



经纬纺织机械股份有限公司
JINGWEI TEXTILE MACHINERY CO., LTD.

INTERIM REPORT

2008

半年度报告

IMPORTANT NOTES

The Board of Directors, Supervisory Committee, the Directors, Supervisors and senior management of Jingwei Textile Machinery Company Limited (the “Company”) undertake that there are no misrepresentation, misleading statements or material omission in this report and shall be jointly and severally responsible for the authenticity, accuracy and completeness of the information contained in this report. None of the Directors, supervisors, senior management fail to warrant or disagree with the authenticity, accuracy or completeness of the information contained in the interim report.

Mr. Chen Zong, Director who was on other business engagement, could not attend the ninth meeting of the fifth Board in person. Director Mr. Gao Yong was entrusted as his alternate to attend the meeting and exercise voting rights on his behalf in respect of the resolutions of the Board meeting.

Mr. Liu Haitao (Chairman), Mr. Ye Maoxin (Standing Vice-Chairman), Mr. Yao Yuming (Director and General Manager) and Mr. Mao Faqing (Financial Controller and Head of Finance Department) hereby undertake that the financial reports as disclosed in this interim report are true and complete.

The 2008 interim financial and accounting report of the Company has not been audited by accounting firm but it has been reviewed by the Board of Directors and the Audit Committee of the Company.

The report is prepared in both Chinese and English. If there is any discrepancy between the two versions, the Chinese version shall prevail.



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Chapter I Corporate Information

I. COMPANY PROFILE

1. Legal name of the Company : 經緯紡織機械股份有限公司
 English name of the Company : Jingwei Textile Machinery Company Limited
 Chinese short name : 經緯紡織
 English short name : JWTM
2. Legal representative of the Company : Liu Haitao
3. Company secretary to the Board : Ye Xuehua
 Telephone : 8610 84534078-8188
 E-mail address : yxh@jwgf.com
 Stock representative : Qiu Lin
 Telephone : 8610 84534081-8501
 E-mail address : ql@jwgf.com
 Correspondence address : 701 First Shanghai Centre, 39 Liangmaqiao Road,
 Chaoyang District, Beijing, the People's Republic of China
 (the "PRC")
 Postal code : 100125
 Facsimile : 8610 84534135
4. Registered address of the Company : 8 Yongchangzhong Road,
 Beijing Economic & Technological Development Zone,
 Beijing, the PRC
 Business address of the Company : Level 7, First Shanghai Centre,
 39 Liangmaqiao Road, Chaoyang District,
 Beijing, the PRC
 Postal Code : 100125
 Worldwide website : <http://www.jwgf.com>
 E-mail address : jwgf@jwgf.com
5. Newspaper for company information disclosure : Securities Times
 Newspaper for disclosure in the PRC : <http://www.cninfo.com.cn>
 Website for publication of interim report : <http://www.hkex.com.hk>
<http://www.jwgf.com>
 Place for inspection of interim report : Secretariat of the Board
6. Stock exchanges on which shares of the Company are listed and stock codes
 A Shares Listed on : Shenzhen Stock Exchange
 Stock short name : JWTM
 Stock code : 000666
 H Shares Listed on : The Stock Exchange of Hong Kong Limited
 Stock short name : Jingwei Textile
 Stock code : 0350

Note: In this report, unless otherwise stated, the "Company" means Jingwei Textile Machinery Company Limited, while the "Group" means the Company and its subsidiaries.



II. KEY FINANCIAL DATA AND INDICATORS

1. Prepared in accordance with the PRC Accounting Standards for Business Enterprises

1.1 Key accounting data and financial indicators

Unit: RMB

	As at the end of the reporting period	As at the end of the previous year	Increase (decrease) at the end of the reporting period as compared to the end of the previous year (%)
Total assets	6,808,502,756.15	6,386,010,247.94	6.62
Shareholders' equity	2,879,911,480.55	2,827,915,964.95	1.84
Net assets per share	4.77	4.68	1.92
	Reporting Period (January to June)	Corresponding period of the previous year	Increase (decrease) in the reporting period as compared to the corresponding period of the previous year (%)
Operating profit	51,149,404.79	124,711,676.83	(58.99)
Total profit	63,781,374.15	128,220,640.60	(50.26)
Net profit	52,131,380.61	97,372,926.70	(46.46)
Net profit after extraordinary items	39,538,161.11	74,562,822.70	(46.97)
Basic earnings per share	0.09	0.16	(43.75)
Diluted earnings per share	0.09	0.16	(43.75)
Return on net assets	1.81%	3.36%	(1.55)
Net cashflow from operating activities	(104,381,358.49)	(213,033,760.67)	N/A
Net cashflow per share from operating activities	(0.17)	(0.35)	N/A

1.2 Extraordinary items

Unit: RMB

Extraordinary items	Reporting Period (January to June) Amount
Profit and loss from disposal of non-current assets	586,701.59
Government subsidy	11,189,427.70
Gains on entrusted loans	2,183,582.99
Other non-operating income and expenses, net	855,840.07
Impact on income tax of extraordinary items	(2,222,332.85)
Total	12,593,219.50

1.3 Fully diluted and weighted average rate of return on net assets and earnings per share

Prepared in accordance with the requirements of Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9) – Calculations and disclosures for the rate of return on net assets and earnings per share” issued by China Securities Regulatory Commission.

Items	Rate of return on net assets (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Net profit attributable to the holders of the Company's ordinary shares	1.81	1.83	0.09	0.09
Net profit attributable to the Company's ordinary shares, net of non-recurring profit and loss	1.37	1.39	0.07	0.07



2. Financial information prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (unaudited)

Condensed consolidated Profit and Loss Account

	Six months ended 30th June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2,183,763	2,935,494
Cost of sales	(1,922,083)	(2,506,255)
Gross profit	261,680	429,239
Other revenue	64,378	34,169
Gain from change in fair value of investments held for trading	1,612	—
Distribution expenses	(60,638)	(77,949)
Administrative expenses	(181,695)	(239,728)
Operating profit	85,337	145,731
Finance cost	(20,304)	(21,459)
Share of profits less losses of associated companies and joint venture companies	(1,252)	3,949
Profit before taxation	63,781	128,221
Taxation	(13,012)	(22,153)
Profit for the period	50,769	106,068
Attributable to		
Equity holders of the Company	52,131	97,373
Minority interests	(1,362)	8,695
	<u>50,769</u>	<u>106,068</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)		
– Basic and diluted	<u>0.09</u>	<u>0.16</u>



Chapter II Movement in Share Capital and Information on Shareholdings of Substantial Shareholders

I. MOVEMENT IN SHARE CAPITAL DURING THE REPORTING PERIOD

Unit: shares

		Before change		Increase/decrease (+/-)					After change	
		Number	Proportion	New issue	Bonus shares	Conversion from statutory surplus reserve	Others	Sub-total	Number	Proportion
1.	Restricted floating shares subject to terms of lock-up	195,658,828	32.40%	—	—	—	(630)	(630)	195,658,198	32.40%
1.	State-owned shares	—	—	—	—	—	—	—	—	—
2.	Shares owned by State legal person	195,640,000	32.40%	—	—	—	—	—	195,640,000	32.40%
3.	Other domestic shares	18,828	0.003%	—	—	—	(630)	(630)	18,198	0.003%
	Of which:									
	Shares owned by domestic non-state legal persons	—	—	—	—	—	—	—	—	—
	Shares owned by domestic natural persons	18,828	0.003%	—	—	—	(630)	(630)	18,198	0.003%
4.	Foreign shares	—	—	—	—	—	—	—	—	—
	Of which:									
	Shares owned by foreign legal persons	—	—	—	—	—	—	—	—	—
	Shares owned by foreign natural persons	—	—	—	—	—	—	—	—	—
2.	Unrestricted floating shares not subject to terms of lock-up	408,141,172	67.60%	—	—	—	630	630	408,141,802	67.60%
1.	Domestically listed domestic shares	227,341,172	37.65%	—	—	—	630	630	227,341,802	37.65%
2.	Domestically listed foreign shares	—	—	—	—	—	—	—	—	—
3.	Overseas listed foreign shares	180,800,000	29.94%	—	—	—	—	—	180,800,000	29.94%
4.	Others	—	—	—	—	—	—	—	—	—
3.	Total number of shares	603,800,000	100.00%	—	—	—	—	—	603,800,000	100.00%

Note: For the six months ended 30th June 2008, there was no change in the Company's shareholding structure. According to the register of members provided by China Securities Depository and Clearing Corporation Limited, an aggregate of 630 shares of the Company held by 1 senior management of the Company previously subject to lock-up was released during the reporting period, therefore such portion of shares became unrestricted floating A shares not subject to lock-up.

II. INFORMATION ON SHAREHOLDING OF THE TOP TEN REGISTERED SHAREHOLDERS AND TOP TEN SHAREHOLDERS OF UNRESTRICTED FLOATING SHARES NOT SUBJECT TO TERMS OF LOCK-UP

Total number of shareholders 61,415 (of which the number of Holders of A shares is 61,378 and the number of Holders of H shares is 37)

Shareholdings of the top ten registered shareholders

Name of shareholder	Type of shareholder	Percentage to total share capital	Total number of shares held (share)	Number of restricted floating shares held (share)	Number of shares under pledge or lock-up (share)
China Textile Machinery (Group) Company Limited	State-owned legal person	33.83%	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited	Foreign legal person	29.84%	180,153,899	–	–
China Construction Bank – Huabao Xingye Multi-strategies Growth Securities Investment Fund	Domestic non-state-owned legal person	0.24%	1,419,940	–	–
Ye Qiaoji	Domestic natural person	0.21%	1,290,556	–	–
Xiang Menghua	Domestic natural person	0.16%	980,000	–	–
Wang Zixiao	Domestic natural person	0.12%	700,900	–	–
Liu Yuping	Domestic natural person	0.11%	686,751	–	–
Zhang Xin	Domestic natural person	0.10%	625,994	–	–
Bank of Communications – Huaxia Blue-chip Core Mixed Securities Investment Fund (LOF)	Domestic non-state-owned legal person	0.10%	613,100	–	–
Su Ping	Domestic natural person	0.10%	608,200	–	–

Shareholdings of the top ten shareholders of unrestricted floating shares not being subject to terms of lock-up

Name of shareholder	Number of unrestricted floating shares held (Shares)	Class of shares
HKSCC Nominees Limited	180,153,899	Overseas listed foreign shares
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed domestic shares
China Construction Bank – Huabao Xingye Multi-strategies Growth Securities Investment Fund	1,419,940	Domestically listed domestic shares
Ye Qiaoji	1,290,556	Domestically listed domestic shares
Xiang Menghua	980,000	Domestically listed domestic shares
Wang Zixiao	700,900	Domestically listed domestic shares
Liu Yuping	686,751	Domestically listed domestic shares
Zhang Xin	625,994	Domestically listed domestic shares
Bank of Communications – Huaxia Blue-chip Core Mixed Securities Investment Fund (LOF)	613,100	Domestically listed domestic shares
Su Ping	608,200	Domestically listed domestic shares

Connected relationship among the above shareholders or any party acting in concert

Among the top ten registered shareholders of the Company aforesaid, China Textile Machinery (Group) Company Limited is not connected with any of the other shareholders, nor is it a party acting in concert with any of them as defined in Administrative Measures for Information Disclosure of Movement in the Shareholdings of Listed Companies. The Company is not aware of whether the other holders of unrestricted floating shares as aforesaid are connected with one another or whether any of these shareholders falls within the meaning of parties acting in concert as defined in Administrative Measures for Information Disclosure of Movement in the Shareholdings of Listed Companies.



II. INFORMATION ON SHAREHOLDING OF THE TOP TEN REGISTERED SHAREHOLDERS AND TOP TEN SHAREHOLDERS OF UNRESTRICTED FLOATING SHARES NOT SUBJECT TO TERMS OF LOCK-UP (continued)

Notes:

- i. The H shares registered in the name of HKSCC Nominees Limited were held in the capacity of nominee on behalf of various clients and it did not hold 5% or more of the interest in the total issued share capital and class of share capital of the Company.
- ii. As at 30th June 2008, so far as the Directors, Supervisors and Senior management of the Company are aware, in accordance with the records in the register required to be maintained by the Company pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the following persons (except for the directors, supervisors or chief executive of the Company) were interested in the shares and underlying shares of the Company as below:

	Capacity	Number of H Shares (shares)	Approximate percentage in the total issued H share capital (%)	Approximate percentage in the total issued share capital (%)
Montpelier Asset Management Limited	Investment manager	16,738,000	9.26	2.77
Fidelity International Limited	Investment manager	11,080,000	6.13	1.84
Zhang Sheng Han	Beneficial owner	10,240,000	5.00	1.70
			(Note 1)	

Notes:

1. Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21st October 2003 as shown on the website of the Stock Exchange. However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000, which, if correct, represents approximately 5.66%, instead of 5.00% (as stated in such notice) of the total issued H shares of the Company as at 30th June 2008. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company from 21st October 2003 to present. The Company is also unable to ascertain the actual number of H Shares held by Zhang Sheng Hang from the register of members of the Company as none of the H Shares was registered in the name of Zhang Sheng Hang as at 30th June 2008.

Long positions in the A shares of the Company:

	Capacity	Number of A shares (share)	Approximate percentage in the total issued A shares capital (%)	Approximate percentage in the total issued share capital (%)
China Textile Machinery (Group) Company Limited	Beneficial Owner	204,255,248	48.29	33.83

Save as disclosed above, based on the register required to be maintained pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the Company has not received any notification in relation to the holding of interests or short positions in shares and underlying shares of the Company as at 30th June 2008.

