill inclusive). The Chairman of the Company (or Vice-Chairman), the director and general manager and the director and financial controller were hereby authorized to jointly approve and sign with a director and general manager and a director and financial controller such amounts not exceeding this limit of loan repayment and renewal.

- ii. On the basis of the above credit facilities, an additional banking credit facilities, which include borrowings, letter of credit, letter of guarantee and acceptance bill, in respect of the followings is authorized:

A single contract sum of not more than RMB\$50 million shall be approved and signed jointly by the chairman (or the vice chairman), a director and general manager, and a director and financial controller, and be reported at the next directors' meeting; a single contract sum from RMB50,000,000, up to and including RMB100,000,000 shall be approved and signed jointly by the Chairman, a director and general manager, a director and financial controller, and another director, and be reported at the next directors' meeting; while a single contract sum over RMB100,000,000 shall be subject to approval by the Board.

The press announcement regarding the above resolutions was published in “China Securities Post”, “Securities Times”, and “Wen Wei Po” and “The Standard” in Hong Kong on 24th May, 2002.

- (6) An extraordinary board meeting was convened on 5th June, 2002, on which Mr. Wang Wei Zhi was appointed as a deputy general manager of the Company upon nomination by the general manager. The announcement regarding this resolution was published in “China Securities Post”, “Securities Times”, and “Wen Wei Po” and “The Standard” in Hong Kong on 7th June, 2002.

- (7) On 19th August, 2002, the ninth meeting of the third term of the Board was convened on which the following resolutions were considered and passed unanimously:

- 1 that the “Half Yearly Report 2002” and the “Summary of the Half Yearly Report 2002” of the Company, and that the Board do not recommend an interim profit appropriation for 2002 and a transfer of surplus fund to capital;
- 2 the proposal on registered capital increase for the following four subsidiaries of the Company: Zhengzhou New Hongda Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited and Tianjin Hongda Textile Machinery Company Limited.



#### **Section 4 Report on the work of the Directors (continued)**

##### **1. Board meetings held during the period of this report and contents of resolutions passed (continued)**

The press announcement regarding the above resolutions was published in “Securities Times”, and “Wen Wei Po” and “The Standard” in Hong Kong on 20th August, 2002.

- (8) On 28th October, 2002, the tenth meeting of the third term of the Board was convened on which the Third Quarterly Report 2002 of the Company was discussed and approved.
- (9) On 4th November, 2002, an extraordinary board meeting was convened discussing on the termination of a joint equity contract entered into between the Company and China Textile Machinery (Group) Company Limited on 5th February, 2002 in respect of the establishment of the joint venture of Hongda Non-woven Fabric Engineering Technology Company Limited, and the establishment of the joint venture of a non-woven company with Hongda Research and Zhengzhou Textile Machinery Company Limited. An extraordinary general meeting was resolved to be convened on 24th December, 2002. The relevant announcement was published in “Securities News”, and “Wen Wei Po” and “The Standard” in Hong Kong on 5th November, 2002.
- (10) An extraordinary board meeting of the Company was convened on 14th November, 2002, which resolved on the acquisition of 35.62% interest in Yichang Textile Machinery held by Huarong Asset Management Company at a consideration of RMB22.8 million.
- (11) The eleventh meeting of the third term of the board was convened on 24th December, 2002 at which the information disclosure system of the Company and the proposal for amendment on the inspection of the Company were discussed and approved.

The press announcement regarding relevant resolutions of the board meeting was published in “Securities Times” on 25th December, 2002 and “Wen Wei Po” and “The Standard” in Hong Kong on 27th December, 2002.

##### **2. Implementation of resolutions passed at the general meetings**

The Directors of the Company had implemented all the resolutions and had paid dividends to the shareholders of A Shares and H Shares respectively in accordance with the profit distribution proposal approved at the relevant general meetings. The mandate granted by the general meeting to the directors to exercise general powers to allot and issue H Shares was not exercised during the period.

#### **Section 5 Profit distribution proposal**

##### **1. Profit distribution proposal for 2002**

In 2002, the Company realized a net profit of RMB139,068,000 under PRC GAAP, 10% of which amounting to RMB13,907,000 will be appropriated to each of the statutory surplus reserve and statutory public welfare fund in accordance with the Articles of Association of the Company. The balance of the current year's profit of RMB111,254,000 available for distribution, when combined with the undistributed profit of RMB192,928,000 at the beginning of the year, amounted to RMB304,182,000 was available for distribution to the shareholders. A final dividend of RMB0.06 (inclusive of tax) per share is proposed, totalling RMB36,228,000. The balance of the undistributed profit of RMB267,954,000 will be carried forward to the following year.

##### **2. Forecast of profit distribution policy for 2003**

- (1) dividend distribution for 2003 will be made once;
- (2) the percentage of the net profit available for distribution for 2003 will be at least 10%;
- (3) the percentage of the undistributed profit available for distribution as at the end of 2002 will not be less than 10%; and
- (4) the dividend distribution in respect of 2003 will be in the form of cash. The Board of Directors reserves its rights to adjust the dividend distribution policy subject to the actual circumstances then.