

Chapter XIV Accounts Prepared in Accordance with Accounting Principles Generally Accepted in Hong Kong

Consolidated Profit And Loss Account

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

FOR THE YEAR ENDED 31ST DECEMBER 2003

		2003	<i>As restated</i> 2002
	Note	RMB'000	RMB'000
Turnover	2	4,305,743	2,828,438
Cost of sales		<u>(3,533,729)</u>	<u>(2,238,672)</u>
Gross profit		772,014	589,766
Other revenues	2	67,174	48,363
Distribution expenses		(111,019)	(98,977)
Administrative expenses		(494,173)	(337,423)
Net other operating expenses		<u>(12,558)</u>	<u>(16,662)</u>
Operating profit	3	221,438	185,067
Net interest expenses	5	(15,553)	(26,261)
Share of profits less losses of associated companies		413	516
Profit before taxation		206,298	159,322
Taxation	6	<u>(26,566)</u>	<u>(20,393)</u>
Profit after taxation		179,732	138,929
Minority interests		<u>(3,561)</u>	<u>(2,482)</u>
Profit attributable to shareholders	7	<u>176,171</u>	<u>136,447</u>
Dividends	8	<u>43,474</u>	<u>36,228</u>
Basic earnings per share	9	<u>RMB</u> <u>0.29</u>	<u>RMB</u> <u>0.23</u>

**Consolidated Balance Sheet**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

AS AT 31ST DECEMBER 2003

	Note	2003 RMB'000	<i>As restated</i> 2002 RMB'000
Non-current assets			
Intangible assets	11	6,704	3,096
Fixed assets	12	1,118,431	1,260,970
Interests in associated companies	14	83,317	68,108
Investment securities	15(a)	373,191	1,152
Deferred tax assets	25	20,754	10,633
		<u>1,602,397</u>	<u>1,343,959</u>
Current assets			
Inventories	16	1,597,255	1,308,194
Trade and bills receivables	17	711,954	559,113
Prepayment to suppliers		177,741	196,090
Amount due from ultimate holding company	18	8,849	40,650
Amounts due from fellow subsidiaries	18	283,819	180,759
Deposits, other receivables and prepayments		114,760	89,161
Short-term investments	15(b)	116,728	72,950
Bank balances and cash			
– pledged	19	–	23,026
– unpledged		843,206	915,484
		<u>3,854,312</u>	<u>3,385,427</u>
Current liabilities			
Trade and bills payables	20	942,207	796,799
Advances from customers		976,803	837,443
Amounts due to fellow subsidiaries	18	82,729	74,512
Amount due to Jingwei Group Company	18	116,860	25,258
Other payables and accruals		306,302	212,001
Current portion of long-term bank loans	24	23,000	14,208
Taxation payable	21	13,855	16,818
Bank loans and overdrafts			
– secured		–	38,600
– unsecured		325,550	269,120
		<u>2,787,306</u>	<u>2,284,759</u>
Net current assets		<u>1,067,006</u>	<u>1,100,668</u>
Total assets less current liabilities		<u><u>2,669,403</u></u>	<u><u>2,444,627</u></u>
Financed by:			
Share capital	22	603,800	603,800
Reserves	23	1,815,776	1,686,997
Proposed final dividends	23	43,474	36,228
		<u>2,463,050</u>	<u>2,327,025</u>
Shareholders' funds		<u>2,463,050</u>	<u>2,327,025</u>
Minority interests		142,826	50,531
Non-current liabilities			
Long-term bank loans	24	62,800	65,667
Deferred tax liabilities	25	727	1,404
		<u>2,669,403</u>	<u>2,444,627</u>

Ye Maoxin
DirectorYao Yuming
Director

Balance Sheet

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

AS AT 31ST DECEMBER 2003

	Note	2003 RMB '000	<i>As restated</i> 2002 RMB '000
Non-current assets			
Intangible assets	11	811	1,153
Fixed assets	12	526,731	775,139
Investments in subsidiaries	13	643,400	843,802
Interests in associated companies	14	78,000	61,631
Investment securities	15(a)	360,287	-
Deferred tax assets	25	11,312	5,424
		<u>1,620,541</u>	<u>1,687,149</u>
Current assets			
Inventories	16	859,227	633,522
Trade and bills receivables	17	279,730	255,436
Prepayment to suppliers		58,546	79,132
Amount due from ultimate holding company	18	24,493	37,348
Amounts due from fellow subsidiaries	18	179,072	59,771
Deposits, other receivables and prepayments		60,178	28,013
Short-term investments	15(b)	2,839	22,980
Bank balances and cash		651,996	631,448
		<u>2,116,081</u>	<u>1,747,650</u>
Current liabilities			
Trade and bills payables	20	466,875	492,583
Advances from customers		613,819	414,764
Amounts due to fellow subsidiaries	18	32,280	41,248
Amount due to Jingwei Group Company	18	46,631	25,258
Other payables and accruals		57,967	42,185
Current portion of long-term bank loans	24	23,000	14,208
Taxation payable	21	538	6,954
Bank loans and overdrafts, unsecured		247,000	209,400
		<u>1,488,110</u>	<u>1,246,600</u>
Net current assets		<u>627,971</u>	<u>501,050</u>
Total assets less current liabilities		<u><u>2,248,512</u></u>	<u><u>2,188,199</u></u>
Financed by:			
Share capital	22	603,800	603,800
Reserves	23	1,580,903	1,503,900
Proposed final dividends	23	43,474	36,228
Shareholders' funds		<u>2,228,177</u>	<u>2,143,928</u>
Non-current liabilities			
Long-term bank loans	24	20,000	42,867
Deferred tax liabilities	25	335	1,404
		<u><u>2,248,512</u></u>	<u><u>2,188,199</u></u>

Ye Maoxin
DirectorYao Yuming
Director

**Consolidated Statement of Changes in Equity**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

FOR THE YEAR ENDED 31ST DECEMBER 2003

	Note	2003 RMB '000	<i>As restated</i> 2002 RMB '000
Total equity as at 1st January			
As previously reported	23	2,317,796	2,230,399
Effect of adoption of SSAP 12 (revised)	1(n)	9,229	10,205
As restated		2,327,025	2,240,604
Deficit on revaluation of investment property, net of taxation	23	—	(13,809)
Exchange differences arising on translation of the accounts of a foreign subsidiary	23	(22)	11
Net losses not recognised in the profit and loss account		(22)	(13,798)
Profit for the year	23	176,171	136,447
Reserves transferred to profit and loss account upon disposal of investment property	23	(3,896)	—
Dividends	23	(36,228)	(36,228)
Total equity as at 31st December		<u>2,463,050</u>	<u>2,327,025</u>

Consolidated Cash Flow Statement

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

FOR THE YEAR ENDED 31ST DECEMBER 2003

	Note	2003 RMB'000	2002 RMB'000
Operating activities			
Net cash inflow generated from operations	29(a)	291,168	564,423
Interest received		14,641	19,050
Interest paid		(30,194)	(45,028)
PRC income tax paid		(37,093)	(20,465)
Net cash inflow from operating activities		<u>238,522</u>	<u>517,980</u>
Investing activities			
Establishment of associated companies		(16,369)	(3,600)
Investment income received		7,573	2,164
Purchase of intangible assets		(5,818)	(2,506)
Purchase of short-term investments and investment securities		(99,756)	(77,744)
Purchase of subsidiaries, net of cash acquired	29(d)	(23,276)	(71,824)
Purchase of fixed assets		(199,132)	(263,873)
Proceeds on sale of short-term investments and investment securities		58,482	26,775
Proceeds on sale of an associated company		—	800
Cash outflow arising from discontinuing operation, net of cash disposed		—	(2,459)
Cash outflow from disposal of a subsidiary (note 13(b))	29(e)	(3,131)	—
Proceeds on disposal of fixed assets		4,684	6,626
Decrease in time deposits with maturity more than three months		42,542	18,790
Decrease/(increase) in pledged bank balances		<u>23,026</u>	<u>(23,026)</u>
Net cash outflow from investing activities		<u>(211,175)</u>	<u>(389,877)</u>
Net cash inflow before financing activities		<u>27,347</u>	<u>128,103</u>
Financing activities			
Dividends paid		(36,228)	(36,228)
Dividends paid to minority shareholders		(2,749)	—
Capital contribution from minority shareholders		2,051	6,157
New bank loans		281,100	297,720
Repayment of bank loans		<u>(301,235)</u>	<u>(791,063)</u>
Net cash outflow from financing activities	29(b)	<u>(57,061)</u>	<u>(523,414)</u>
Decrease in cash and cash equivalents		(29,714)	(395,311)
Cash and cash equivalents at 1st January		872,942	1,268,242
Effect of foreign exchange rate changes		<u>(22)</u>	<u>11</u>
Cash and cash equivalents at 31st December	29(c)	<u><u>843,206</u></u>	<u><u>872,942</u></u>



Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the “HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment property and short-term investments are stated at fair value.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice No. 12 (“SSAP 12”) “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting this new policy are set out in note 1 (n).