- iii. On 28th September 2007, the Company received a notice from China Textile Machinery (Group) Company Limited that its holding of equity interests of the Company was judicially re-frozen. As stated in the notice: upon enquiry made to China Securities Depository and Clearing Corporation Limited Shenzhen Branch by China Textile Machinery (Group) Company Limited, it was acknowledged that the 204,255,248 shares of the Company pledged to China Hengtian Group Company was re-frozen by a judicial order of High People's Court of Beijing Municipality on 17th September 2007. On 12th December 2007, the Company received a notice from China Textile Machinery (Group) Company Limited that its holding of equity interests of the Company was put on the pending list for freezing. As stated in the notice: as the Export-Import Bank of China, Shanghai Branch commenced action against China Textile Machinery (Group) Company Limited of assuming guarantee obligations of a third party loan, its 195,640,000 shares of the Company was put on the pending list for freezing by Shanghai No. 1 Intermediate People's Court. The applicant was the Export-Import Bank of China Shanghai Branch. On 2nd January 2008, the pledge of 204,255,248 shares in favour of China Hengtian Group Company by China Textile Machinery (Group) Company Limited were released. Currently, those shares were still subject to the freezing order. (Note: For details, please refer to the 2007 Annual Report and the relevant announcements the Company)

Chapter III Directors, Supervisors, Senior Management and Staff

I. CHANGE IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the reporting period, there was no change in the interests of directors and senior management in the shares of the Company. Details are set out in the following table:

Unit: Shares

Name of shareholder	Position	Number of Shares held at beginning of period	Changes in shareholding during the period	Number of Shares held at end of period
Ye Maoxin	Standing Vice Chairman	8,580	0	8,580
Yao Yuming	Director, General Manager	10,304	0	10,304
Liu Xianming	Deputy General Manager	2,520	0	2,520

Save as disclosed above, according to the records in the register required to be maintained pursuant to section 352 of Securities and Futures Ordinance and in accordance with the records notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers”, none of the directors, supervisors and senior management of the Company and their respective spouses or children under the age of 18 had any interests or short positions in the shares and underlying shares and debenture of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) nor had any of them been granted any rights to subscribe for any interests and short positions in the shares, underlying shares or debenture of the Company and any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance). During the reporting period, no directors, supervisors and chief executive of the Company had any material interest in the contracts entered into by the Company and its subsidiaries.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Resignation of Directors, Supervisors and senior management

Name	Original Position	Reason for the resignation
Yao Yuming	Financial Controller	Change in position
Li Hui	Independent Non-executive Director	Personal reason

2. Election of Directors, Supervisors and senior management

Name	Position
Zhao Xi Zi	Independent Non-executive Director
Lin Jianwang	Standing Deputy General Manager
Mao Faqing	Financial Controller

III. STAFF

As at 30th June 2008, the Group had 11,907 staff (as at 31st December 2007, the Group had 12,014 staff). For the six months ended 30th June 2008, the aggregate remuneration for the staff of the Group amounted to RMB258,553,000 (RMB302,144,000 for the corresponding period of last year). The remuneration is determined by reference to the individual performance of the staff. The number of retired staff of the Group for the year ended 31st December 2007 as disclosed in the 2007 Annual Report was 4,813. Due to statistical errors, the actual number of retired staff of the Group was 6,716.

Chapter IV Directors' Report

I. OPERATING RESULTS AND FINANCIAL ANALYSIS

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 related components and parts. With a history of manufacturing and developing textile machineries for over five decades, the Company has established a leading position in the PRC textile machinery industry.

During the first half of 2008, under the effect of the tightening of the monetary policy of the State, the appreciation of Renminbi and the declining demand in the textile industry, the production and operation of the Group have been suffering relatively material impact and pressure. In addition, due to the inflation in price of raw materials and the keen competition in the industry, major economic index dropped significantly as compared with the corresponding period of last year. The operation of the Company is at the most difficult situation among the recent years. In spite of the situation, during the first half of 2008, the Company adhered to its business direction, being "pursuing practical effect through reform and innovations while attending to details and effective execution". Through active and relentless efforts, a number of dynamic and effective measures had been taken. Effort in market development was reinforced continuously while adjustment in product structure was accelerated. Corporate reform was promoted and internal management was strengthened. By developing new income sources as well as cutting costs and enhancing efficiency, a normal operation was maintained and the harmony and stability of the enterprise were safeguarded.

1. Operating Results

As stated in the financial statements prepared in accordance with HKFRS, the turnover and profit attributable to shareholders of the Group for the six months ended 30th June 2008 were RMB2,183,763,000 and RMB52,131,000 respectively, representing a decrease of 25.61% and 46.46% over the corresponding period in the previous year. As at 30th June 2008, bank balances of the Group amounted to RMB942,452,000 and borrowings repayable within one year amounted to RMB766,307,000, of which borrowings denominated in U.S. dollars amounted to US\$25,863,000 (representing RMB177,399,000), and the remaining balance were bank borrowings denominated in Renminbi. Long-term bank borrowings amounted to RMB350,000,000, and the gearing ratio was 11.26% (total long-term borrowings divided by net assets value).

As stated in the financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises, revenue of the Group for the six months ended 30th June 2008 amounted to RMB2,183,763,000, representing a decrease of 25.61% over the corresponding period in the previous year. Operating profit amounted to RMB51,149,000, representing a decrease of 58.99% over the corresponding period in the previous year. Net profit attributable to the parent company amounted to RMB52,131,000, representing a decrease of 46.46% over the corresponding period in the previous year. In this connection:

Of which:

Revenue of the Company amounted to RMB1,515,987,000, representing a decrease of 18.86% over the corresponding period in the previous year. Operating profit amounted to RMB24,770,000, representing an increase of 24.17% over the corresponding period in the previous year. Net profit amounted to RMB25,917,000, representing an increase of 73.35% over the corresponding period in the previous year.

Major subsidiaries:

Revenue and operating profit of Qingdao Hongda Textile Machinery Company Limited amounted to RMB461,070,000 and RMB13,564,000 respectively.

Revenue and operating profit of Tianjin Jingwei New Type Textile Machinery Company Limited amounted to RMB129,390,000 and RMB10,650,000 respectively.

Revenue and operating profit of Beijing Jingwei Textile Machinery New Technology Company Limited amounted to RMB174,689,000 and RMB2,307,000 respectively.

Revenue and operating profit of Changde Textile Machinery Company Limited amounted to RMB147,933,000 and RMB3,237,000 respectively.

Revenue and operating profit of Yichang Jingwei Textile Machinery Company Limited amounted to RMB62,891,000 and RMB5,235,000 respectively.

Revenue and operating profit of Shenyang Hongda Huaming Textile Machinery Company Limited amounted to RMB54,845,000 and RMB205,000 respectively.

Revenue and operating profit of Wuxi Hongda Texparts Company Limited amounted to RMB46,224,000 and RMB3,274,000 respectively.

Revenue and operating profit of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited amounted to RMB33,067,000 and RMB560,000 respectively.

I. OPERATING RESULTS AND FINANCIAL ANALYSIS (continued)**2. Financial Position (prepared in accordance with the PRC Accounting Standards and Systems)****Major changes in assets and profit and loss of the Company in the reporting period***(Unit: RMB'000)*

Major items	As at 30th June 2008	As at 31st December 2007	Increase/ (decrease) changes +/(–)	Increase/ (decrease) changes %	Reasons for the change
Cash	942,452	644,299	298,153	46.28	Note (1)
Trading financial assets	2,110	4,945	(2,835)	(57.33)	Note (2)
Notes receivable	857,792	1,229,252	(371,460)	(30.22)	Note (3)
Accounts receivable	674,008	427,383	246,624	57.71	Note (4)
Prepayments	331,606	199,852	131,755	65.93	Note (5)
Other current assets	16,473	10,906	5,567	51.05	Note (6)
Construction in progress	87,320	66,265	21,055	31.77	Note (7)
Project materials	50,467	5,748	44,719	778.03	Note (8)
Short-term borrowings	661,307	414,161	247,146	59.67	Note (9)
Notes payable	167,870	275,884	(108,014)	(39.15)	Note (10)
Staff remuneration payable	49,818	97,252	(47,435)	(48.77)	Note (11)
Tax payable	3,752	7,136	(3,384)	(47.42)	Note (12)
Long-term borrowings (due within one year inclusive)	455,000	255,000	200,000	78.43	Note (13)
Special accounts payable	15,059	–	15,059	–	Note (14)
Other non-current liabilities	10,898	20,180	(9,282)	(46.00)	Note (15)
Major items	Six months ended 30th June 2008	Six months ended 30th June 2007	Increase/ (decrease) changes +/(–)	Increase/ (decrease) changes %	Reasons for the change
Finance expenses	5,554	16,361	(10,806)	(66.05)	Note (16)
Loss on impairment of assets	(16,928)	10,485	(27,412)	(261.45)	Note (17)
Gains from investments	35,021	28,531	6,490	22.75	Note (18)
Non-operating income	15,786	5,053	10,733	212.39	Note (19)
Non-operating expenses	3,154	1,544	1,610	104.23	Note (20)

Reasons for the change:

- Note (1): The increase in cash was mainly due to the increases in the short-term and long-term borrowings during the accounting period.
- Note (2): The decrease in trading financial assets was mainly due to the decrease in the holding of stocks of listed companies as at the end of the period.
- Note (3): The decrease in notes receivable was mainly due to the decrease in bank's acceptance bills settled by clients and the maturity for bill acceptance.
- Note (4): The increase in accounts receivable was mainly due to the tightened liquidity of clients, making repayment less than new accounts receivable of the current period.
- Note (5): The increase in prepayments was mainly due to the needs to pay in advance for raw materials such as import parts and steel materials so that the manufacturers could arrange for production and supply of goods.
- Note (6): The increase in other current assets was due to the increase in business tax prepaid by its subordinating real estate company.
- Note (7): The increase in construction in progress was mainly due to the newly added production and installation lines and the purchase of pre-processing equipment.
- Note (8): The increase in construction materials was for purchasing the equipment for the accessories of the new production and installation lines.
- Note (9): The increase in short-term borrowings was due to the increase in the use of credit facility for loans from commercial banks and the use of notes for financing for the purpose of combating the tightened austerity measures.
- Note (10): The decrease in notes payable was mainly due to the increase in the use of notes for repaying loans.
- Note (11): The decrease in staff remuneration payable was mainly due to the payment of salary, bonus, allowances etc. due last year during the current period.
- Note (12): The decrease in tax payable was mainly due to the increase in excess value-added tax during the current period.
- Note (13): The increase in long-term borrowings was due to the Company's three-year technological reform discount interest loan from China Construction Bank.
- Note (14): The increase in special accounts payable was due to the import of automatic winding machine parts resulting in the provisional accounting of the value-added tax and tariff refund from the Ministry of Finance as special accounts payable.



- Note (15): The decrease in other non-current liabilities was due to the use of the support fund provided by the government in accordance with the benefit period.
- Note (16): The year-on-year decrease of finance expenses was mainly due to the appreciation of Renminbi which resulted in the relatively greater amount of gain on exchange arising from the loans of the Company which were denominated in the U.S. dollar.
- Note (17): The year-on-year decrease in loss on impairment of assets was due to the increased efforts placed in the collection of accounts receivables, resulting in the collection of a number of aged receivables that have been provided for bad debts allowances in the prior period.
- Note (18): The year-on-year increase in gain on investments was mainly due to the gain on exchange obtained by disposing the interests in an equity holding company during the current period.
- Note (19): The year-on-year increase in non-operating income was mainly due to the additional government subsidies obtained during the current period.
- Note (20): The year-on-year increase in non-operating expenses was mainly due to the additional losses on disposing fixed assets during the current period.

II. OPERATIONS IN THE REPORTING PERIOD

1. Analysis of principal activities by sales of products

Unit: RMB '000

Item	Reporting Period (January to June)					
	Revenue from operation	Cost of operation	Profit margin (%)	Increase/(decrease) in revenue from operation as compared with the corresponding period in the previous year (%)	Increase/(decrease) in cost of operation as compared with the corresponding period in the previous year (%)	Increase/(decrease) in profit margin as compared with the corresponding period in the previous year (%)
Natural fibre textile machinery	1,366,807	1,196,366	12.47	(31.73)	(29.92)	(15.35)
Chemical fibre textile machinery	48,419	39,719	17.97	(11.66)	1.48	(37.15)
Weaving machinery	139,705	118,323	15.31	(35.71)	(36.63)	8.73
Special parts for weaving machinery	139,917	109,799	21.53	(28.33)	(19.50)	(28.55)
Others	442,620	412,380	6.83	779.77	822.09	(38.50)
Total	<u>2,137,468</u>	<u>1,876,587</u>	<u>12.21</u>	<u>(15.17)</u>	<u>(11.24)</u>	<u>(24.18)</u>

Of which: The aggregate amount of connected transactions arising from sales of goods and provision of labour services to controlling shareholders and its subsidiaries by the Group during the reporting period was RMB515,152,000.

Under the effect of the tightening of the monetary policy of the State, the appreciation of Renminbi and the declining demand in the domestic textile industry, and the production and sales of textile machinery manufacturers have been suffering a relatively material impact. During the reporting period, the domestic sales volume of various leading products of the Company fell significantly while sales of distribution and self-operated export increased slightly. Under the effect of inflation in the prices of basic materials and energy supply, the manufacturing cost of the Company's products remarkably increased. Owing to the fall in production volume, the fixed cost allocated within unit products increased, leading to a drop in the gross profit margin of key products.