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meeting of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the results and net assets of subsidiaries.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group’s share of the results of associated companies for the year, and the consolidated balance sheet includes the Group’s share of the net assets of the associated companies.

In the Company’s balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Group accounting (continued)

(iii) Translation of foreign currencies

The companies within the Group maintain their books and records in either Renminbi or Hong Kong dollars.

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries or associated companies at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

(ii) Patents and trademark

Expenditure on acquired patents and trademarks is capitalised and amortised using the straight-line method over their useful lives of ten years. Patents and trademarks are carried in the balance sheet at its cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Software

Expenditure on acquired software is capitalised and amortised using the straight-line method over their useful lives of five years.

(iv) Research and development costs

Research expenditure is charged to the profit and loss account as incurred.

Development expenditure is charged to the profit and loss account as incurred, unless it is probable that the expenditure can be recovered from related future economic benefits in which case it will be recognised as an asset and amortised on a straight-line basis over the period in which the related economic benefits are expected to be recognised.

(v) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.



Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) Construction in progress

Construction in progress is carried at cost less accumulated impairment losses. No depreciation is provided on construction in progress.

(iii) Other fixed assets

Other fixed assets, comprising land and buildings, machinery and equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land	Over the lease term
Buildings	9 to 50 years
Machinery and equipment	7 to 22 years
Motor vehicles	9 years

(iv) Capitalisation of fixed assets

All direct and indirect costs relating to the acquisition or construction of buildings, plant and machinery and other fixed assets, including interest costs on related borrowed funds during the construction period and prior to the commissioning date, are capitalised as fixed assets.

A plant is considered to be commissioned when it is capable of producing saleable quality output in commercial quantities on an ongoing basis, notwithstanding any delays in the issue of the relevant commissioning certificate by the appropriate authorities of the PRC Government.

(v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that other fixed assets and construction in progress are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Investment in securities

(i) Investment securities

Investment securities are held for the long-term and are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account.

This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist in the foreseeable future.

(ii) Short-term investments

Short-term investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of short-term investments are recognised in the profit and loss account. Profits or losses on disposal of short-term investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(f) Inventories

Inventories comprise raw materials, work in progress and finished goods. Inventories, other than components and consumables, are stated at the lower of cost and net realisable value. Cost of raw materials is computed using the weighted average method, while cost of work in progress and finished goods includes raw materials, direct labour and an appropriate proportion of production overheads. Net realisable value is determined by reference to the proceeds of goods sold in the ordinary course of business subsequent to the balance sheet date or to management estimates based on prevailing market conditions, less estimated selling expenses.

Components and consumables are stated at cost less any provision for obsolescence.

(g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, time deposits with a maturity of three months or less from the date of placing deposit and bank overdrafts.

(i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(j) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.



Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made by the Group for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Retirement benefit costs

The companies within the Group, which were established in the PRC, contributes to a defined contribution retirement scheme established by the relevant local municipal government who undertakes the retirement benefit obligations of all existing and future retired employees employed by the Group. Contributions to the schemes are charged to the profit and loss accounts as incurred.

A subsidiary of the Group, which was incorporated in Hong Kong, operates a defined contribution scheme for employees employed in Hong Kong. Contributions to this scheme are calculated based on certain percentage of the employee's monthly salary. The assets of this scheme are held separately from the subsidiary in an independently administered fund. Contributions to this scheme are charged to the profit and loss account as incurred.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 25 to the accounts, opening retained earnings at 1st January 2002 and 2003 have been increased by RMB 10,205,000 and RMB 9,916,000 respectively, which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax assets and deferred tax liability at 31st December 2002 by RMB 10,633,000 and RMB 1,404,000 respectively. The profit and amount charged to equity for the year ended 31st December 2002 have been reduced by RMB 289,000 and RMB 687,000 respectively.

(o) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent operating expenses which cannot be identifiable to specific segment. Segment assets consists primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude investments in securities and non-operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditures comprise additions to intangible assets and fixed assets, including additions resulting from acquisition through purchase of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the ultimate customer is located. Total assets and capital expenditure are where the assets are located.

(p) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincide with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Investment income is recognised when the right to receive payment is established.

Operating lease rental income is recognised on a straight-line basis over the lease terms.

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover represents the value of goods sold, net of value added tax ("VAT"). VAT was accessed on the Group's sales at the statutory rate of 17% less deductible input VAT (2002: 17%).

The Group is principally engaged in the manufacture and sale of textile machinery. Revenues recognised during the year are as follows:

	2003 RMB'000	2002 RMB'000
Turnover		
Sale of goods	4,305,743	2,828,438
Other revenues		
Gross rental income from investment property	20,544	31,640
Investment income	7,573	2,164
Sale of raw materials and others	39,057	14,559
	<u>67,174</u>	<u>48,363</u>
Total revenues	<u>4,372,917</u>	<u>2,876,801</u>

Primary reporting format – business segments

	Manufacture and sale of textile machinery 2003 RMB'000	Property investment 2003 RMB'000	Group 2003 RMB'000
Turnover	4,305,743	–	4,305,743
Segment results	<u>215,011</u>	<u>17,689</u>	232,700
Investment income			7,573
Unallocated costs			(18,835)
Operating profit			221,438
Net interest expenses			(15,553)
Share of profits less losses of associated companies	413	–	413
Profit before taxation			206,298
Taxation			(26,566)
Minority interests			(3,561)
Profit attributable to shareholders			<u>176,171</u>
Segment assets	4,325,899	–	4,325,899
Interests in associated companies	83,317	–	83,317
Unallocated assets			1,047,493
Total assets			<u>5,456,709</u>
Segment liabilities	2,447,901	–	2,447,901
Unallocated liabilities			402,932
Total liabilities			<u>2,850,833</u>
Capital expenditure	317,071	–	317,071
Depreciation	93,873	–	93,873
Amortisation charge	1,992	–	1,992
Impairment charge	<u>110</u>	<u>–</u>	<u>110</u>

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (CONTINUED)**Primary reporting format – business segments (continued)**

	Manufacture and sale of textile machinery 2002 RMB'000	Property investment 2002 RMB'000	As restated Group 2002 RMB'000
Turnover	<u>2,828,438</u>	<u>–</u>	<u>2,828,438</u>
Segment results	<u>170,157</u>	<u>30,350</u>	200,507
Loss on disposal of discontinuing operation	38	–	38
Investment income			2,164
Unallocated costs			(17,642)
Operating profit			185,067
Net interest expenses			(26,261)
Share of profits less losses of associated companies	516	–	516
Profit before taxation			159,322
Taxation			(20,393)
Minority interests			(2,482)
Profit attributable to shareholders			<u>136,447</u>
Segment assets	3,764,830	340,000	4,104,830
Interests in associated companies	68,108	–	68,108
Unallocated assets			556,448
Total assets			<u>4,729,386</u>
Segment liabilities	1,946,013	–	1,946,013
Unallocated liabilities			405,817
Total liabilities			<u>2,351,830</u>
Capital expenditure	400,084	13,122	413,206
Depreciation	65,726	–	65,726
Amortisation charge	660	–	660
Impairment charge	<u>4,705</u>	<u>–</u>	<u>4,705</u>