2. Analysis of principal activities by regional sales

Unit: RMB '000

Region	Revenue from operation		Increase/(decrease) as compared with the corresponding period in the previous year (%)
	Six months ended 30th June 2008	2007	
Domestic sales	1,736,775	2,141,833	(18.91)
Overseas sales	400,693	377,908	6.03
Of which: Asia	388,677	347,223	11.94
Africa	7,925	13,885	(42.92)
Other key continents and regions	4,091	16,800	(75.65)
Total	<u>2,137,468</u>	<u>2,519,741</u>	<u>(15.17)</u>

III. OPERATING PROBLEMS AND DIFFICULTIES

At present, the difficulties the textile industry facing are the composite unfavourable factors as a result of the volatile international economy, increasing clashes in trading, escalating energy prices as well as the austerity measures in the PRC, continuous appreciation of Renminbi, increasing labour cost, non-stop rise in coal, electricity, oil, transportation and raw materials, which were built on the grounds of the continuously accelerating expansion over the years. Such a difficult situation is expected to be a relatively long process. Nevertheless, the Company has been in a relatively advantageous position such that its products have functionality-to-price advantages and the advantages in one-stop services. In terms of development of the international market, it has dedicated and professional teams as well as a relatively strong production and processing capacity, technological and research and development strengths and a team of staff of higher quality. Therefore, in face the difficulties, the Company is confident and determined to survive the situation.

In the second half of 2008, the Company will implement practical and effective measures. While maintaining the normal operation of the enterprise, cost will be tremendously cut to enhance efficiency. Precautions on operating risks will be taken. Prime importance will be attached to cashflow management while capital management will be strengthened. Assets will be used flexibly and reserved sensibly to prevent operating risks. Cost-saving campaign will be actively launched among all staff to reduce cost expenses. Adjustment and optimisation in production structure, product organisational structure, asset structure and manpower structure to strengthen the enterprise's ability to respond to market changes. Efforts will be put in developing the market and reinforce the synergy effects to continuously maximise operating results. The complete-set equipment and cooperative sales will be continuously promoted. The Company will focus on the sale of accessories, parts and equipment and after-sale services will be boosted to strive for more orders so as to survive the existing difficult situation.

IV. INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD

1. No proceeds from the issue of shares was utilized during the reporting period. As at the end of the reporting period, the unutilized proceeds from the issue of shares amounted to RMB752,000 and was deposited in bank. Please refer to the 2003 annual report for details of utilization of accumulated funds raised from the issue of shares.
2. No investment is made by funds raised during the reporting period.

V. WARNING AND REASONS FOR THE FORECAST THAT THE AGGREGATE NET PROFIT FOR THE PERIOD FROM THE BEGINNING OF THE YEAR TO THE END OF NEXT REPORTING PERIOD MAY BE A LOSS OR CHANGE SIGNIFICANTLY FROM THE CORRESPONDING PERIOD OF PVIOUS YEAR

Under the effect of the tightening of the monetary policy of the State, the appreciation of Renminbi and the declining demand in the national textile industry, the production and sales of textile machinery manufacturers have been suffering relatively material impact. Since 2008, domestic sales volume of leading products of the Company fell significantly, while production costs increased significantly due to price hike of basic materials and energy. It is estimated that the net profit attributable to the parent company for the nine months ended 30th September 2008 will fall more than 50% as compared with the corresponding period of the previous year.



Chapter V Significant Events

I. CORPORATE GOVERNANCE

During the reporting period and in strict compliance with the Company Laws, the Securities Laws, the Corporate Governance Standards for Listed Companies, the Listing Rules of the Shenzhen Stock Exchange and the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and other relevant laws, rules and regulations of the China Securities Regulatory Commission, the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, the Company continually improved its governance structure and enhanced its internal control system.

In accordance with the requirements set out in the Notice on Performance of the Special Activities regarding Enhancement of Corporate Governance of Listed Companies (《關於開展加強上市公司治理專項活動有關事項的通知》) ([2007] No. 28) issued by CSRC and the Notice on the Regulatory Measures including Corporate Governance of Listed Companies in the Development Areas Governed by CSRS (《關於北京證監局開展轄區上市公司治理等監管工作的通知》) ([2007] No. 18) issued by CSRC, the Company launched special activities on corporate governance in 2007 and disclosed the Conclusion Report on the Special Activities and Reform on Corporate Governance in designated media on 28th December 2007. For the six months ended 30th June 2008, issues involved in the special activities on corporate governance had been reconciled and implemented in time and effective manner during the reporting period. For details, please refer to the Announcement on Completion of Reform on Corporate Governance published on Securities Times, the cninfo website (www.cninfo.com.cn), the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.jwgf.com) as on 29th July 2008.

As at the end of the reporting period, our actual standard of corporate governance has generally met the requirements of the regulatory documents issued by China Securities Regulatory Commission.

II. THE BOARD OF DIRECTORS OF THE COMPANY HAS RESOLVED NOT TO PAY ANY INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30TH JUNE 2008 AND NO SURPLUS RESERVES WOULD BE CAPITALISED.

III. IMPLEMENTATION OF PROFIT APPROPRIATION PROPOSAL FOR THE PREVIOUS YEAR

At the 2007 Annual General Meeting held on 20th June 2008, the resolution on the after-tax profit appropriation proposal for 2007 was passed. Such profit distribution was implemented on 18th July 2008.

IV. DURING THE REPORTING PERIOD, THERE WAS NO MATERIAL LITIGATION OR ARBITRATION COMMENCED AGAINST THE COMPANY NOR WAS THERE ANY MATERIAL LITIGATION AND ARBITRATION CARRIED FORWARD FROM PREVIOUS PERIOD TO THE REPORTING PERIOD.

V. ACQUISITION AND DISPOSAL OF ASSETS

Disposal of equity interest

Unit: RMB'000

Counterparty	Asset sold or disposed	Date of selling	Transaction price	Net profit contributed to the Company from the beginning of the year to the date of disposal	Gain or loss arising from the disposal	Whether a connected transaction or not	Has all the legal title of the relevant assets been transferred	Have all the relevant creditors' rights or liabilities been transferred
Beijing Shidai Yangguang Joint Investment Company Limited	10% equity in Beijing Chenyu Taihe Property Development Company Limited	30th March 2008	38,000	0	31,047	No	Yes	Yes

VI. RELATED TRANSACTIONS

1. Related transactions arising from ordinary business operations

The Composite Services Agreement dated 18th August 2004 and the Supplemental Agreement of the Composite Services Agreement dated 12th April 2007 entered into by the Company (for itself and on behalf of its subsidiaries from time to time) and China Textile Machinery (Group) Company Limited (“China Textile Machinery”) for itself and on behalf of its associates and members from time to time, excluding the members of the Group) had expired on 31st December 2007. To ensure the normal and smooth flow of production and operation of the Company, on 21st December 2007, the Company and China Textile Machinery entered into the new Composite Services Agreement to regulate the goods and services supplied to each other between the Company and China Textile Machinery during the three years from 1st January 2008 to 31st December 2010, which include: (i) the supply of products, raw materials, parts and components, and the provision of processing, finishing and maintenance services; (ii) provision of public and social services; and (iii) leasing of properties. The new Composite Services Agreement has been approved at the 2008 First Extraordinary General Meeting. Pursuant to the new Composite Services Agreement, all continuing connected transactions shall be conducted on normal commercial terms, and prices payable or receivable by the Company shall be determined on the following basis:

- (1) state price shall be applied if the price of the relevant service provided is subject to any pricing regulations of the State;
- (2) where there is no applicable state price, the lower of market price or actual cost (the growth rate should not be higher than that of the price index in the preceding year of the relevant region where the service provider is located) shall be used.

The relevant details are set out in the announcements of the Company published on Securities Times dated 22nd December 2007 and 1st March 2008, the cninfo website (<http://www.cninfo.com.cn>), the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the website of the Company (www.jwgf.com).

During the reporting period, connected transactions and continuing connected transactions of the Group for the period were conducted in accordance with the abovementioned Composite Services Agreement and the details were as follows:

Unit: RMB '000

Connected parties	Sales of goods and provision of services and to the connected parties		Purchases of goods services from the connected parties	
	Transaction Amount	Proportion to transaction amount of same type of transaction	Transaction Amount	Proportion to transaction amount of same type of transaction
Companies controlled by the same parent company	105,361	4.93%	286,041	16.87%
Companies controlled by the ultimate parent company	42,711	2.00%	—	—
Associated companies of the Group	368,196	17.23%	18,255	1.08%
Joint venture companies of the Group	72	—	—	—
Other companies subject to significant influence by key management personnel of subsidiaries	805	0.04%	138,802	8.19%
Total	517,145	24.19%	443,098	26.14%

Of which: During the reporting, an aggregate transaction amount of RMB515,152,000 was incurred by the sale of products, raw materials and parts and accessories to China Textile Machinery by the Group in accordance with the Composite Services Agreement, which represented 45.03% of the maximum transaction value of such transactions as agreed in the Composite Services Agreement of 2008.



VI. RELATED TRANSACTIONS (continued)

1. Related transactions arising from ordinary business operations (continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions undertaken by the Group for the interim period, and have confirmed that such transactions have been entered into:

- (1) in the ordinary and normal course of business of the Group;
- (2) either on normal commercial terms or, on terms no more favourable or less favourable than terms available to or made by independent third parties;
- (3) were on the terms of agreement of relevant transactions which were fair and reasonable and are in the interests of all shareholders of the Company as a whole;

Such transactions are conducted in the ordinary course of the Company's operations and the related parties have had many years of business corporation with the Company and good match of production and processing capacity, which ensure the orderly and smooth operations of the Company. Such transactions have warranted their necessity and continuity in the Company's operations. The connected transactions will not affect the Company's independence.

2. No connecting transaction of the nature of acquisition and disposal of assets took place during the reporting period

VII. MATERIAL CONTRACTS AND PERFORMANCE

1. During the reporting period, there were no significant or ongoing significant contracts for entrustment, contracting and leasing of assets to other companies or vice versa.
2. **Material Guarantees**

Unit: RMB'000

External guarantees undertaken by the Company (excluding guarantees provided to subsidiaries)						
Name of guaranteed party	Date of event (Date of agreement)	Guaranteed amount	Type of guarantee	Period of guarantee	Discharged or not	Whether in favour of any related party
Beijing Hualian Group Investment Holdings Co. Ltd.	10/10/2007	150,000	Joint liability	10/10/2007-9/10/2008	No	No
Total guaranteed amount during the reporting period		150,000				
Guaranteed balance at the end of the reporting period (A)		150,000				
Guarantee provided by the Company to subsidiaries						
Total guaranteed amount to subsidiaries during the reporting period		210,000				
Guaranteed balance to subsidiaries as at the end of the reporting period (B)		190,000				
Total guarantee (including guarantee to subsidiaries) provided by the Company						
Total guaranteed amount (A+B)		340,000				
Total guaranteed amount as a percentage of the net assets value of the Company		11.81				
Of which:						
Guaranteed amount provided for shareholders, parties which have de facto control and other related parties (C)		0				
Guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)		0				
Total guaranteed amount in excess of 50% of net assets value (E)		0				
Total guaranteed amount of the above three items *(C+D+E)		0				

3. **Entrustment on fund management**

During the reporting period, there was no entrustment on fund management by the Company.



VIII. PERFORMANCE OF COMMITMENTS BY THE COMPANY OR SHAREHOLDERS WITH MORE THAN 5% (INCLUSIVE) SHAREHOLDINGS.

Special commitments by the holder of originally non-floating shares during the process of Share Segregation Reform and the implementation

Name of Shareholder	Special Commitments	Performance of Commitments
China Textile Machinery (Group) Company Limited	China Textile Machinery (Group) Company Limited undertakes not to trade or transfer its floating Shares during the three years from the date on which its non-floating Shares are granted the right to list on the Shenzhen Stock Exchange. Within 2 years after the expiry of such period, the number of originally non-floating Shares to be sold through trading on the Shenzhen Stock Exchange shall not exceed 30% of the number of Shares held by it on the date of the implementation of the Share Segregation Reform Proposal, and the sale price will be no less than RMB7 per Share (subject to such adjustment as may be made in connection with declaration of dividend, distribution or re-allocation of capital reserve fund to share capital).	To be implemented
	In order to stabilize the prices of secondary market of A Shares and to ensure the controlling shareholder status of China Textile Machinery (Group) Company Limited, for a period of two months after the implementation of the Share Segregation Reform Proposal, China Textile Machinery (Group) Company Limited undertakes to either use no less than RMB30 million to increase its shareholdings through the secondary market of A Shares, or to acquire no less than 10 million floating A Shares. China Textile Machinery (Group) Company Limited further undertakes not to dispose of any of such Shares acquired in such connection within a period of six months after the implementation of plan to increase its shareholdings.	As at 22nd September 2006, China Textile Machinery (Group) Company Limited increased its shareholdings of the Company by acquiring an aggregate of 8,615,248 Shares, representing approximately 1.43% of the total issued share capital of the Company through centralised bidding in the secondary market. An aggregate consideration of RMB30,017,756.73 was used to increase its shareholdings.

Note: Mr Yang Jianwei is currently the representative of Guosen Securities Company Limited, the sponsor of the share segregation reform of the Company, and is responsible for giving continuous inspection and guidance on the Company's projects on share segregation reform.

IX PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the reporting period.

X. CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has strived to maintain and establish a high level of corporate governance. During the reporting period, except for the following deviations, the Company has complied in full the code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules of the Stock Exchange:

Code Provision A.1.1

Pursuant to Code Provision A.1.1, the board of directors shall convene at least 4 regular meetings per year, at approximately quarterly intervals. According to the Company's Articles of Association and the Rules of Proceedings of Board Meetings, the Board is required to hold at least two meetings (regular meetings) per year. Notwithstanding the above, in order to enhance the Company's corporate governance and to consider the quarterly report of the Group, the Board of the Company had convened more than 4 board meetings during the reporting period, thus the Company has in fact fully complied with the requirements under Code Provision A.1.1.

Code Provision A.1.3

Pursuant to Code Provision A.1.3, notice shall be given at least 14 days before convening a regular board meeting. According to the Company's Articles of Association and the Rules of Proceedings of Board Meetings, the Board shall serve notice 10 days before convening a Board meeting. Notwithstanding the above, in order to enhance the Company's corporate governance, the Board of the Company has managed to issue notice of not less than 14 days prior to each Board Meeting during the reporting period. On such basis, the directors consider that the Company in fact fully complied with the requirements under Code Provision A.1.3.

In order to ensure that the Company is in full compliance with the requirement of the above Code Provisions and to enable it to promptly and efficiently make and implement its decision, the Company will consider to make appropriate amendments to the articles of association and/or Rules Governing the Proceedings of the Board Meetings at an appropriate time.



XI. TABLE ON RECEPTION ACTIVITIES IN RESPECT OF RESEARCH, COMMUNICATION AND VISITS DURING THE REPORTING PERIOD

Time of reception	Place of reception	Means of reception	Subject of reception	Key content of discussion and information provided
18th January 2008	Conference room of the Company	On-site research	廣東麗門建材裝飾有限公司	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
16th January 2008	Conference room of the Company	On-site research	China International Fund Management Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
17th March 2008	Conference room of the Company	On-site research	KGI Asia Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
22nd May 2008	Conference room of the Company	On-site research	Polunin Capital Partners Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
20th June 2008	Conference room of the Company	On-site research	China International Capital Corporation Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company

XII. AUDIT COMMITTEE

The Audit Committee of the Board of the Company has, together with the management, reviewed the accounting principles, accounting standards and methods adopted by the Group, and has discussed about issues regarding auditing, internal controls and financial reporting including review of the unaudited interim accounts of the Group for the six months ended 30th June 2008.

XIII. ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a set of code which is not lower than the standard and requirements of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries were made to the Directors and the Directors confirmed that they had complied with the requirements regarding directors' securities transactions set out in such set of code during the accounting period covered by the interim results.

XIV. SECURITIES INVESTMENTS

Serial No.	Type of Stock	Stock code	Stock short name	Initial investment (RMB)	Number of Shares held (shares)	Carrying value at the end of the reporting period (RMB)	Percentage of total investment at the end of the reporting period (%)	Gain or loss during the reporting period (RMB)
1	Listed stock on the Stock Exchange	3813	Pou Sheng International	2,356,173	1,000,000	2,110,080	100%	-
Other investments in securities at end of the period				-	-	-	-	-
Gain or loss from disposal of investment in securities during the reporting period				-	-	-	-	1,858,613
Total				2,356,173	1,000,000	2,110,080	100%	1,858,613

XV. SPECIAL EXPLANATIONS AND INDEPENDENT OPINIONS BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON APPROPRIATION OF FUNDS BY RELATED PARTIES AND EXTERNAL GUARANTEES OF THE COMPANY

Pursuant to the requirements set out in the Notice Concerning Certain Issues on Regulating the Funds between Listed Companies and Related Parties and Provision of External Guarantees by Listed Companies (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) (Zheng Jian Fa Document No. 56 [2003]), the Notice Concerning the Regulating of Provision of External Guarantees by Listed Companies (《關於規範上市公司對外擔保行為的通知》) (Zheng Jian Fa Document No. 120 [2005]) and the Notice on the Preparation of 2008 Interim Reports of Listed Companies issued by the Shenzhen Stock Exchange (《深圳證券交易所關於做好上市公司2008年半年度報告工作的通知》) (Shen Zheng Shang Document No. 97 [2008]), we, as independent non-executive Directors of the Company and being accountable to the Company, all the shareholders and investors, conducted a detailed review on the appropriation of funds by controlling shareholder and related parties and the external guarantees of the Company and issued the following special explanations and independent opinions:

1. The independent non-executive Directors' special explanations and independent opinions on appropriation of funds by controlling shareholder and related parties

As at the end of the reporting period, the controlling shareholder and related parties did not appropriate any fund of the Company. The Company did not directly or indirectly provide funds for the controlling shareholders and other related parties of the Company for their own use.

We are in the opinion that, related activities of the Company have been regulated, and in compliance with the requirements of the relevant laws and regulations, and in the interests of the Shareholders as a whole have been well guarded.



XV. SPECIAL EXPLANATIONS AND OPINIONS BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON APPROPRIATION OF FUNDS BY RELATED PARTIES AND EXTERNAL GUARANTEES OF THE COMPANY (continued)

2. Independent non-executive Directors' special explanations and independent opinions on external guarantees of the Company

Guarantees of the Company incurred in the reporting period amounted to RMB360,000,000. As at the end of the reporting period, the remaining balance totalled RMB340,000,000, of which remaining balance of guarantees provided to controlled subsidiaries amounted to RMB190,000,000 and remaining balance of guarantees to other companies amounted to RMB150,000,000. As at the end of the reporting period, no guarantees were made by the Company for related parties and no guarantees were overdue.

We are of the opinion that, external guarantees of the Company have been in a good condition, and the performance of external guarantees was in compliance with requirements of relevant notices.

XVI. PERFORMANCE OF CORPORATE SOCIAL RESPONSIBILITY DURING THE REPORTING PERIOD

After the mega earthquake happened in Sichuan, the Company actively launched relief and fund-raising activities. The Company and the subordinating enterprises, the staff and party members donated a total of RMB2,397,029.30 to the disaster area at the relief activities. Such amount had been transferred to the relevant accounts designated for disaster relief.

XVII. ACCOUNTING FIRMS ENGAGED BY THE COMPANY IN 2008

It was considered and approved by shareholders of the Company at the 2007 annual general meeting of the Company held on 20th June 2008 to re-appoint Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, and Deloitte Touche Tohmatsu CPA Limited, Certified Public Accountants, the PRC, as the international and PRC auditors respectively for the year ending 31st December 2008.

Chapter VI Interim Financial Statements Prepared in Accordance with the PRC Accounting Standards for Business Enterprises (Unaudited)

Company and Consolidated Balance Sheet

30th June 2008

Unit: RMB

Assets	Note	Consolidated		Company	
		Period End	Period Start	Period End	Period Start
Current assets					
Cash	VI. 1, X. 1	942,452,286.51	644,299,072.76	653,039,956.38	346,496,831.65
Trading financial assets	VI. 2	2,110,080.00	4,945,000.00	—	4,945,000.00
Bills receivables	VI. 3, X. 2	857,792,058.29	1,229,251,866.76	533,038,955.92	855,372,838.89
Trade receivables	VI. 4, X. 3	674,007,588.16	427,383,317.15	517,188,463.20	271,395,916.13
Prepayment	VI. 5, X. 4	331,606,372.80	199,851,701.79	149,187,196.60	65,732,191.90
Dividend receivables		—	—	4,592,565.36	4,592,565.36
Other receivables	VI. 6, X. 5	87,772,978.39	71,219,437.33	269,244,591.31	270,125,342.69
Inventories	VI. 7, X. 6	2,079,725,886.06	2,000,725,629.58	545,518,939.00	582,892,617.69
Entrusted loan	VI. 8	67,000,000.00	67,000,000.00	143,500,000.00	140,000,000.00
Other current assets	VI. 9	16,472,760.45	10,905,852.80	—	—
Total current assets		5,058,940,010.66	4,655,581,878.17	2,815,310,667.77	2,541,553,304.31
Non-current assets:					
Long-term equity investments	VI. 10, X. 7	150,153,079.25	158,358,681.56	976,940,777.17	978,193,188.06
Fixed assets	VI. 11, X. 8	1,149,644,584.18	1,183,387,283.80	446,406,651.87	455,894,718.51
Construction in progress	VI. 12, X. 9	87,320,234.63	66,265,074.38	34,391,258.46	24,482,170.64
Construction materials	VI. 13	50,466,964.29	5,747,744.14	2,769,429.50	2,183,513.50
Intangible assets	VI. 14, X. 10	274,601,153.58	278,679,832.64	87,242,107.35	88,835,741.61
Goodwill		2,258,412.00	2,258,412.00	—	—
Deferred income tax assets	VI. 15	35,118,317.56	35,731,341.25	19,872,308.54	20,934,582.84
Other non-current assets	X. 15	—	—	92,195,196.72	77,136,576.10
Total non-current assets		1,749,562,745.49	1,730,428,369.77	1,659,817,729.61	1,647,660,491.26
Total assets		6,808,502,756.15	6,386,010,247.94	4,475,128,397.38	4,189,213,795.57

Legal representative:
Yao Yuming

Person in charge of accounting function:
Mao Faqing

Person in charge of accounting department:
Mao Faqing



Company and Consolidated Balance Sheet (continued)

30th June 2008

Unit: RMB

Liabilities and shareholders' interest	Note	Consolidated		Company	
		Period End	Period Start	Period End	Period Start
Current liabilities:					
Short-term borrowings	VI. 17, X. 12	661,307,108.00	414,160,740.86	452,599,175.00	309,387,040.86
Bill payables	VI. 18, X. 13	167,870,170.42	275,884,343.86	97,980,168.59	150,538,550.85
Trade payables	VI. 19	1,182,143,565.79	1,244,290,600.73	828,020,329.02	866,238,934.99
Receivables in advance	VI. 20	692,648,169.08	559,362,234.52	292,183,057.89	231,296,764.90
Staff remuneration payables	VI. 21, X. 14	49,817,536.39	97,252,093.55	5,964,785.05	35,666,171.20
Tax payables	VI. 22, X. 15	3,752,252.81	7,135,761.47	3,100,243.28	147,115.40
Dividend payables	VI. 23	20,511,157.50	26,680,224.29	15,654,279.76	15,654,279.76
Other payables	VI. 24	281,579,015.59	265,097,339.62	106,494,793.46	142,652,204.65
Long-term borrowings due within 1 year	VI. 26	105,000,000.00	105,000,000.00	55,000,000.00	5,000,000.00
Non-current liabilities due within 1 year		—	8,680,000.00	—	5,720,000.00
Other current liabilities	VI. 25	7,110,739.05	6,470,000.00	1,600,000.00	6,470,000.00
Total current liabilities		3,171,739,714.63	3,010,013,338.90	1,858,596,832.05	1,768,771,062.61
Non-current liabilities:					
Long term borrowings	VI. 26, X. 16	350,000,000.00	150,000,000.00	250,000,000.00	100,000,000.00
Long-term payables	VI. 27	151,258,777.11	146,902,676.51	109,006,720.60	103,893,696.59
Project expenses payables	VI. 28	15,058,620.62	—	15,058,620.62	—
Estimated liabilities	VI. 29	900,000.00	900,000.00	—	—
Other non-current liabilities	VI. 30	10,897,554.06	20,179,820.81	—	—
Total non-current liabilities		528,114,951.79	317,982,497.32	374,065,341.22	203,893,696.59
Total liabilities		3,699,854,666.42	3,327,995,836.22	2,232,662,173.27	1,972,664,759.20
Shareholders' equity:					
Share capital	VI. 31	603,800,000.00	603,800,000.00	603,800,000.00	603,800,000.00
Capital reserve	VI. 32	1,249,865,032.48	1,249,865,032.48	1,239,920,114.95	1,239,920,114.95
Surplus reserve	VI. 33	547,577,606.05	547,577,606.05	353,536,010.31	353,536,010.31
Undistributed profit	VI. 34, X. 17	481,291,963.39	429,160,582.78	45,210,098.85	19,292,911.11
Translation difference of foreign currency statements		(2,623,121.37)	(2,487,256.36)	—	—
Total owner's equity attributable to the parent		2,879,911,480.55	2,827,915,964.95	2,242,466,224.11	2,216,549,036.37
Minority interest	VI. 35	228,736,609.18	230,098,446.77	—	—
Total shareholder's equity		3,108,648,089.73	3,058,014,411.72	2,242,466,224.11	2,216,549,036.37
Total liabilities and owner's equity		6,808,502,756.15	6,386,010,247.94	4,475,128,397.38	4,189,213,795.57

Legal representative:
Yao YumingPerson-in-charge for accounting function:
Mao FaqingPerson in charge of accounting function:
Mao Faqing