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

2 TURNOVER, REVENUES AND SEGMENT INFORMATION (CONTINUED)**Secondary reporting format – geographical segments**

	Turnover		Trading results		Total assets As restated		Capital expenditure	
	2003	2002	2003	2002	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
China	3,891,118	2,403,758	225,423	172,928	4,333,153	4,152,607	317,061	413,176
Other countries	414,625	424,680	7,277	27,617	76,063	20,331	10	30
	<u>4,305,743</u>	<u>2,828,438</u>	232,700	200,545	4,409,216	4,172,938	<u>317,071</u>	<u>413,206</u>
Investment income			7,573	2,164				
Unallocated costs			(18,835)	(17,642)				
Operating profit			<u>221,438</u>	<u>185,067</u>				
Unallocated assets					1,047,493	556,448		
Total assets					<u>5,456,709</u>	<u>4,729,386</u>		

3 OPERATING PROFIT

2003
RMB'000

2002
RMB'000

Operating profit is stated after crediting and charging the following:

Crediting

Realised and unrealised gain on short-term investments	7,366	—
Recovery of bad debts previously written-off	<u>4,001</u>	<u>—</u>

Charging

Amortisation of intangible assets (note 11)	1,992	660
Auditor's remuneration	2,900	2,680
Cost of inventories sold	3,533,729	2,238,672
Depreciation (note 12)	93,873	65,726
Loss on disposal of an associated company	—	26
Loss on disposal of fixed assets other than property	6,556	156
Loss on disposal of investment property	4,580	—
Net exchange losses	19	61
Operating lease expenses - land and buildings	19,287	15,620
Outgoings in respect of an investment property	2,285	1,290
Provision for doubtful debts	44,155	15,392
Provision for impairment loss of fixed assets (included in net other operating expenses) (note 12)	110	4,705
Provision for inventories	17,413	4,833
Realised and unrealised loss on short-term investments	—	3,356
Repair and maintenance expenses	66,436	48,978
Research and development costs	46,169	29,322
Staff costs, include directors' and supervisors' emoluments (note 4)	<u>458,620</u>	<u>320,124</u>

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

4 STAFF COSTS

	2003 RMB'000	2002 RMB'000
Wages, salaries and other benefits	424,666	293,305
Pension cost – defined contribution plan	33,954	26,819
	<u>458,620</u>	<u>320,124</u>

The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group to the retirement schemes totalling RMB33,954,000 (2002: RMB26,819,000), representing 24% (2002: 24%) on the aggregate amount of total salaries that participate in the retirement schemes.

At 31st December 2003, contributions totalling RMB4,469,600 (2002: RMB5,916,000) were payable to the retirement schemes and were included in other payables and accruals. There were no forfeited contributions utilised during the year or available at 31st December 2003 to reduce future contributions (2002: Nil).

5 NET INTEREST EXPENSES

	2003 RMB'000	2002 RMB'000
Interest income from banks and the ultimate holding company	14,641	19,050
Interest expenses		
– bank loans wholly repayable within 5 years	29,366	45,863
– a fellow subsidiary	1,147	–
Less: amounts capitalised as construction in progress (note)	(319)	(552)
	<u>30,194</u>	<u>45,311</u>
Net interest expenses	<u>(15,553)</u>	<u>(26,261)</u>

Note: Interest was capitalised on loans borrowed to finance the construction of fixed assets at rates of 5.940% (2002: 5.940% to 6.534%) per annum.

6 TAXATION

Hong Kong profits tax has not been provided as the Group had no taxable profits in Hong Kong for the year (2002: Nil). The Company and its subsidiaries are subject to PRC income tax on their taxable profits.

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	2003 RMB'000	As restated 2002 RMB'000
Company and subsidiaries		
– PRC taxation	36,406	19,968
Deferred taxation (note 25)	(10,111)	289
Share of taxation attributable to associated companies	271	136
	<u>26,566</u>	<u>20,393</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2003 RMB'000	As restated 2002 RMB'000
Profit before taxation	206,298	159,322
Calculated at a taxation rate of 33% (2002: 33%)	68,078	52,576
Income not subject to taxation	49	(429)
Expenses not deductible for taxation purposes	(7,200)	(7,039)
Effect of different tax rates	(34,361)	(24,715)
Taxation charge	<u>26,566</u>	<u>20,393</u>

In accordance with an approval document issued by the State Administration of Taxation of Beijing on 19th January 2004, income tax rate of 15% (2002: 15%) is applicable to the Company during the year. The income tax rates of the Company's subsidiaries range from 15% to 33% (2002: 15% to 33%) and one of the Company's subsidiaries enjoys income tax rate of 15% and half exemption from 2003 to 2005. In addition, six other subsidiaries of the Company are subject to a preferential tax rate of 15% in 2003.

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of RMB124,373,000 (2002 restated: RMB60,651,000).

8 DIVIDENDS

	2003 RMB'000	2002 RMB'000
Proposed final dividend of RMB0.072 (2002: RMB0.06)		
– per domestic share	15,840	13,200
– per A share	14,616	12,180
– per H share	13,018	10,848
	<u>43,474</u>	<u>36,228</u>

At a board meeting held on 30th March 2004, the directors proposed a final dividend of RMB0.072 per share. Such dividend is not reflected as dividend payable in the accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2004.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB176,171,000 (2002 restated: RMB136,447,000) and the weighted average number of 603,800,000 (2002: 603,800,000) shares in issue during the year.

No diluted earnings per share is presented as the Group does not have any dilutive potential shares as at 31st December 2003 (2002: Nil).

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**(i) EMOLUMENTS OF DIRECTORS AND SUPERVISORS**

	2003 RMB'000	2002 RMB'000
Directors' emoluments		
Salaries and other benefits	990	565
Retirement benefit costs	25	18
	<u>1,015</u>	<u>583</u>
Supervisors' emoluments		
Salaries and other benefits	32	42
Bonuses	48	29
Retirement benefit costs	9	8
	<u>89</u>	<u>79</u>

The emoluments of the directors and supervisors were all within the band of Nil to RMB1,060,000, equivalent to Nil to HK\$1,000,000 (2002: Nil to RMB1,060,000).

None of the directors has waived the right to receive his emoluments (2002: Nil).

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)**(ii) FIVE HIGHEST PAID INDIVIDUALS**

The five individuals whose emoluments were the highest in the Group for the year include five directors (2002: three), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two non-director/supervisor individuals for the year ended 31st December 2002 are as follows:

	2002 RMB'000
Salaries and other benefits	211
Retirement benefit costs	17
	<u>228</u>

The emoluments of the five highest paid individuals were all within the band of Nil to RMB1,060,000 (2002: Nil to RMB1,060,000), equivalent to Nil to HK\$1,000,000 (2002: Nil to HK\$1,000,000).

During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

11 INTANGIBLE ASSETS

Group	Patent and trademark RMB'000	Software RMB'000	Total RMB'000
Cost			
At 1st January 2003	3,370	1,697	5,067
Additions	–	5,818	5,818
Acquisition of subsidiaries	6	–	6
Disposal of a subsidiary (note 13(b))	(315)	–	(315)
At 31st December 2003	<u>3,061</u>	<u>7,515</u>	<u>10,576</u>
Accumulated amortisation			
At 1st January 2003	1,885	86	1,971
Charge for the year	941	1,051	1,992
Acquisition of subsidiaries	5	–	5
Disposal of a subsidiary (note 13(b))	(96)	–	(96)
At 31st December 2003	<u>2,735</u>	<u>1,137</u>	<u>3,872</u>
Net book value			
At 31st December 2003	<u>326</u>	<u>6,378</u>	<u>6,704</u>
At 31st December 2002	<u>1,485</u>	<u>1,611</u>	<u>3,096</u>
Company			
Cost			
At 1st January 2003	2,000	697	2,697
Additions	–	3	3
At 31st December 2003	<u>2,000</u>	<u>700</u>	<u>2,700</u>
Accumulated amortisation			
At 1st January 2003	1,475	69	1,544
Charge for the year	207	138	345
At 31st December 2003	<u>1,682</u>	<u>207</u>	<u>1,889</u>
Net book value			
At 31st December 2003	<u>318</u>	<u>493</u>	<u>811</u>
At 31st December 2002	<u>525</u>	<u>628</u>	<u>1,153</u>



Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

12 FIXED ASSETS

Group

	Construction in progress (note b) RMB'000	Investment property (note a) RMB'000	Land and buildings (note a) RMB'000	Machinery and equipment (note b) RMB'000	Motor vehicles (note b) RMB'000	Total RMB'000
Cost or valuation						
At 1st January 2003	117,442	340,000	460,203	1,070,478	55,862	2,043,985
Additions	126,775	—	3,901	54,768	13,688	199,132
Acquisition of subsidiaries (note 29(d))	—	—	73,843	106,109	7,088	187,040
Establishment of a subsidiary (note 29(f))	561	—	40,546	17,339	730	59,176
Transfer upon completion	(148,953)	—	63,689	84,129	1,135	—
Disposals	—	(340,000)	(2,594)	(73,721)	(6,815)	(423,130)
Disposal of a subsidiary (note 13(b))	(26)	—	(315)	(6,960)	(733)	(8,034)
At 31st December 2003	95,799	—	639,273	1,252,142	70,955	2,058,169
Accumulated depreciation and impairment losses						
At 1st January 2003	—	—	130,550	634,421	18,044	783,015
Charge for the year	—	—	14,157	74,646	5,070	93,873
Impairment loss (note 3)	—	—	—	110	—	110
Acquisition of subsidiaries (note 29(d))	—	—	29,461	76,785	4,005	110,251
Establishment of a subsidiary (note 29(f))	—	—	10,279	13,212	354	23,845
Disposals	—	—	(1,300)	(65,799)	(3,503)	(70,602)
Disposal of a subsidiary (note 13(b))	—	—	(61)	(627)	(66)	(754)
At 31st December 2003	—	—	183,086	732,748	23,904	939,738
Net book value						
At 31st December 2003	95,799	—	456,187	519,394	47,051	1,118,431
At 31st December 2002	117,442	340,000	329,653	436,057	37,818	1,260,970

The analysis of the cost or valuation at 31st December 2003 and 2002 of the above assets is as follows:

	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31st December 2003						
At cost	95,799	—	639,273	1,252,142	70,955	2,058,169
At 31st December 2002						
At cost	117,442	—	460,203	1,070,478	55,862	1,703,985
At 2002 valuation	—	340,000	—	—	—	340,000
	117,442	340,000	460,203	1,070,478	55,862	2,043,985

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

12 FIXED ASSETS (CONTINUED)**Company**

	Construction in progress (note b) RMB'000	Investment property (note a) RMB'000	Land and buildings (note a) RMB'000	Machinery and equipment (note b) RMB'000	Motor vehicles (note b) RMB'000	Total RMB'000
Cost or valuation						
At 1st January 2003	26,611	340,000	217,840	485,720	19,203	1,089,374
Additions	61,580	—	—	3,248	3,023	67,851
Transfer from a subsidiary	—	—	97,078	92,407	1,887	191,372
Transfer upon completion	(45,013)	—	3,579	41,020	414	—
Disposals	—	(340,000)	—	(4,655)	(1,019)	(345,674)
At 31st December 2003	43,178	—	318,497	617,740	23,508	1,002,923
Accumulated depreciation and impairment losses						
At 1st January 2003	—	—	42,826	265,693	5,716	314,235
Charge for the year	—	—	7,701	40,399	2,222	50,322
Transfer from a subsidiary	—	—	36,459	78,520	232	115,211
Disposals	—	—	—	(3,398)	(178)	(3,576)
At 31st December 2003	—	—	86,986	381,214	7,992	476,192
Net book value						
At 31st December 2003	43,178	—	231,511	236,526	15,516	526,731
At 31st December 2002	26,611	340,000	175,014	220,027	13,487	775,139
The analysis of the cost or valuation at 31st December 2003 and 2002 of the above assets is as follows:						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31st December 2003						
At cost	43,178	—	318,497	617,740	23,508	1,002,923
At 31st December 2002						
At cost	26,611	—	217,840	485,720	19,203	749,374
At 2002 valuation	—	340,000	—	—	—	340,000
	26,611	340,000	217,840	485,720	19,203	1,089,374

Notes:

- (a) All of the Group's land and buildings and investment property are located in the PRC with lease terms of between 10 to 50 years.
- (b) At 31st December 2003, construction in progress comprises expenditure incurred, including interest expenses capitalised, on land and buildings, machinery and equipment and motor vehicles of the Group and the Company which have not yet been commissioned as at the balance sheet date.
- (c) At 31st December 2002, the net book value of the Group's and the Company's fixed assets pledged as securities for the Group's and the Company's bank loans amounted to approximately RMB112,812,000 and RMB36,811,000 respectively.

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	RMB'000	RMB'000
Unlisted investments, at cost	607,372	647,786
Amounts due from subsidiaries	36,028	196,016
	<u>643,400</u>	<u>843,802</u>

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayments.

The following is a list of subsidiaries at 31st December 2003.

Name of company	Date of establishment	Registered capital RMB	Percentage of equity interest held by the		Principal activities
			Group	Company	
			%	%	
Shanxi Jingwei Computer Technology Development Company Limited*	3rd November 1995	1,600,000	60	—	Distribution of computers and related services
Jinzhong Jingwei Ring Manufacturing Company Limited*	23rd November 1995	500,000	100	98	Manufacture of textile machinery components
Jingwei Textile Machinery Yuci Material Company Limited*	9th July 1996	5,000,000	100	99.2	Trading of furnace materials, textile machinery component and charcoal
Taiyuan Jingwei Electrical Company Limited*	18th March 1997	5,000,000	100	98	Manufacturing and selling of transformers and electrical components
Ningbo Daxie and Develop Zone Wu Fang Hongda Limited*	22nd September 1999	2,400,000	100	98	Sale of textile machinery and related components

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Date of establishment	Registered capital RMB	Percentage of equity interest held by the		Principal activities
			Group %	Company %	
Qingdao Hongda Textile Machinery Company Limited	16th August 1999	114,000,000	98	98	Manufacturing, selling, repairing and leasing of textile machinery and related components
Tianjin Hongda Textile Machinery Company Limited	17th August 1999	78,500,000	98	98	Provision of technical consultancy services, sales of textile, photocopying, agriculture processing machinery and related components
Zhengzhou Hongda New Textile Machinery Company Limited	11th August 1999	74,500,000	98	98	Developing and manufacturing of textile machinery and related components
Shenyang Hongda Textile Machinery Company Limited	16th August 1999	71,000,000	98	98	Developing, manufacturing and processing of textile machinery and related components and provision of technical consultancy services
Changde Textile Machinery Company Limited	5th January 2002	42,349,900	95	70	Manufacturing and trading of textile machinery and other machinery, powder metallurgy (regulated by special regulations)
Beijing Jingwei Textile New Technology Company Limited	2nd March 2000	100,000,000	98.4	98.4	Technical developing and manufacturing of textile machinery and computer software and hardware, sale of textile, industrial specialised machinery, agricultural machinery, instruments and panel and automobile components.
Shanghai Weixin Electrical and Machinery Company Limited*	30th June 2000	16,000,000	100	90	Textile machinery, automobile component and general machinery's developing and manufacturing

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Date of establishment	Registered capital RMB	Percentage of equity interest held by the		Principal activities
			Group %	Company %	
Beijing Jingpeng Investment Management Company Limited	30th July 2001	20,000,000	95	80	Investment management, sales of electronic & chemical products (other than dangerous products), machinery, construction materials, wood, automotive parts, local products, fashion and exhibitions and provision of technology information
Shanghai Chuangan Trade Company Limited	29th September 2001	2,000,000	90	90	Trading of textile, electronic products and chemical products (other than dangerous products), metal construction materials, wood, cement, mining-related sub-products
Hong Kong Huaming Company Limited*	31st December 2000	4,966,416	100	100	Imports and exports, general trading and consulting services
Shanghai Jingwei Dongxing Blowing-Carding Machinery Company Limited	5th September 2001	50,000,000	83.95	73.95	Manufacturing and selling of blowing-carding machinery and related components
Beijing Garden Automobile Lease Company Limited*	21st April 1995	2,000,000	80	—	Liquidation
Beijing Ximen Information Technology Company Limited*	7th June 2001	12,000,000	63.08	—	Consulting services
Jinan Jin Hongda Textile Machinery Company Limited*	13th December 2001	5,000,000	94	—	Research of electronics and general machinery technology and production, consultation and services, processing and sale of textile industry equipment, switch control equipment, agriculture equipment, general equipment, component and parts
Wuxi Jingwei Textile Scientific Research Company Limited [#]	14th May 2003	49,530,000	55	55	Manufacturing and selling of textile products; research and development of technology related to textile machinery and equipment

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Date of establishment	Registered capital RMB	Percentage of equity interest held by the		Principal activities
			Group %	Company %	
Shanxi Jingwei Heli Machinery Manufacturing Company (note a)	26th February 2003	100,000,000	28	28	Designing, manufacturing, installing, selling, importing and exporting of various electromechanical products, mining products, self-manufactured products and products used by the company its own for production and scientific research
Beijing Hongda Fangji Enterprise's Management Consulting Company Limited (note a)*	24th September 2001	3,800,000	100	—	Providing management consultation and corporate image services, technology research, transfer, training and consultation services, computer design, organisation of cultural activities and exhibitions

Notes:

- (a) These subsidiaries were acquired during the year.