Company and Consolidated Income Statement

For the half year ended 30th June 2008

Unit: RMB

Item	Note	Consolidated		Company	
		January to June 2008	January to June 2007	January to June 2008	January to June 2007
Operating income	VI. 36, X. 18	2,183,763,048.54	2,935,493,874.54	1,515,987,309.13	1,868,384,686.97
Less: Cost of operation	VI. 37, X. 19	(1,918,927,651.23)	(2,500,837,098.42)	(1,439,365,360.49)	(1,738,518,820.61)
Business tax and surcharge	VI. 38, X. 20	(3,155,069.93)	(5,418,159.67)	(544,865.75)	(1,564,068.18)
Distribution expenses		(60,638,016.95)	(77,948,947.56)	(25,967,944.79)	(39,112,713.91)
Administrative expenses		(196,041,259.95)	(228,263,211.98)	(61,655,827.51)	(78,319,464.84)
Finance expenses	VI. 39, X. 21	(5,554,479.58)	(16,360,759.96)	5,284,688.69	(7,168,042.51)
Assets Impairment loss	VI. 40	16,927,544.51	(10,484,931.87)	8,745,089.73	(6,550,166.22)
Add: Gain/(Loss) from change in fair value	VI. 41	(246,093.09)	—	—	—
Gain from investment	VI. 42, X. 22	35,021,382.47	28,530,911.75	22,286,699.15	22,797,037.50
Of which: Gains from investment in associates and jointly controlled entities		(1,252,410.89)	3,948,566.00	(1,252,410.89)	2,021,731.00
Operating profit		51,149,404.79	124,711,676.83	24,769,788.16	19,948,448.20
Add: Non-operating income	VI. 43, X. 23	15,786,039.64	5,053,350.24	3,049,334.16	1,496,659.74
Less: Non-operating expenses	VI. 44, X. 24	(3,154,070.28)	(1,544,386.47)	(884,214.01)	(88,894.20)
Of which: Loss from disposal of non-current assets		(586,701.59)	(680,573.00)	(56,550.96)	(3,272.00)
Total profit		63,781,374.15	128,220,640.60	26,934,908.31	21,356,213.74
Less: Income tax expenses	VI. 45 X. 25	(13,011,831.13)	(22,153,041.73)	(1,017,720.57)	(6,405,142.63)
Net profit		50,769,543.02	106,067,598.87	25,917,187.74	14,951,071.11
Net profit attributable to the holder of equity of the parent		52,131,380.61	97,372,926.70	25,917,187.74	14,951,071.11
Minority loss		(1,361,837.59)	8,694,672.17	—	—
Earnings per share:					
(I) Basic earnings per share	VI. 46	0.09	0.16	—	—
(II) Diluted earnings per share	VI. 46	0.09	0.16	—	—

Legal representative:
Yao YuminPerson-in-charge for accounting function:
Mao FaqingPerson in charge of accounting function:
Mao Faqing

**Company and Consolidated Cash flow statement**

For the half year ended 30th June 2008

Unit: RMB

Item	Consolidated		Company	
	January to June 2008	January to June 2007	January to June 2008	January to June 2007
1. Cash flow from operating activities				
Cash received from sale of goods and provision of services	2,351,884,520.56	2,420,226,042.36	1,503,930,664.65	1,658,171,667.38
Tax rebates	1,780,857.41	158,797.25	—	—
Other cash received from activities related to operation	14,923,772.89	55,091,609.53	4,869,334.16	38,220,499.68
Sub-total of cash inflow from operating activities	2,368,589,150.86	2,475,476,449.14	1,508,799,998.81	1,696,392,167.06
Cash paid for goods purchased and service rendered	(2,062,612,516.54)	(2,201,325,049.73)	(1,411,227,921.28)	(1,739,102,391.30)
Cash paid to or paid for employee	(268,725,926.75)	(249,683,905.23)	(97,409,465.05)	(81,719,435.70)
Taxes paid	(102,732,714.02)	(166,647,182.91)	(15,535,990.03)	(65,212,359.39)
Other cash paid for activities related to operation	(38,899,352.04)	(70,854,071.94)	(35,012,408.19)	(53,319,600.51)
Cash outflow from operating activities	(2,472,970,509.35)	(2,688,510,209.81)	(1,559,185,784.55)	(1,939,353,786.90)
Net cash flow from operating activities	(104,381,358.49)	(213,033,760.67)	(50,385,785.74)	(242,961,619.84)
2. Cash flow from investment activities				
Cash received from investment	21,238,414.06	151,389,013.00	9,153,015.00	150,465,465.00
Cash received from gains in investment	36,160,083.51	20,775,306.00	25,608,983.18	20,775,306.50
Net cash received from disposal of fixed assets, intangible assets and other assets	1,928,417.94	551,730.85	287,311.50	130,220.00
Net cash received from disposal of subsidiaries and other operating entities	—	—	—	—
Other cash received from activities related to investment	—	—	—	—
Sub-total of cash inflow from investment activities	59,326,915.51	172,716,049.85	35,049,309.68	171,370,991.50
Cash paid for purchase of fixed assets, intangible assets and other long term assets	(57,240,061.71)	(75,105,182.54)	(9,492,813.40)	(13,719,197.50)
Cash paid for investment	(16,850,558.34)	(152,715,503.00)	(9,653,015.00)	(191,460,830.00)
Net cash paid for acquiring subsidiaries and other operating entities	—	—	—	—
Other cash paid for activities related to investment	—	—	—	—
Sub-total of cash outflow from investment activities	(74,090,620.05)	(227,820,685.54)	(19,145,828.40)	(205,180,027.50)
Net cash flow from investment activities	(14,763,704.54)	(55,104,635.69)	15,903,481.28	(33,809,036.00)
3. Cash flow from financing activities				
Proceeds received from investing activities	—	—	—	—
Cash received from borrowings	689,642,259.14	148,875,000.00	373,212,134.14	133,875,000.00
Other cash received from financing-related activities	—	—	—	—
Sub-total of cash inflow from financing activities	689,642,259.14	148,875,000.00	373,212,134.14	133,875,000.00
Cash paid for repayment	(253,660,000.00)	(58,073,513.33)	(25,000,000.00)	(40,000,000.00)
Cash paid for dividend and profit distribution or interest repayment	(17,535,623.39)	(19,873,644.80)	(7,186,704.95)	(18,843,009.94)
Other cash paid for financing-related activities	—	—	—	—
Sub-total of cash outflow from financing activities	(271,195,623.39)	(77,947,158.13)	(32,186,704.95)	(58,843,009.94)
Net cash flow from financing activities	418,446,635.75	70,927,841.87	341,025,429.19	75,031,990.06
4. Exchange impact on cash and cash equivalents	(1,148,358.97)	—	—	—
5. Net increase in cash and cash equivalents	298,153,213.75	(197,210,554.49)	306,543,124.73	(201,738,665.78)

Legal representative:
Yao YumingPerson-in-charge for accounting function:
Mao FaqingPerson in charge of accounting function:
Mao Faqing

Company and Consolidated Cash flow statement (continued)

For the half year ended 30th June 2008

Unit: RMB

Supplemental Information	Consolidated		Company	
	January to June 2008	January to June 2007	January to June 2008	January to June 2007
1. Reconciliation of net profit with cash flow from operating activities				
Net profit	50,769,543.02	106,067,598.77	25,917,187.74	14,951,071.34
Add: Provision on asset impairment	(16,927,544.51)	10,484,931.87	(8,745,089.73)	6,550,166.22
Depreciation of fixed assets	58,567,716.01	52,310,159.55	21,999,821.85	21,287,694.93
Amortisation of intangible assets	4,807,233.06	3,708,773.46	1,833,634.26	2,177,897.51
Amortisation of long-term prepaid expenses	—	—	—	—
Losses on disposal of fixed assets, intangible assets and other long-term assets (less gains)	(586,701.59)	(314,180.26)	(56,550.96)	(255,562.03)
Losses on scrapping of fixed assets (figures on gains with —)	—	—	—	—
Losses on changes in fair value (less gains)	246,093.09	—	—	—
Finance expenses	5,554,479.58	16,416,151.68	(5,284,688.69)	7,168,042.28
Losses on investments (less gains)	(35,021,382.47)	(27,022,837.74)	(22,286,699.15)	(22,797,037.00)
Decrease in deferred tax assets (less increase)	613,023.69	(1,237,368.00)	1,062,274.30	—
Increase in deferred tax liabilities (less decrease)	—	436,020.00	—	—
Decrease in inventories (figures on increase with —)	(79,000,256.48)	(47,122,807.66)	36,898,887.17	14,050,395.14
Decrease in operating receivables (less increase)	(27,919,650.39)	(474,899,674.00)	(228,378,450.46)	(377,805,695.00)
Increase in operating payables (less decrease)	(65,483,911.50)	148,139,471.66	126,653,887.93	91,711,406.77
Others	—	—	—	—
Net cash flows from operating activities	(104,381,358.49)	(213,033,760.67)	(50,385,785.74)	(242,961,619.84)
2 Investing and financing activities that do not involve cash receipts and payments				
Conversion of debt into capital				
Convertible bonds due within one year				
Fixed assets under finance leases				
3 Net changes in cash and cash equivalents:				
Cash at end of year	942,452,286.51	708,070,100.26	653,039,956.38	365,525,299.42
Less: Cash at beginning of period	(644,299,072.76)	(905,280,654.75)	(346,496,831.65)	(567,263,965.20)
Cash equivalents at end of period	—	—	—	—
Less: Cash equivalents at beginning of period	—	—	—	—
Net increase/(decrease) in cash and cash equivalents	<u>298,153,213.75</u>	<u>(197,210,554.49)</u>	<u>306,543,124.73</u>	<u>(201,738,665.78)</u>

Legal representative:
Yao YumingPerson in charge of accounting function:
Mao FaqingPerson in charge of accounting department:
Mao Faqing

**Consolidated Statement of Changes in Shareholders' Equity**

As at 30th June 2008

Unit: RMB

Items		Amount for the year					Minority interests	Shareholders' equity in total
		Share capital	Owner's equity attributable to the Parent Capital reserve	Surplus reserve	Unallocated profit	Others		
I.	Balance at the end of the previous year	603,800,000.00	1,249,865,032.48	547,577,606.05	429,160,582.78	(2,487,256.36)	230,098,446.77	3,058,014,411.72
	Add: Change in accounting policies	—	—	—	—	—	—	—
	Correction of mistakes for previous periods	—	—	—	—	—	—	—
II.	Balance at the beginning of this year	603,800,000.00	1,249,865,032.48	547,577,606.05	429,160,582.78	(2,487,256.36)	230,098,446.77	3,058,014,411.72
III.	Increase or decrease for the year (figures for decrease in brackets)	—	—	—	52,131,380.61	(135,865.01)	(1,361,837.59)	50,633,678.01
(I)	Net profit	—	—	—	52,131,380.61	—	(1,361,837.59)	50,769,543.02
(II)	Profit and losses directly taken to owner's equity	—	—	—	—	(135,865.01)	—	(135,865.01)
	1. Net changes in the fair value of financial assets available for sale	—	—	—	—	—	—	—
	2. Effect on changes in other owner's equity in the investees under the equity method	—	—	—	—	—	—	—
	3. Effect on income tax related to the items taken to owner's equity	—	—	—	—	—	—	—
	4. Others	—	—	—	—	(135,865.01)	—	(135,865.01)
	Sub-total for (I) and (II) above	—	—	—	52,131,380.61	(135,865.01)	(1,361,837.59)	50,633,678.01
(III)	Capital injected and reduced by the owner	—	—	—	—	—	—	—
	1. Capital injected by the owner	—	—	—	—	—	—	—
	2. Settlement by shares taken to owner's equity	—	—	—	—	—	—	—
	3. Others	—	—	—	—	—	—	—
(IV)	Profit appropriation	—	—	—	—	—	—	—
	1. Withdrawal from surplus reserve	—	—	—	—	—	—	—
	2. Allocation to shareholder	—	—	—	—	—	—	—
	3. Others	—	—	—	—	—	—	—
(V)	Transfer within owner's equity	—	—	—	—	—	—	—
	1. Transfer of capital reserve to capital	—	—	—	—	—	—	—
	2. Transfer of surplus reserve to capital	—	—	—	—	—	—	—
	3. Recovery of losses in surplus reserve	—	—	—	—	—	—	—
	4. Others	—	—	—	—	—	—	—
IV.	Balance at the end of this year	603,800,000.00	1,249,865,032.48	547,577,606.05	481,291,963.39	(2,623,121.37)	228,736,609.18	3,108,648,089.73

Legal representative:
Yao YumingPerson in charge of accounting function:
Mao FaqingPerson in charge of accounting department:
Mao Faqing

Consolidated Statement of Changes in Shareholders' Equity (continued)

As at 30th June 2008

Unit: RMB

Items	Comparative amount for the previous year						Shareholders' equity in total
	Share capital	Owner's equity attributable to the Parent Capital reserve	Surplus reserve	Unallocated profit	Others	Minority interests	
I. Balance at the end of the previous year	603,800,000.00	1,249,865,032.48	523,821,170.65	339,014,504.95	(2,115,368.48)	161,375,295.79	2,875,760,635.39
Add: Change in accounting policies	-	-	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-	-	-
II. Balance at the beginning of this year	603,800,000.00	1,249,865,032.48	523,821,170.65	339,014,504.95	(2,115,368.48)	161,375,295.79	2,875,760,635.39
III. Increase or decrease for the year (figures for decrease in brackets)	-	-	-	49,068,926.70	79,694.77	30,336,300.09	79,484,921.56
(I) Net profit	-	-	-	97,372,926.70	-	30,336,300.09	127,709,226.79
(II) Profit and losses directly taken to owner's equity	-	-	-	-	79,694.77	-	79,694.77
1. Net changes in the fair value of financial assets available for sale	-	-	-	-	-	-	-
2. Effect on changes in other owner's equity in the investees under the equity method	-	-	-	-	-	-	-
3. Effect on income tax related to the items taken to owner's equity	-	-	-	-	-	-	-
4. Others	-	-	-	-	79,694.77	-	79,694.77
Sub-total for (I) and (II) above	-	-	-	97,372,926.70	79,694.77	30,336,300.09	127,788,921.56
(III) Capital injected and reduced by the owner	-	-	-	-	-	-	-
1. Capital injected by the owner	-	-	-	-	-	-	-
2. Settlement by shares taken to owner's equity	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-
(IV) Profit appropriation	-	-	-	(48,304,000.00)	-	-	(48,304,000.00)
1. Withdrawal from surplus reserve	-	-	-	-	-	-	-
2. Allocation to shareholder	-	-	-	(48,304,000.00)	-	-	(48,304,000.00)
3. Others	-	-	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-	-	-
1. Transfer of capital reserve to capital	-	-	-	-	-	-	-
2. Transfer of surplus reserve to capital	-	-	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
IV. Balance at the end of this year	<u>603,800,000.00</u>	<u>1,249,865,032.48</u>	<u>523,821,170.65</u>	<u>388,083,431.65</u>	<u>(2,035,673.71)</u>	<u>191,711,595.88</u>	<u>2,955,245,556.95</u>