In January 2003, the Group acquired the remaining 52.63% equity interests in Beijing Hongda Fangji Enterprise's Management Consulting Company Limited ("Hongda Fangji") from its ultimate holding company at a consideration of RMB 2,000,000. Hongda Fangji became a wholly owned subsidiary of the Group since then. Hongda Fangji is principally engaged in the provision of management consultation and corporate image services and was established in the People's Republic of China.

In July 2003, the Group acquired 28% equity interests in Shanxi Jingwei Heli Machinery Manufacturing Company ("Heli") from Jingwei Textile Machinery (Group) Company Limited at a consideration of RMB37,935,000. Heli is principally engaged in the designing, manufacturing, installing, selling, importing and exporting of various electromechanical products and was established in the People's Republic of China.

The Group is able to control over the composition of the board of directors of Heli. Accordingly, Heli is regarded as a subsidiary of the Group.

The acquired subsidiaries contributed aggregate loss after tax of approximately RMB1,517,000 to the Group for the period since acquisition. The aggregate net asset value of the acquired subsidiaries as at 31st December 2003 was approximately RMB124,564,000.

- (b) On 22nd December 2003, the Company and CTM entered into an agreement for the disposal of the Company's 58.92% equity interest in Jintu Information Technology Company Limited ("Jintu") to CTM at a consideration of RMB24,867,000. The first instalment of RMB100,000 of the consideration was payable by cash within 30 days from the date of the agreement. The remaining consideration of RMB24,767,000 will be payable within 3 years from the date of agreement, to be satisfied, at the discretion of CTM, by either of cash or transfer of such percentage of the equity interest in Hongda Investment owned by CTM as having a value equivalent to the remaining balance. The disposal transaction was completed in 2004.

Following the signing of the agreement, the Group does not have significant influence on control over Jintu. Accordingly, the Group's interest in Jintu is accounted for as investment security as 31st December 2003.

- (c) Except for Hong Kong Huaming Company Limited which was incorporated in Hong Kong with limited liability, all other subsidiaries are limited liability companies established and operating in the PRC.

* These subsidiaries are not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 5.16% (2002: 5.55%) of the Group's total net assets.

Newly established subsidiary in 2003.

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

14 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2003 RMB'000	2002 RMB'000
Unlisted investments, at cost	81,900	66,700
Share of post-acquisition profits	1,417	1,408
Share of net assets	<u>83,317</u>	<u>68,108</u>
	Company	
	2003 RMB'000	2002 RMB'000
Unlisted investments, at cost	<u>78,000</u>	<u>61,631</u>

The following is a list of associated companies, all of which were established in the PRC, as at 31st December 2003.

Name of company	Date of establishment	Registered capital RMB	Attributable equity interest %	Principal activities
Beijing Hongda International Trading Company Limited	8th June 2000	30,000,000	20	Self and agent, trading import and export of commodities, technology transfer and entrepot trade
Qingdao Jinyi Pressing and Casting Company Limited	24th March 2000	1,250,000	24	Pressing and casting of non-ferrous metal. Design, manufacturing and sales of model
Shenzhen Bolue Technology Investment Company Limited	11th April 2001	85,500,000	40.94	Investing, setting up and management of new enterprises and investment consultation
Hongda Research Company Limited	8th May 2001	50,000,000	40	Sale and development of environmental protective machine Textile machine, office equipment, electronics and provision of technical support
Qingdao Jinshan City Company	14th March 2002	1,000,000	20	Provision of accommodation, restaurant, hair and beauty care services, whole sale and retailing of drinks, wine, cigarettes and food
Qingdao Qingfeng Technology Company Limited	9th May 2002	2,910,000	35.80	Development of carding and textile machinery, research on textile technique; design of module; development of electronic devices, computer software, etc
Qingdao Lanlifeng Laser Technology Company Limited	9th August 2002	3,200,000	31.25	Manufacturing and trading of laser machine and equipment, digital control machinery; maintenance and related repair services
Shenyang Jingxing Textile Machinery Company Limited	5th June 2002	3,200,000	31.25	Manufacturing of textile machinery, spare parts and related components
Zhengzhou Hongda Non-woven Fabric Company Limited [#]	10th June 2003	40,000,000	42.5	Manufacturing and sales of various non-woven fabrics; consultation and training services of relevant techniques. Research and development of new products, techniques, equipments and materials

[#] These associated companies were newly established in 2003.

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

15 INVESTMENTS IN SECURITIES**(a) Investment securities**

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity securities	362,800	—	360,287	—
Unlisted government debentures and others, at cost	10,391	1,152	—	—
Total	373,191	1,152	360,287	—

At 31st December 2003, the carrying amounts of interest in the following company exceeded 10% of total assets of the Company and the Group, respectively.

Name	Place of establishment	Principal activities	Registered capital RMB	Interest held
Shanghai Jingwei Zhonglian Company	People's Republic of China	Investment and investment consultancy	700,000,000	47.92%

On 30th December 2003, the board of directors passed a resolution to approve an agreement entered into between the Company and Beijing Hualian Group Investment Holdings Company Limited ("Beijing Hualian") for the disposal of 47.92% equity interest ("Relevant Equity") in Shanghai Jingwei Zhonglian Commercial Development Company Limited ("Zhonglian Company") to Beijing Hualian at a consideration of RMB335,420,000. Since then, the Company does not have significant influence or control over Zhonglian Company's management. Accordingly, the Group's interest in Zhonglian Company is accounted for as investment security as at 31st December 2003.

Both parties agreed the date of transfer of the registered title of Zhonglian Company of each of 50% of the Relevant Equity would be 31st December 2004 and 31st December 2005. Pursuant to the agreement, 50% of the consideration will be paid in cash before 31st December 2004 and the remaining 50% of the consideration will be paid in cash before 31st December 2005.

(b) Short-term investments

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Government debentures and equity securities, at fair value				
– listed outside Hong Kong	105,470	66,852	2,839	22,980
Open investment fund, at fair value				
– unlisted	11,258	6,047	—	—
Futures, at fair value				
– listed outside Hong Kong	—	51	—	—
	<u>116,728</u>	<u>72,950</u>	<u>2,839</u>	<u>22,980</u>
Market value of listed investments	105,470	66,903	2,839	22,980

Listed investments of carrying amount of RMB100,000 (2002: Nil) have been pledged as security for short term bank loan.

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

16 INVENTORIES

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	358,703	249,680	120,799	85,177
Work in progress	350,247	346,116	204,393	198,533
Finished goods	919,130	733,705	541,502	354,849
	<u>1,628,080</u>	<u>1,329,501</u>	<u>866,694</u>	<u>638,559</u>
Less: Provision	(30,825)	(21,307)	(7,467)	(5,037)
	<u>1,597,255</u>	<u>1,308,194</u>	<u>859,227</u>	<u>633,522</u>

At 31st December 2003, the carrying amount of inventories of the Group and the Company that are carried at net realisable value amounted to approximately RMB13,362,000 (2002: RMB52,333,000) and RMB4,633,000 (2002: RMB21,490,000) respectively.