Legal representative:
Yao YumingPerson in charge of accounting function:
Mao FaqingPerson in charge of accounting department:
Mao Faqing

**Statement of Changes in Shareholders' Equity of the Parent**

As at 30th June 2008

Unit: RMB

Items	Amount for the year				Shareholders' equity in total
	Share capital	Capital reserve	Surplus reserve	Unallocated profit	
I. Balance at the end of the previous year	603,800,000.00	1,239,920,114.95	353,536,010.31	19,292,911.11	2,216,549,036.37
Add: Change in accounting policies	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-
II. Balance at the beginning of this year	603,800,000.00	1,239,920,114.95	353,536,010.31	19,292,911.11	2,216,549,036.37
III. Increase or decrease for the year (figures for decrease in brackets)	-	-	-	25,917,187.74	25,917,187.74
(I) Net profit	-	-	-	25,917,187.74	25,917,187.74
(II) Profit and losses directly taken to owner's equity	-	-	-	-	-
1. Net changes in the fair value of financial assets available for sale	-	-	-	-	-
2. Effect on changes in other owner's equity in the investees under the equity method	-	-	-	-	-
3. Effect on income tax related to the items taken to owner's equity	-	-	-	-	-
4. Others	-	-	-	-	-
Sub-total for (I) and (II) above	-	-	-	25,917,187.74	25,917,187.74
(III) Capital injected and reduced by the owner	-	-	-	-	-
1. Capital injected by the owner	-	-	-	-	-
2. Settlement by shares taken to owner's equity	-	-	-	-	-
3. Others	-	-	-	-	-
(IV) Profit appropriation	-	-	-	-	-
1. Withdrawal from surplus reserve	-	-	-	-	-
2. Allocation to shareholder	-	-	-	-	-
3. Others	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-
1. Transfer of capital reserve to capital	-	-	-	-	-
2. Transfer of surplus reserve to capital	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-
4. Others	-	-	-	-	-
IV. Balance at the end of this year	<u>603,800,000.00</u>	<u>1,239,920,114.95</u>	<u>353,536,010.31</u>	<u>45,210,098.85</u>	<u>2,242,466,224.11</u>

Legal representative:
Yao YumingPerson in charge of accounting function:
Mao FaqingPerson in charge of accounting department:
Mao Faqing

Statement of Changes in Shareholders' Equity of the Parent (continued)

As at 30th June 2008

Unit: RMB

Items	Comparative amount for the previous year				Shareholders' equity in total
	Share capital	Capital reserve	Surplus reserve	Unallocated profit	
I. Balance at the end of the previous year	603,800,000.00	1,239,920,114.95	348,490,246.10	22,185,029.52	2,214,395,390.57
Add: Change in accounting policies	—	—	—	—	—
Correction of mistakes for previous periods	—	—	—	—	—
II. Balance at the beginning of this year	603,800,000.00	1,239,920,114.95	348,490,246.10	22,185,029.52	2,214,395,390.57
III. Increase or decrease for the year (figures for decrease in brackets)	—	—	—	(33,352,929.00)	(33,352,929.00)
(I) Net profit	—	—	—	14,951,071.00	14,951,071.00
(II) Profit and losses directly taken to owner's equity	—	—	—	—	—
1. Net changes in the fair value of financial assets available for sale	—	—	—	—	—
2. Effect on changes in other owner's equity in the investees under the equity method	—	—	—	—	—
3. Effect on income tax related to the items taken to owner's equity	—	—	—	—	—
4. Others	—	—	—	—	—
Sub-total for (I) and (II) above	—	—	—	14,951,071.00	14,951,071.00
(III) Capital injected and reduced by the owner	—	—	—	—	—
1. Capital injected by the owner	—	—	—	—	—
2. Settlement by shares taken to owner's equity	—	—	—	—	—
3. Others	—	—	—	—	—
(IV) Profit appropriation	—	—	—	(48,304,000.00)	(48,304,000.00)
1. Withdrawal from surplus reserve	—	—	—	—	—
2. Allocation to shareholder	—	—	—	(48,304,000.00)	(48,304,000.00)
3. Others	—	—	—	—	—
(V) Transfer within owner's equity	—	—	—	—	—
1. Transfer of capital reserve to capital	—	—	—	—	—
2. Transfer of surplus reserve to capital	—	—	—	—	—
3. Recovery of losses in surplus reserve	—	—	—	—	—
4. Others	—	—	—	—	—
IV. Balance at the end of this year	<u>603,800,000.00</u>	<u>1,239,920,114.95</u>	<u>348,490,246.10</u>	<u>(11,167,899.48)</u>	<u>2,181,042,461.57</u>

Legal representative:
Yao YumingPerson in charge of accounting function:
Mao FaqingPerson in charge of accounting department:
Mao Faqing



Notes to the Financial Statements

For the half year ended 30th June 2008

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(All amounts are stated in Rmb Yuan unless otherwise stated)

I. BASIC INFORMATION

Jingwei Textile Machinery Company Limited (the “Company”) is established on 15th August 1995 with China National Textile Machinery Corporation (Group) Company Limited (“CTMC”, and formerly known as China National Textile Machinery Corporation) as promoter. There were 220,000,000 shares owned by domestic legal persons when the Company was set up.

After approval of Chinese Securities Regulatory Committee (“CSRC”) under the State Council in the document entitled No.2 (1996), the Company was listed on The Stock Exchange of Hong Kong Limited with the issuance of 180,800,000 H shares in February 1996. It was granted the status as a foreign invested joint stock limited company by Former Ministry of Foreign Trade and Economic Cooperation in March 1996. In November 1996, the Company, as approved by CSRC in No.347 (1996) document and No. 348(1996) document, issued 23,000,000 A shares and in May 2000, the Company issued an additional 180,000,000 A shares. Subsequent to this issuance, the total shares issued by the Company amounted to 603,800,000.

The Company and its subsidiaries (collectively, referred to as “the Group”) are principally engaged in the manufacture and sale of textile machinery.

CTMC holds 33.83% of the Company’s shares, and the remaining 66.17% stake is held by a number of other shareholders. As CTMC effectively controls the Company, so CTMC is the parent company of the Company. The Company’s ultimate holding company is China Hengtian Group Company.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Company enforced the Accounting Standards for Enterprises released on 15th February, 2006 by the Ministry of Finance and related regulations on 1st January, 2007. The financial statements are true and complete reflection of consolidated and company financial conditions as at 30th June 2008 as well as consolidated and company operating results and cash flow for the first six months of 2008.

III. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES SIGNIFICENT

The following significant accounting policies and accounting estimates are determined in accordance with the New Accounting Standards.

Accounting year

Accounting year of the Group refers to calendar year which starts on 1st January and ends on 31st December each year.

Recording currency

Given the fact that RMB is the main currency of the place where the Group is mainly operated, the Group takes RMB as its recording currency.

Accounting basis and pricing principle

The Group adopts the accounting method on Accrual basis. Apart from some financial instruments measured at fair value, the financial statements are measured at historical cost. Where assets are impaired, provision for impairment shall be accrued in accordance with relevant regulations.

Cash Equivalents

Cash equivalents refer to investments held by the Group with short maturity, strong liquidity, easily convertible into known cash and limited risk in value changes.

Financial Instruments

When the Group becomes one party of financial instruments-related agreement, corresponding financial assets or liabilities shall be recognized. Initial recognition of financial assets and financial liabilities is measured at fair value. For trading purpose financial assets, relevant transaction cost shall be directly taken into profits and losses for the current period. For other categories of financial assets or liabilities, relevant transaction cost shall be recorded into the amount of initial recognition.

Classification and measurement of financial assets

Depending on the nature and the purpose of holding, financial assets are classified at initial recognition. The Group’s financial assets are mainly trading purpose financial assets and loans and accounts receivable.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

III. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES SIGNIFICANT (continued)**Inventories**

Initial measurements of the inventories are made according to the cost. Inventories include purchasing cost, processing cost and other expenses that help deliver the inventories to the current location and situation. Inventories mainly include raw materials, work in progress, real estate development, finished products, etc. Real estate development cost includes land use right transfer payment, infrastructure facility expenses, engineering installment expenses, cost of borrowings before project completion and other related expenses during product development.

Upon delivery of the inventories, the actual cost of inventories shall be determined using weighted average.

The inventory taking system shall use permanent inventory system.

Long-term equity investment

For long-term investment formed by merger of entities, if the long-term equity investment is obtained by companies under the same controlling company, on the date of merger the initial investment cost shall be calculated as book value of the equity of the acquired party. The long-term equity investment obtained through acquiring a company not under common control, the initial capital cost shall be the cost of merger. For equity investment other than that arising from merger of entities, the initial measurement shall be made at cost.

If the investing company does not have control, joint control or major impact on the invested company, and there is no quote price in the active market and the fair value can not be reliably measured, the long-term investment is measured at cost. If the investing company has joint control or major impact over the invested company, the long-term investment is recorded under equity method. If the invested company has not control, joint control or major impact and the fair value can be reliably measured, the long-term investment is recorded as available-for-sale financial asset.

Besides, the long-term equity investment in the invested entity, on which the Company can exert control and in the parent company's financial statement only, shall be calculated with the cost method in the financial statements of the Company.

Fixed assets and depreciation

Fixed asset refers to tangible asset with useful life exceeding one accounting year held for the purpose of goods production, service provision, leasing or operation and management.

Fixed asset is initially measured at cost, with consideration on the impact of disposition cost. Starting from the second month after the fixed asset have reached usable condition, the annual average depreciation method is used. The useful life, estimated residual value and annual depreciation rate are as follows:

Category	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	9 to 50 years	5%	1.9% to 10.56%
Machinery and equipment	7 to 22 years	5%	4.32% to 13.57%
Transportation equipment	9 to 14 years	5%	6.79% to 10.56%

The estimated residual value refers to the payment gained by the Group from disposition of such fixed asset after deducting estimated disposition cost, assuming that the useful life of such fixed asset has expires and the asset is at the end of such useful life.

Construction in progress

Cost of construction in progress is determined according to actual project expenses, including various project expenses during construction, cost of borrowings for capitalization before the project reaches usable condition, and other related fees. Construction in progress becomes fixed asset after reaching usable condition.

Intangible assets

Intangible assets refer to recognizable non-monetary assets without material form owned or controlled by the Group.

Intangible assets are initially measured at cost. Expense related to intangible assets is accounted as intangible asset cost provided that related economic interest may flow into the Group and the cost can be properly measured. Other intangible asset cost is accounted as profits and losses for the current period upon occurrence.



Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

III. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES SIGNIFICENT (continued)

Payroll

During the accounting period for the employment, the accrued payroll is recognized as liabilities.

According to relevant regulations, the Group participates in social security system established by the government, including basic old age insurance, medical insurance, public housing fund and other social security items. The corresponding expenses are recorded as cost of related asset or profits and losses for the current period upon occurrence.

Termination of employment with employees before the Labor Contract expires or put forward compensation suggestion to encourage employees to retire voluntarily. To the extent that the Group has designed an official plan to remove labor relations or has put forward a downsizing proposal which is to be soon carried out and at the same time the Group has no right make either of the above move, expected liabilities arising out of compensation for removing labor relations shall be recorded into profits and losses for the current period.

Revenue recognition

Revenue from sales of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, when the Company neither retains continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when it is probable that the economic benefits associated with the transaction will flow to the enterprises and when the relevant amount of revenue and costs can be measured reliably.

Interest income

Determined by the time and real interest rate for using of the Group's capital.

Government subsidy

Government subsidy refers to the currency asset or non-current asset obtained by the Group from the government for free, not including the investment made by the government as an owner. The government subsidy is divided into government subsidy related to asset and that related to return. Government subsidy is recognized when the conditions for government subsidy are satisfied and can be received.

Income tax

Current income tax

On balance sheet date, for the current income tax liabilities (or asset) incurred in the current period or pervious periods, the calculation of such liabilities (or asset) shall be made according to the estimated income tax payable (or refundable) according to the Tax Law. The taxable income, which is the basis for calculating current period income tax, is determined after making adjustment to current year pre-tax profit according to relevant tax law provisions.

Deferred tax assets and deferred tax liabilities

For the differences between the book value and the tax base, the temporary differences arising out of differences between tax base and the book value of items not recognized as assets and liabilities but whose tax base can be determined in accordance with Taxation Law, liability method of assets liability shall be adopted to determine deferred tax assets and deferred tax liabilities.

Income tax expenses

Income tax expenses include current income tax and deferred income tax.

Other than current period income tax and deferred income tax related to transactions and events directly included in owner's equity that are record as owner's equity, and deferred income tax adjustment and adjustment of goodwill's book value arising from company consolidation, the other current period income tax and deferred income tax or benefit shall be record as profits and losses for the current period.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

III. ACCOUNTING POLICIES, ACCOUNTING ESTIMATES SIGNIFICANT (continued)**Methods in the formulation of consolidated financial statements**

The consolidation scope shall be determined based on control. Control refers to the Group's right to decide on financial and operating policies of another company and obtain profit from operating earnings of such company.