17 TRADE AND BILLS RECEIVABLES

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bill receivables	861,171	646,158	317,211	270,283
Less: Provision	(149,217)	(87,045)	(37,481)	(14,847)
	<u>711,954</u>	<u>559,113</u>	<u>279,730</u>	<u>255,436</u>

At 31st December 2003, the ageing analysis of the gross trade and bills receivables were as follows:

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	642,411	481,026	262,379	190,033
1-2 years	68,259	55,136	15,083	42,946
2-3 years	29,871	19,586	10,570	6,702
Over 3 years	120,630	90,410	29,179	30,602
Total	<u>861,171</u>	<u>646,158</u>	<u>317,211</u>	<u>270,283</u>

The Group requires advanced deposits from customers. Settlement is normally due on presentation of sales invoices.

18 AMOUNT DUE FROM/TO ULTIMATE HOLDING COMPANY, FELLOW SUBSIDIARIES AND JINGWEI GROUP COMPANY

The amount due from the ultimate holding company is unsecured, interest free and has no fixed terms of repayment.

The amounts with fellow subsidiaries are unsecured. Except for deposits of RMB15,122,000 (2002: RMB28,994,000) placed with China Textile Machinery Group Finance Company ("CTMGFC") which carry interest at a rate of 1.98% (2002: 1.44%) per annum and are repayable within one year, all other balances with fellow subsidiaries are interest free and have no fixed terms of repayment.

The amounts due to Jingwei Group Company are unsecured, interest free and have no fixed terms of repayment.

19 BANK BALANCES AND CASH

Bank balances and cash as at 31st December 2002 of RMB 23,026,000 were fixed deposits pledged as collateral for the Group's short-term banking facilities.

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

20 TRADE AND BILLS PAYABLES

At 31st December 2003, the ageing analysis of the trade and bills payables were as follows:

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	898,738	752,122	452,104	475,894
1-2 years	11,168	20,400	4,538	3,588
2-3 years	4,943	6,187	359	3,609
Over 3 years	27,358	18,090	9,874	9,492
Total	<u>942,207</u>	<u>796,799</u>	<u>466,875</u>	<u>492,583</u>

21 TAXATION RECOVERABLE/PAYABLE

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Income tax payable	10,716	16,754	1,260	12,835
Other taxes payable/(recoverable)	3,139	64	(722)	(5,881)
Net taxation payable	<u>13,855</u>	<u>16,818</u>	<u>538</u>	<u>6,954</u>

Taxation recoverable/payable represent assets/liabilities of the Group and the Company in respect of PRC income tax, value added tax, sales tax and government levies.

22 SHARE CAPITAL

	Registered, issued, and fully paid	
	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 31st December 2002 and 2003	<u>603,800,000</u>	<u>603,800</u>

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



Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

23 RESERVES

Group

	Capital reserve RMB'000	Investment property revaluation reserve RMB'000	Statutory surplus reserve (note a) RMB'000	Statutory public welfare fund (note b) RMB'000	Discretionary surplus reserve RMB'000	Exchange difference RMB'000	Retained profit RMB'000	Total RMB'000
At 1st January 2002								
As previously reported	1,249,865	17,705	61,895	61,895	27,764	55	207,420	1,626,599
Effect of adopting SSAP 12 (revised)	—	—	—	—	—	—	10,205	10,205
As restated	1,249,865	17,705	61,895	61,895	27,764	55	217,625	1,636,804
Transfer to profit and loss account in respect of prior year adjustment	—	—	(1,086)	(1,086)	—	—	2,172	—
Transfer from profit and loss account (note a and b)	—	—	22,201	22,201	—	—	(44,402)	—
Deficit on revaluation of investment property								
– gross	—	(13,122)	—	—	—	—	—	(13,122)
– taxation	—	(687)	—	—	—	—	—	(687)
Exchange difference	—	—	—	—	—	11	—	11
Dividends	—	—	—	—	—	—	(36,228)	(36,228)
Profit for the year (restated)	—	—	—	—	—	—	136,447	136,447
At 31st December 2002	<u>1,249,865</u>	<u>3,896</u>	<u>83,010</u>	<u>83,010</u>	<u>27,764</u>	<u>66</u>	<u>275,614</u>	<u>1,723,225</u>
Representing:								
Reserves	1,249,865	3,896	83,010	83,010	27,764	66	239,386	1,686,997
2002 final dividend proposed	—	—	—	—	—	—	36,228	36,228
As at 31st December 2002	<u>1,249,865</u>	<u>3,896</u>	<u>83,010</u>	<u>83,010</u>	<u>27,764</u>	<u>66</u>	<u>275,614</u>	<u>1,723,225</u>
Company and subsidiaries	1,249,865	3,896	83,010	83,010	27,764	66	274,206	1,721,817
Associated companies	—	—	—	—	—	—	1,408	1,408
At 31st December 2002	<u>1,249,865</u>	<u>3,896</u>	<u>83,010</u>	<u>83,010</u>	<u>27,764</u>	<u>66</u>	<u>275,614</u>	<u>1,723,225</u>

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

23 RESERVES (CONTINUED)**Group (continued)**

	Capital reserve RMB'000	Investment property revaluation reserve RMB'000	Statutory surplus reserve (note a) RMB'000	Statutory public welfare fund (note b) RMB'000	Discretionary surplus reserve RMB'000	Exchange difference RMB'000	Retained profit RMB'000	Total RMB'000
At 1st January 2003								
As previously reported	1,249,865	4,583	83,010	83,010	27,764	66	265,698	1,713,996
Effect of adopting SSAP 12 (revised)	—	(687)	—	—	—	—	9,916	9,229
As restated	1,249,865	3,896	83,010	83,010	27,764	66	275,614	1,723,225
Transfer from profit and loss account (note a and b)	—	—	29,083	29,083	—	—	(58,166)	—
Reserve transferred to profit and loss account upon disposal of investment properties								
– gross	—	(4,583)	—	—	—	—	—	(4,583)
– taxation	—	687	—	—	—	—	—	687
Exchange difference	—	—	—	—	—	(22)	—	(22)
Dividends	—	—	—	—	—	—	(36,228)	(36,228)
Profit for the year	—	—	—	—	—	—	176,171	176,171
At 31st December 2003	<u>1,249,865</u>	<u>—</u>	<u>112,093</u>	<u>112,093</u>	<u>27,764</u>	<u>44</u>	<u>357,391</u>	<u>1,859,250</u>
Representing:								
Reserves	1,249,865	—	112,093	112,093	27,764	44	313,917	1,815,776
2003 final dividends proposed	—	—	—	—	—	—	43,474	43,474
As at 31st December 2003	<u>1,249,865</u>	<u>—</u>	<u>112,093</u>	<u>112,093</u>	<u>27,764</u>	<u>44</u>	<u>357,391</u>	<u>1,859,250</u>
Company and subsidiaries	1,249,865	—	112,093	112,093	27,764	44	355,974	1,857,833
Associated companies	—	—	—	—	—	—	1,417	1,417
At 31st December 2003	<u>1,249,865</u>	<u>—</u>	<u>112,093</u>	<u>112,093</u>	<u>27,764</u>	<u>44</u>	<u>357,391</u>	<u>1,859,250</u>

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

23 RESERVES (CONTINUED)**Company**

	Capital reserve RMB'000	Investment property revaluation reserve RMB'000	Statutory surplus reserve (note a) RMB'000	Statutory public welfare fund (note b) RMB'000	Discretionary surplus reserve RMB'000	Retained profit RMB'000	Total RMB'000
At 1st January 2002							
As previously reported	1,239,298	17,705	46,539	46,539	27,764	146,212	1,524,057
Effect of adopting SSAP 12 (revised)	—	—	—	—	—	5,457	5,457
As restated	1,239,298	17,705	46,539	46,539	27,764	151,669	1,529,514
Transfer to profit and loss account in respect of prior year adjustment	—	—	(541)	(541)	—	1,082	—
Transfer from profit and loss account (note a and b)	—	—	13,907	13,907	—	(27,814)	—
Deficit on revaluation of investment property							
– gross	—	(13,122)	—	—	—	—	(13,122)
– taxation	—	(687)	—	—	—	—	(687)
Dividends	—	—	—	—	—	(36,228)	(36,228)
Profit for the year (restated)	—	—	—	—	—	60,651	60,651
At 31st December 2002	<u>1,239,298</u>	<u>3,896</u>	<u>59,905</u>	<u>59,905</u>	<u>27,764</u>	<u>149,360</u>	<u>1,540,128</u>
Representing:							
Reserves	1,239,298	3,896	59,905	59,905	27,764	113,132	1,503,900
2002 final dividend proposed	—	—	—	—	—	36,228	36,228
As at 31st December 2002	<u>1,239,298</u>	<u>3,896</u>	<u>59,905</u>	<u>59,905</u>	<u>27,764</u>	<u>149,360</u>	<u>1,540,128</u>