The date of purchase and disposition shall be the day on which the Group obtains or loses the controlling right over its subsidiaries. For the subsidiary company being disposed, the operating result and cash flow before such disposition have already been included in the consolidated income statement and consolidated cash flow statement. Companies that are disposed in the current period do not require any adjustment in the beginning balance. For subsidiaries established after consolidation of companies not under the same controlling entity, the operating result and cash flow after the consolidation date have been properly included in the consolidated income statement and cash flow statement, and will not adjust the beginning balance and comparative figure. For the subsidiaries established after consolidation of companies under the same controlling company, the operating result and cash flow have after the consolidation date have been properly included in the consolidated income statement and cash flow statement, and the comparative figure in consolidated financial statements will be adjusted at the same time.

Related Parties

Where one party have control, joint control, or major impact on the other party, or where the two parties are or will be under control of the same party, the two parties shall constitute related parties.

IV. TAXATION**Value Added Tax**

Value added tax payable is the amount of output VAT less input VAT. Output VAT shall be calculated as 17% of sales amount pursuant to taxation law.

Income tax

Pursuant to the Law of the People's Republic of China on Enterprise Income Tax promulgated on 16th March 2007 and other relevant provisions including its implementation rules, the Company and its subsidiaries will be subject to enterprise income tax from 15% to 25% for the year 2008.

Other taxation

Except the Company and its subsidiaries, namely Tianjin Jingwei New Type Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Shanghai WSP Mould and Injection Plastic Limited and Wuxi Hongda Texparts Company Limited, which are designated as foreign investment enterprises and enjoy preferential treatment of exemption from city maintenance and construction tax and educational surcharge, other taxation is as follows:

Business tax is charged at 5%.

City maintenance and construction tax is charged at 7%.

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

V. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Name	Place of registration	Business nature	Scope of operation	Registered capital RMB	Actual investment made by the Group at end year/investment made prior to acquisition or disposal RMB	Total shareholding of the Group/ shareholding prior to acquisition or disposal %	Total percentage of voting rights held by the Group/voting rights held by the Group prior to acquisition or disposal %
Subsidiaries owned by the Group at the end of 2007 and during the reporting period							
Subsidiaries acquired through merger under the same control							
Qingdao Hongda Textile Machinery Company Limited	China	Production & Sales (P&S)	Textile & Machinery (T&M)	114,000,000	111,720,000	98	98
Tianjin Hongda Textile Machinery Company Limited	China	P&S	T&M	78,500,000	76,930,000	98	98
Zhengzhou Hongda New Type Textile Machinery Company Limited	China	P&S	T&M	74,500,000	73,010,000	98	98
Shenyang Hongda Textile Machinery Company Limited	China	P&S	T&M	71,000,000	69,580,000	98	98
Changde Textile Machinery Company Limited	China	P&S	T&M	42,349,900	40,232,400	95	95
Wuxi Jingwei Textile Technology Testing Company Limited	China	Tech R&D	T&M	49,530,000	32,960,000	66.55	66.55
Shanxi Jingwei Heli Machinery Company Limited (Note-1)	China	P&S	T&M	100,000,000	30,000,000	30	71.43
Wuxi Textile Machinery Testing Company Limited	China	P&S	Carding products	1,000,000	1,000,000	100	100
Subsidiaries acquired through merger not under same control							
Xianyang Jingwei Textile Machinery Company Limited	China	P&S	T&M	75,079,600	74,579,600	99.334	99.334
Wuxi Hongda Textile Machinery Parts Company Limited	China	P&S	T&M	20,000,000	20,000,000	35	80
Tai Yuan Jingwei Electric Appliance Company Limited	China	P&S	T&M	5,000,000	5,000,000	100	100
Shanghai WSP Mould and Injection Plastic Limited (Note-3)	China	P&S	T&M	5,256,800	2,628,410.50	50	100
Beijing Hongbo Property Development Machinery Company Limited (Note-4)	China	D&S	Property	100,000,000	65,000,000	65	65
Investing in newly established subsidiaries							
Tianjin Jingwei New Type Textile Machinery Company Limited	China	P&S	T&M	16,000,000	16,000,000	100	100
Hong Kong Huaming Company Limited	HK China	Import&Export	T&M	HK\$62,400,000	HK\$62,400,000	100	100
Beijing Jingpeng Investment Management Export Company Limited	China	Investment Management	Sales/ Consultation	100,000,000	100,000,000	100	100
Beijing Jingwei Textile New Technology Company Limited	China	P&S	T&M	100,000,000	98,400,000	98.4	98.4
Shanghai Weixin Mechatronics Limited	China	P&S	T&M	16,000,000	16,000,000	100	100
Shanghai Chuangan Commerce & Trade Management Consulting Company Limited	China	Sales	T&M	2,000,000	1,800,000	90	90
Yichang Jingwei Textile Company Limited	China	P&S	T&M	20,000,000	20,000,000	100	100
Jinzhong Jingwei Ring Manufacturing Company Limited	China	P&S	T&M	500,000	500,000	100	100
Shenyang Hongda Huaming Textile Machinery Company Limited	China	P&S	T&M	40,000,000	40,000,000	100	100
Shanghai Jingwei Dongxing Blomring-Carding Machinery Company Limited	China	P&S	T&M	50,000,000	41,937,000	93.874	95.874
Beijing Ximen Information Technology Company Limited	China	Development & Sales (D&S)	Software	12,000,000	7,569,600	63.08	63.08
Kunshan Jingwei Textile Machinery Company Limited	China	P&S	T&M	3,208,260	3,208,260	100	100
Jingwei Textile Machinery Yuci Materials Company Limited	China	Sales	T&M	5,000,000	5,000,000	100	100

The consolidation scope of the financial statements of the Company for the reporting period was consistent with that of the end of 2007.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. Currency capital**

	30th June 2008		1st January 2008	
	Foreign Currencies	RMB Equivalent	Foreign Currencies	RMB Equivalent
Cash				
RMB		1,126,720.94		797,301.26
HKD	31,850.00	29,536.14	16,680.00	15,619.15
USD	2,666.00	19,606.83	3,407.84	24,892.91
EURO	19,493.30	206,035.87	24,370.50	259,957.69
Yen	70,150.00	4,612.29	—	—
Pound	1,050.00	15,309.74	1,050.00	15,309.74
Swiss Franc	57.00	379.00	—	—
Others	50.00	196.53	50.00	196.53
Bank Deposit				
RMB		803,138,973.05		616,730,718.83
HKD	10,920,209.85	13,697,367.14	14,290,228.67	13,381,370.13
USD	449,303.98	2,552,207.32	351,656.57	2,568,710.58
EURO	295,311.70	3,200,315.05	19,869.51	211,946.10
Swiss Franc	539,317.12	3,636,865.58	533,853.23	3,462,305.12
Other currency Capital				
RMB		114,824,161.04		6,830,744.72
HKD	—	—	—	—
Swiss Franc	—	—	—	—
Total		<u>942,452,286.51</u>		<u>644,299,072.76</u>

As at 30th June 2008, other currency capital included bank time deposit of RMB100,000,000.00 and bank draft deposit of RMB14,824,161.04.

2. Trading financial assets

	Fair value at end of period RMB	Fair value at beginning of period RMB
Trading financial assets	<u>2,110,080.00</u>	<u>4,945,000.00</u>

Trading financial assets held at end of period represented listed shares on the Stock Exchange held by an overseas subsidiary of the Company.

3. Notes receivable

	30th June 2008 RMB	1st January 2008 RMB
Bank's acceptance bill	809,072,558.29	1,167,611,382.58
Commercial acceptance bill	<u>48,719,500.00</u>	<u>61,640,484.18</u>
Total	<u>857,792,058.29</u>	<u>1,229,251,866.76</u>

On 30th June 2008, the Group discounted unexpired acceptance bills with the right of recourse of RMB104,937,933.00 (31st December 2007:RMB134,648,700.00). Unexpired acceptance bills with the right of recourse that have been endorsed amounted to RMB431,162,101.79 (31st December 2007:RMB552,001,382.58).

Notes receivable as of 30th June 2008 did not include shareholders holding 5% and above shares.

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. Accounts receivable**

The ageing of accounts receivable is provided as follows:

	30th June 2008				1st January 2008			
	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB
Within 1 year	572,790,514.56	70	–	572,790,514.56	343,058,221.14	58	–	343,058,221.14
Within 1 to 2 years	89,848,690.83	11	(5,453,947.36)	84,394,743.47	79,147,172.76	13	(9,081,991.87)	70,065,180.89
Within 2 to 3 years	16,824,374.93	2	(6,783,519.94)	10,040,854.99	20,258,919.76	4	(12,173,623.79)	8,085,295.97
Over 3 years	140,361,569.06	17	(133,580,093.92)	6,781,475.14	149,370,730.95	25	(143,196,111.80)	6,174,619.15
Total	<u>819,825,149.38</u>	<u>100</u>	<u>(145,817,561.22)</u>	<u>674,007,588.16</u>	<u>591,835,044.61</u>	<u>100</u>	<u>(164,451,727.46)</u>	<u>427,383,317.15</u>

Changes in provision for bad debt of accounts receivable is provided as follows:

	Current Period RMB	Corresponding period of previous year RMB
Amount at beginning of year	164,451,727.46	197,413,063.00
Accrual amount of the year	1,075,341.97	8,182,913.00
Write-back amount of the year	(5,200,282.90)	(2,331,598.00)
Write-off amount of the year	<u>(14,509,225.31)</u>	<u>–</u>
Amount at end of year	<u>145,817,561.22</u>	<u>203,264,378.00</u>

As of 30th June 2008, top 5 debt amounts are as follows:

Top 5 debt amounts RMB	Ageing	% of accounts receivable
<u>305,186,573.93</u>	<u>1 to 3 years</u>	<u>37</u>

Receivables from shareholders holding 5% and above equity interest are as follows :

Shareholder's Name	30th June 2008 RMB	1st January 2008 RMB
China Hengtian Group Company	–	63,998.00
CTMC	<u>102,044.00</u>	<u>726,667.00</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. Advances to suppliers**

The ageing of advances to suppliers is provided as follows:

	30th June 2008		1st January 2008	
	Amount RMB	Proportion %	Amount RMB	Proportion %
Within 1 year	319,179,477.60	96	197,399,657.03	98
Within 1 to 2 years	3,752,690.52	1	1,239,851.29	1
Within 2 to 3 years	2,898,395.53	1	185,411.00	—
Over 3 years	5,775,809.15	2	1,026,782.47	1
Total	<u>331,606,372.80</u>	<u>100</u>	<u>199,851,701.79</u>	<u>100</u>

Advances to suppliers do not include advances to shareholders holding 5% and above equity interest of the Company.

6. Other receivables

The ageing of other receivables is as follows:

	30th June 2008				1st January 2008			
	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB
Within 1 year	19,671,116.60	19	—	19,671,116.60	53,227,859.74	61	(2,000,000.00)	51,227,859.74
Within 1 to 2 years	51,352,008.98	50	(2,000,000.00)	49,352,008.98	13,264,389.74	15	(21,866.62)	13,242,523.12
Within 2 to 3 years	12,565,036.55	12	(21,866.62)	12,543,169.93	2,128,986.71	3	(1,017,825.80)	1,111,160.91
Over 3 years	19,800,572.98	19	(13,593,890.10)	6,206,682.88	18,639,535.18	21	(13,001,641.62)	5,637,893.56
Total	<u>103,388,735.11</u>	<u>100</u>	<u>(15,615,756.72)</u>	<u>87,772,978.39</u>	<u>87,260,771.37</u>	<u>100</u>	<u>(16,041,334.04)</u>	<u>71,219,437.33</u>

Changes in provision for bad debt of other receivables is provided as follows:

	Current period RMB	Corresponding period of previous year RMB
Amount at beginning of the year	16,041,334.04	12,852,494.00
Accrual amount of the year	—	782,427.00
Write-back amount of the year	(70,000.00)	(96,440.00)
Write-off amount of the year	<u>(355,577.32)</u>	<u>—</u>
Amount at end of the year	<u>15,615,756.72</u>	<u>13,538,481.00</u>

Other receivables do not include receivables from shareholders holding 5% and above equity interest.

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. Inventories**

	30th June 2008 RMB	1st January 2008 RMB
Raw materials	394,185,514.52	386,117,115.94
Unfinished products	457,150,907.35	413,931,260.78
Finished products	682,943,653.56	728,484,577.65
Property development cost	608,801,302.85	536,548,805.35
	<u>2,143,081,378.28</u>	<u>2,065,081,759.72</u>
Less: Provision for impairment	(63,355,492.22)	(64,356,130.14)
Total	<u>2,079,725,886.06</u>	<u>2,000,725,629.58</u>

Property development costs are as follows:

Project name	Commencement date	Expected completion time	Total investment RMB	Opening balance RMB	Closing balance RMB
		Completed in stages from 2005 to 2009			
Huayuanguanjuncheng	2004		<u>1,100,000,000.00</u>	<u>536,548,805.35</u>	<u>608,801,302.85</u>

RMB equivalent for borrowing costs in the category of ending inventory at end of the period is RMB16,338,512.66. Those amounts are capitalized borrowing costs. Of the inventory balance at the end of the period, RMB192,610,000.00 was used to act as the collateral for the long-term bank borrowing of RMB100,000,000.00.