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

23 RESERVES (CONTINUED)**Company (continued)**

	Capital reserve RMB'000	Investment property revaluation reserve RMB'000	Statutory surplus reserve (note a) RMB'000	Statutory public welfare fund (note b) RMB'000	Discretionary surplus reserve RMB'000	Retained profit RMB'000	Total RMB'000
At 1st January 2003							
As previously reported	1,239,298	4,583	59,905	59,905	27,764	144,653	1,536,108
Effect of adopting SSAP 12 (revised)	—	(687)	—	—	—	4,707	4,020
As restated	1,239,298	3,896	59,905	59,905	27,764	149,360	1,540,128
Transfer from profit and loss account (note a and b)	—	—	16,153	16,153	—	(32,306)	—
Reserve transferred to profit and loss account upon disposal of investment properties							
– gross	—	(4,583)	—	—	—	—	(4,583)
– taxation	—	687	—	—	—	—	687
Dividends	—	—	—	—	—	(36,228)	(36,228)
Profit for the year	—	—	—	—	—	124,373	124,373
At 31st December 2003	<u>1,239,298</u>	<u>—</u>	<u>76,058</u>	<u>76,058</u>	<u>27,764</u>	<u>205,199</u>	<u>1,624,377</u>
Representing:							
Reserves	1,239,298	—	76,058	76,058	27,764	161,725	1,580,903
2003 final dividend proposed	—	—	—	—	—	43,474	43,474
As at 31st December 2003	<u>1,239,298</u>	<u>—</u>	<u>76,058</u>	<u>76,058</u>	<u>27,764</u>	<u>205,199</u>	<u>1,624,377</u>

Notes:

- (a) In accordance with the Articles of Association of the Group's subsidiaries established in the PRC, 10% of profit after taxation reported under PRC GAAP is required to be transferred to statutory surplus reserve until the statutory surplus reserve reaches 50% of the registered capital of the respective subsidiaries.
- (b) In accordance with the Articles of Association of the Group's subsidiaries established in the PRC, 10% of profit after taxation reported under PRC GAAP is required to be transferred to the statutory public welfare fund.

The statutory public welfare fund can only be used for provision of collective benefits and facilities to the Group's employees in the PRC and is non-distributable. When such kind of expenses are incurred, an equivalent amount is transferred from statutory public welfare fund to the discretionary surplus reserve and is accounted for either as an asset or as an expense on an accrual basis.

- (c) After the transfer of the above reserves, profit available for distribution to shareholders is the lower of the profit after taxation prepared in accordance with the PRC Accounting Standards and System or prepared in accordance with Generally Accepted Accounting Principles of Hong Kong. At 31st December 2003, the distributable reserves of the Company amounted to RMB205,199,000 (2002 restated: RMB149,360,000).

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

24 LONG-TERM BANK LOANS

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans wholly repayable within five years				
– Unsecured	85,800	66,420	43,000	43,620
– Secured	–	13,455	–	13,455
	85,800	79,875	43,000	57,075
Current portion of long-term bank loans	(23,000)	(14,208)	(23,000)	(14,208)
	<u>62,800</u>	<u>65,667</u>	<u>20,000</u>	<u>42,867</u>

At 31st December 2003, bank loans were repayable as follow:

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	23,000	14,208	23,000	14,208
In the second year	–	36,588	–	36,588
In the third to fifth year	62,800	29,079	20,000	6,279
	<u>85,800</u>	<u>79,875</u>	<u>43,000</u>	<u>57,075</u>

25 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rates ranging from 15 to 33% (2002: 15 to 33%).

The movements of the deferred tax assets/(liabilities) account are as follows:

	Group		Company	
	2003	As restated 2002	2003	As restated 2002
	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January	9,229	10,205	4,020	5,457
Deferred taxation (charged)/credited to profit and loss account (Note 6)	10,111	(289)	6,270	(750)
Taxation (charged)/credited to equity	687	(687)	687	(687)
At 31st December	<u>20,027</u>	<u>9,229</u>	<u>10,977</u>	<u>4,020</u>

The deferred taxation (charged)/credited to equity during the year is as follows:

	Group		Company	
	2003	As restated 2002	2003	As restated 2002
	RMB'000	RMB'000	RMB'000	RMB'000
Investment property revaluation reserve in shareholders' equity	<u>687</u>	<u>(687)</u>	<u>687</u>	<u>(687)</u>

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

25 DEFERRED TAXATION (CONTINUED)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Group

	Provisions RMB'000	Revaluation of investment property RMB'000	Impairment of assets RMB'000	Others RMB'000	Total RMB'000
At 1st January 2002 – as restated	4,827	–	5,378	–	10,205
(Charged)/credited to profit and loss account	(215)	–	643	(717)	(289)
Charged to equity	–	(687)	–	–	(687)
At 31st December 2002	4,612	(687)	6,021	(717)	9,229
(Charged)/credited to profit and loss account	4,390	–	5,774	(53)	10,111
Credited to equity	–	687	–	–	687
At 31st December 2003	<u>9,002</u>	<u>–</u>	<u>11,795</u>	<u>(770)</u>	<u>20,027</u>

Company

	Provisions RMB'000	Revaluation of investment property RMB'000	Impairment of assets RMB'000	Others RMB'000	Total RMB'000
At 1st January 2002 – as restated	612	–	4,845	–	5,457
Charged to profit and loss account	–	–	(33)	(717)	(750)
Charged to equity	–	(687)	–	–	(687)
At 31st December 2002	612	(687)	4,812	(717)	4,020
Credited to profit and loss account	114	–	5,774	382	6,270
Credited to equity	–	687	–	–	687
At 31st December 2003	<u>726</u>	<u>–</u>	<u>10,586</u>	<u>(335)</u>	<u>10,977</u>

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

25 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2003	As restated 2002	2003	As restated 2002
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	20,754	10,633	11,312	5,424
Deferred tax liabilities	(727)	(1,404)	(335)	(1,404)
	<u>20,027</u>	<u>9,229</u>	<u>10,977</u>	<u>4,020</u>

The amounts shown in the balance sheet include the following:

Deferred tax assets to be recovered after more than 12 months	<u>20,754</u>	<u>10,633</u>	<u>11,312</u>	<u>5,424</u>
Deferred tax liabilities to be settled within 12 months	<u>(727)</u>	<u>(1,404)</u>	<u>(335)</u>	<u>(1,404)</u>

26 COMMITMENTS**(a) Capital commitments**

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Authorised but not contracted for Construction and equipment	<u>25,536</u>	<u>45,010</u>	<u>14,516</u>	<u>11,000</u>
Contracted but not provided for Investments	–	44,240	–	44,240
Construction and equipment	<u>13,502</u>	<u>47,450</u>	<u>13,502</u>	<u>23,000</u>
	<u>13,502</u>	<u>91,690</u>	<u>13,502</u>	<u>67,240</u>
	<u>39,038</u>	<u>136,700</u>	<u>28,018</u>	<u>78,240</u>

(b) Lease commitments

At 31st December 2003, the Group and the Company had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	Group		Company	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Land and buildings				
Not later than one year	5,082	3,715	–	605
Later than one year and not later than five years	12,439	13,649	–	1,210
Later than five years	<u>3,437</u>	<u>6,546</u>	<u>–</u>	<u>–</u>
	<u>20,958</u>	<u>23,910</u>	<u>–</u>	<u>1,815</u>

At 31st December 2003, the Group and the Company had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	Group and Company	
	2003	2002
	RMB'000	RMB'000
Investment property		
Not later than one year	<u>–</u>	<u>34,000</u>

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

27 CONTINGENT LIABILITIES

	Group	
	2003 RMB'000	2002 RMB'000
Guarantees for bank loans of third parties	240,000	60,000
Guarantees for bank loans of related parties	63,000	10,980
	<u>303,000</u>	<u>70,980</u>
	Company	
	2003 RMB'000	2002 RMB'000
Guarantees for bank loans and overdrafts of subsidiaries	<u>82,800</u>	<u>142,830</u>

Management anticipates that no material liabilities will arise from the above bank guarantees.

28 RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the accounts, the following 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.

		2003 RMB'000	2002 RMB'000
Transactions with China National Textile Machinery (Group) Company Limited ("CTMC")			
Sale of finished goods	(i)	7,462	11,276
Interest Income	(i)	—	1,297
Purchase of raw materials and components	(i)	373	—
Acquisition of subsidiaries	(iv)	<u>2,000</u>	<u>88,028</u>
Transactions with a fellow subsidiary Jingwei Machinery (Group) Company Limited ("Jingwei Group Company")			
Sale of finished goods	(i)	9,175	37,751
Sale of raw materials and components	(i)	1,611	3,728
Fees received for other supporting services	(i)	1,304	4,769
Purchase of tools	(i)	12,414	18,812
Purchase of raw materials and components	(i)	101,817	7,162
Fees paid for processing services	(i)	9,132	23,758
Fees paid for transportation services	(i)	2,478	3,139
Fees paid for repairs and maintenance services	(i)	17,552	28,194
Fees paid for other supporting services	(i)	11,602	14,539
Rental expense	(i)	450	605
Bank loan guarantee in favour of the Company	(iii)	301,000	253,020
Acquisition of subsidiaries	(iv)	<u>37,935</u>	<u>—</u>
Transactions with associated companies of Jingwei Group Company			
Purchase of raw materials and components	(i)	—	17,193
Purchase of package materials	(i)	21,450	—
Sale of raw materials and spare parts	(i)	4	—
Sale of finished goods	(i)	<u>2</u>	<u>—</u>

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

	Notes	2003 RMB'000	2002 RMB'000
Transactions with other fellow subsidiaries			
Sale of finished goods	(i)	21,299	51,599
Sale of raw materials and spare parts	(i)	384,040	46,158
Fees received for processing services	(i)	177	385
Fees received for other supporting services	(i)	898	276
Rental income	(i)	1,029	253
Purchase of tools	(i)	2,003	15,188
Purchase of casts	(i)	165,289	106,836
Purchase of package materials	(i)	7,361	3,460
Purchase of energy	(i)	21,971	14,889
Purchase of raw materials and spare parts	(i)	227,709	78,402
Fees paid for processing service	(i)	88,502	65,756
Fees paid for transportation	(i)	9,086	5,771
Fees paid for repairs and maintenance services	(i)	2,259	2,231
Fees paid for other supporting services	(i)	162,631	9,715
Rental expenses	(i)	28,265	25,150
Estate administration expenses	(i)	2,617	327
Bank loan guarantee in favour of the Group	(iii)	20,000	20,000
Interest expense	(i)	1,147	—
Purchase of fixed assets	(ii)	—	76,678

Notes:

- (i) The transactions carried out in 2003 and 2002 were conducted in accordance with the composite service agreement dated 5th February 2002.
- (ii) The transactions have been carried out in accordance with the assets purchasing agreement entered into on 5th February 2002.
- (iii) Bank loan guarantee granted by CTMC, Jingwei Group Company and other fellow subsidiaries in favour of the Company and the Group were executed in accordance with the related guarantee agreements.
- (iv) These transactions have been carried out in accordance with the agreement of the acquisition of 28% equity interest of Heli from Jingwei Group dated on 26th March 2003, and the agreement of the acquisition of 52.63% equity interest of Hongda Fangji with the ultimate holding company dated 16th November 2002 respectively.

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of operating profit to net cash inflow from operating activities**

	2003 RMB'000	2002 RMB'000
Operating profit	221,438	185,067
Depreciation	93,873	65,726
Loss on disposal of fixed assets	6,556	156
Amortisation of intangible assets	1,992	660
Loss on disposal of an associated company	—	26
Loss on disposal of discontinuing operation	—	38
Goodwill charged to profit and loss account	—	587
Realised and unrealised (gain)/losses on short-term investments	(7,366)	3,356
Investment income	(7,573)	(2,164)
Provision for impairment loss of fixed assets	110	4,705
Operating profit before working capital changes	309,030	258,157
Increase in inventories	(151,725)	(380,258)
Increase in trade and bills receivables, deposits, other receivables and prepayments	(87,860)	(304,516)
Decrease in amount due from ultimate holding company	31,801	129,177
Increase in amounts due from fellow subsidiaries	(103,060)	(71,061)
Increase in trade and bills payables, other payables and accruals and advances from customers	208,436	921,534
Increase in amount due to Jingwei Group Company	78,632	1,719
Increase in amounts due to fellow subsidiaries	15,217	24,034
Decrease in other taxation payable	(9,303)	(14,363)
Net cash inflow from operating activities	<u>291,168</u>	<u>564,423</u>

(b) Analysis of changes in financing during the year

	Minority interests		Bank loans	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Balance as at 1st January	50,531	39,372	387,595	816,633
Acquisition of subsidiaries (note 29 (d))	88,218	2,520	28,750	114,305
Capital contribution from minority shareholders	23,419	6,157	8,140	—
Disposal of discontinuing operation	—	—	—	(50,000)
Transfer of a subsidiary to unlisted equity securities	(20,154)	—	—	—
Minority interest in share of profit	3,561	2,482	—	—
Dividend to minority interest	(2,749)	—	—	—
Net cash outflow from financing	—	—	(13,135)	(493,343)
Balance as at 31st December	<u>142,826</u>	<u>50,531</u>	<u>411,350</u>	<u>387,595</u>

(c) Analysis of the balances of cash and cash equivalents

	2003 RMB'000	2002 RMB'000
Unpledged bank balances and cash	843,206	915,484
Time deposits with maturity more than three months	—	(42,542)
	<u>843,206</u>	<u>872,942</u>

**Notes to the Accounts**

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**(d) Acquisition of subsidiaries**

	2003 RMB'000	2002 RMB'000
Net assets acquired		
Fixed assets (note 12)	76,789	146,275
Investment securities	2,661	363
Inventories	128,223	130,944
Trade and other receivables	100,153	62,823
Short-term investments	—	794
Bank balances and cash	16,659	39,004
Trade and other payables	(160,882)	(142,426)
Other taxes payable	(4,967)	(10,711)
Bank loans	(28,750)	(114,305)
Minority interests	(88,218)	(2,520)
Others	(1,733)	—
	<u>39,935</u>	<u>110,241</u>
Goodwill charged to the profit and loss account	—	587
Total purchase consideration satisfied by cash	<u>39,935</u>	<u>110,828</u>

Analysis of the net cash outflow in respect of the purchase of subsidiaries:

	2003 RMB'000	2002 RMB'000
Cash consideration	(39,935)	(110,828)
Bank balances and cash in hand acquired	<u>16,659</u>	<u>39,004</u>
Net cash outflow in respect of the acquisition of subsidiaries	<u>(23,276)</u>	<u>(71,824)</u>

The subsidiaries acquired during the year contributed RMB30,150,000 (2002: 33,877,000) to the Group's net operating cash flows and utilised RMB5,697,000 (2002: 15,578,000) and RMB21,890,000 (2002: 34,105,000) for investing and financing activities respectively.

(e) Disposal of a subsidiary (note 13(b))

	2003 RMB'000
Fixed assets (note 12)	7,280
Intangible assets	10
Inventories	7,044
Trade and other receivables	31,147
Trade and other payables	(2,000)
Other taxes payable	1,021
Minority interests	(20,154)
Investments in subsidiaries	<u>(27,479)</u>
Decrease in bank balances and cash	<u>(3,131)</u>

Notes to the Accounts

(Prepared in accordance with Accounting Principles Generally Accepted in Hong Kong)

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(f) Non-cash transaction

During the year, the Group established a 55% owned subsidiary, Wuxi Jingwei Scientific Research Company Limited, together with its ultimate holding company as the 45% minority shareholder. The ultimate holding company contributed its share of paid-in capital of RMB22,289,000 by way of injection of separable net assets.

30 ULTIMATE HOLDING COMPANY

The directors regard China National Textile Machinery (Group) Company Limited, a stated-owned enterprise established in the PRC, as being the Company's ultimate holding company.

31 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 30th March 2004.