Changes of provision for obsolete stocks are as follows:

	1st January 2008 RMB	Accrual of the year RMB	Write-back amount of the year RMB	Write-off amount of the year RMB	30th June 2008 RMB
Provision for obsolete stocks:					
Raw materials	8,031,087.00	—	—	—	8,031,087.00
Unfinished products	27,784,655.20	—	(1,246,990.06)	(78,064.50)	26,459,600.64
Finished products	<u>28,540,387.94</u>	<u>1,339,414.07</u>	<u>(806,723.38)</u>	<u>(208,274.05)</u>	<u>28,864,804.58</u>
Total	<u>64,356,130.14</u>	<u>1,339,414.07</u>	<u>(2,053,713.44)</u>	<u>(286,338.55)</u>	<u>63,355,492.22</u>

8. Entrusted loan

	30th June 2008 Book value RMB	1st January 2008 Book value RMB
To jointly controlled entities	<u>67,000,000.00</u>	<u>67,000,000.00</u>
	<u>67,000,000.00</u>	<u>67,000,000.00</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. Other current assets**

	30th June 2008 RMB	1st January 2008 RMB
Pre-paid business tax	13,033,135.80	9,442,424.17
Pre-paid urban construction tax	651,656.80	85,075.35
Pre-paid education charge	390,994.08	—
Pre-paid land value-added tax	2,396,973.77	1,378,353.28
Total	<u>16,472,760.45</u>	<u>10,905,852.80</u>

10. Long-term equity investment

(1) Long-term equity investment is stated as follows:

Name of Investee	Initial Investment RMB	Period-beginning cost RMB	Current period new investment RMB	Current period Equity adjustment RMB	Current period cash dividends RMB	Current period Disposal RMB	Current period other releases (note) RMB	30th June 2008 RMB
Equity Method								
China Texma Tech Company Ltd	30,000,000.00	46,368,108.52	—	1,970,000.00	—	—	—	48,338,108.52
Hongda Research Institute Company Ltd	20,000,000.00	25,331,243.50	—	(1,561,000.00)	—	—	—	23,770,243.50
Anhui Huamao Jingwei New Textile Tech Company Ltd	25,000,000.00	25,444,214.71	—	(825,838.39)	—	—	—	24,618,376.32
Zhengzhou Hongda Non-woven company Ltd	17,000,000.00	13,442,684.96	—	(835,572.50)	—	—	—	12,607,112.46
Shenyang Jingxing Textile Machinery Manufacturing Company Ltd	1,000,000.00	784,138.00	—	—	—	—	—	784,138.00
Qingdao Jinyi Pressing Company Ltd	300,000.00	1,057,000.00	—	—	—	—	—	1,057,000.00
	<u>93,300,000.00</u>	<u>112,427,389.69</u>	<u>—</u>	<u>(1,252,410.89)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>111,174,978.80</u>
Cost Method								
BeijingChenyutaihe Property Development Company Ltd	6,953,191.42	6,953,191.42	—	—	—	(6,953,191.42)	—	—
Hongda Investment Company Ltd	24,866,602.17	24,866,602.17	—	—	—	—	—	24,866,602.17
Qingdao Textile Machinery Manufacturing Company Ltd	8,000,000.00	8,000,000.00	—	—	—	—	—	8,000,000.00
Qingdao Qingfeng Forging Company (Note 1)	5,000,000.00	5,000,000.00	—	—	—	—	—	5,000,000.00
Shenyang Textile Machinery Manufacturing Company Ltd	1,200,000.00	1,200,000.00	—	—	—	—	—	1,200,000.00
Jinghao Integrated Factory (Note 2)	1,898,550.55	1,898,550.55	—	—	—	—	—	1,898,550.55
BSI Management Systems Certification Co., Ltd. (Note 3)	1,450,293.56	1,450,293.56	—	—	—	—	—	1,450,293.56
Jiangsu Hongyuan Textile Machinery Company Ltd	1,422,652.84	1,422,652.84	—	—	—	—	—	1,422,652.84
Others	2,096,215.00	1,463,256.33	—	—	—	—	—	1,463,256.33
	<u>52,887,505.54</u>	<u>52,254,546.87</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,953,191.42)</u>	<u>—</u>	<u>45,301,355.45</u>
Total	<u>146,187,505.54</u>	<u>164,681,936.56</u>	<u>—</u>	<u>(1,252,410.89)</u>	<u>—</u>	<u>(6,953,191.42)</u>	<u>—</u>	<u>156,476,334.25</u>
Less: Provision for impairment		(6,323,255.00)						(6,323,255.00)
Net long-term equity investment		<u>158,358,681.56</u>						<u>150,153,079.25</u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. Long-term equity investment (Continued)**

- (1) Long-term equity investment is stated as follows: (Continued)

Note 1: Qingdao Hongda Textile Machinery Company Limited (“Qingdao Hongda”) holds 25% equity interest of Qingdao Qingfeng Forging Company. As there was dispute over the progress and quality of plant construction of Qingdao Qingfeng Forging Company and consensus could not be reached after several negotiations, the agreement entered into between Qingdao Hongda and Qingdao Qingfeng Forging Company failed to be performed. As such, the investment is exposed to greater risk and is therefore accounted for by cost method with provision for long-term investment fully made.

Note 2: Shanxi Jingwei Heli Machinery Manufacture Co. (“Jingwei Heli”) holds 63% equity interest of Jingbao Integrated Factory. However, as the investment was converted from debt to investment in 1993 and the investee company was a rural enterprise, Jingwei Heli does not have actual control over the investee company due to a number of reasons, therefore, the investment in Jingbao Integrated Factory has always been accounted for by cost method.

Note 3: Beijing Jingwei Textile Machinery New Technology Co., Ltd. (“Beijing New Technology”) holds 25% equity interest of BSI Management Systems Certification Co., Ltd. As the cooperation agreement entered into between Beijing New Technology and BSI Management Systems Certification Co., Ltd. expressly stipulated that Beijing New Technology was not entitled to decision-making power, and hence it did not participate in the normal operation and management of the investee company, therefore, the investment in BSI Management Systems Certification Co., Ltd. has always been accounted for by cost method.

Changes in provision for long-term equity investment impairment:

Name of Investee	Period-beginning and Period-end RMB
Qingdao Qingfeng Forging Company	5,000,000.00
Others	1,323,255.00
Total	6,323,255.00

- (2) There is no restriction on the ability of the investee from where the long-term equity investment held by the company on 30th June 2008 to transfer capital to the Group.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. Fixed Assets**

Changes in fixed assets during the year are as follows:

	Buildings <i>RMB</i>	Machinery and equipment <i>RMB</i>	Transportation equipment <i>RMB</i>	Total <i>RMB</i>
Original value				
Amount at beginning of the period	738,729,000.67	1,708,398,135.79	104,344,351.88	2,551,471,488.34
Purchase of the period	2,569,169.75	8,261,176.66	5,297,215.57	16,127,561.98
Construction in progress transfer in of the period	5,119,607.03	10,713,575.87	55,750.74	15,888,933.64
Decrease of the period	—	(22,222,231.25)	(2,728,500.62)	(24,950,731.87)
Amount at end of the period	746,417,777.45	1,705,150,657.07	106,968,817.57	2,558,537,252.09
Accumulated depreciation				
Amount at beginning of period	(253,890,650.44)	(1,027,639,707.09)	(48,356,413.60)	(1,329,886,771.13)
Accrual amount of the period	(10,756,546.29)	(41,931,312.43)	(5,879,857.29)	(58,567,716.01)
Decrease of the period	—	13,121,489.75	2,163,277.72	15,284,767.47
Amount at end of period	(264,647,196.73)	(1,056,449,529.77)	(52,072,993.17)	(1,373,169,719.67)
Provision for impairment				
Amount at beginning of the period	(1,237,918.44)	(36,959,514.97)	—	(38,197,433.41)
Write-off amount of the period	—	2,474,485.17	—	2,474,485.17
Amount at end of period	(1,237,918.44)	(34,485,029.80)	—	(35,722,948.24)
Net amount				
Amount at beginning of period	483,600,431.79	643,798,913.73	55,987,938.28	1,183,387,283.80
Amount at end of period	480,532,662.28	614,216,097.50	54,895,824.40	1,149,644,584.18
Including:				
Net assets arising out of operating lease:				
Amount at beginning of period	—	37,023,870.04	3,456,558.77	40,480,428.81
Amount at end of period	918,574.71	41,002,375.22	28,559.00	41,949,508.93
Net amount of temporarily idle fixed assets:				
Amount at beginning of period	2,162,948.24	570,490.62	125,273.12	2,858,711.98
Amount at end of period	—	5,748,804.60	85,006.54	5,833,811.14

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Construction in progress

Project name	Amount at beginning of period RMB	Increase in period RMB	Fixed assets transfer in after completion in period RMB	Other transfer in period RMB	Amount at period-end RMB	Capital source RMB
Yuci assembly workshop project	12,406,053.80	4,830,302.89	-	-	17,236,356.69	Proprietary fund
Qingdao Laoshan winding machine industrial park project	33,190,000.00	1,988,362.95	-	-	35,178,362.95	Proprietary fund
Machinery to be installed	12,454,170.00	-	(11,672,531.64)	-	781,638.36	Proprietary fund
New Technology cotton weaving production line set facilities	-	1,174,940.00	-	-	1,174,940.00	Proprietary fund
Hunnan plant project of Shenyang Hongda	-	3,302,780.52	-	-	3,302,780.52	Proprietary fund
Yuci car parts assembly line	2,876,323.90	4,805,000.00	-	-	7,681,323.90	Proprietary fund
Tianjin Hongda new plant project	-	6,666,793.86	-	-	6,666,793.86	Proprietary fund
Wuxi Zhuanjian Hudi new project	-	1,656,231.20	-	-	1,656,231.20	Proprietary fund
Yichang Jingwei plant project	-	4,500,828.00	(4,216,402.00)	-	284,426.00	Proprietary fund
Others	5,338,526.68	8,018,854.47	-	-	13,357,381.15	Proprietary fund
	<u>66,265,074.38</u>	<u>36,944,093.89</u>	<u>(15,888,933.64)</u>	<u>-</u>	<u>87,320,234.63</u>	
Including: capitalization of loan expenses	-	-	-	-	-	
Less: Provision for impairment	-	-	-	-	-	
Net value of construction in progress	<u>66,265,074.38</u>				<u>87,320,234.63</u>	

13. Construction materials

	30th June 2008 RMB	1st January 2008 RMB
Equipment specialized for construction	<u>50,466,964.29</u>	<u>5,747,744.14</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**14. Intangible Assets**

	Land use right RMB	Patent rights RMB	Software RMB	Total RMB
Original value				
At beginning of period	304,485,283.70	21,453,627.93	12,474,353.13	338,413,264.76
Increase of the period	3,550.00	725,004.00	—	728,554.00
Decrease of the period	—	—	—	—
Amount at end of the period	<u>304,488,833.70</u>	<u>22,178,631.93</u>	<u>12,474,353.13</u>	<u>339,141,818.76</u>
Cumulative amortization				
At beginning of year	(35,992,339.93)	(16,024,254.61)	(7,716,837.58)	(59,733,432.12)
Accrual amount of the year	(3,258,574.21)	(309,734.15)	(1,238,924.70)	(4,807,233.06)
Decrease of the year	—	—	—	—
At end of year	<u>(39,250,914.14)</u>	<u>(16,333,988.76)</u>	<u>(8,955,762.28)</u>	<u>(64,540,665.18)</u>
Net amount				
At beginning of year	<u>268,492,943.77</u>	<u>5,429,373.32</u>	<u>4,757,515.55</u>	<u>278,679,832.64</u>
At end of year	<u>265,237,919.56</u>	<u>5,844,643.17</u>	<u>3,518,590.85</u>	<u>274,601,153.58</u>
Remaining amortization life	<u>37.1-48.8 years</u>	<u>5-6.8 years</u>	<u>0.4-3.8 years</u>	

15. Deferred income tax assets

	Deductible (taxable) temporary differences and deductible losses		Deferred income tax assets (liabilities)	
	30th June 2008 RMB	1st January 2008 RMB	30th June 2008 RMB	1st January 2008 RMB
Drawdown of provision for impairment of assets	168,271,915.07	181,314,066.09	25,240,787.26	28,621,017.26
Retirement benefits	3,759,127.48	3,759,127.48	1,112,836.36	1,112,836.56
Deductible losses	13,367,606.67	12,078,140.00	2,005,141.00	1,811,721.00
Offset of unrealized internal profits of inventory	13,771,672.00	12,310,799.86	2,065,750.80	2,320,383.38
Provision for incentives	12,540,893.23	18,700,000.00	1,881,133.98	2,805,000.00
Accrued expense	3,770,000.00	3,930,000.00	565,500.00	589,500.00
Change in fair value	—	(1,945,000.00)	—	(291,750.00)
Period differences of accumulated depreciation	—	(2,906,800.00)	—	(436,020.00)
Others	14,981,121.04	(5,342,317.40)	2,247,168.16	(801,346.95)
Total	<u>230,462,335.49</u>	<u>221,898,016.03</u>	<u>35,118,317.56</u>	<u>35,731,341.25</u>

The Company will recognize relevant deferred income tax assets to the extent of the receivables subject to taxation that will probably be obtained for offsetting deductible temporary differences and deductible losses in the future.

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. Provision for assets impairment**

	1st January 2008 RMB	Accrual in period RMB	Decrease in period		30th June 2008 RMB
			Write-back amount RMB	Write-off amount RMB	
Provision for bad debt	180,493,061.50	1,075,341.97	(5,270,282.90)	(14,864,802.63)	161,433,317.94
Provision for obsolete stocks	64,356,130.14	1,339,414.07	(2,053,713.44)	(286,338.55)	63,355,492.22
Provision for long-term equity investment impairment	6,323,255.00	—	—	—	6,323,255.00
Provision for fixed assets impairment	38,197,433.41	—	—	(2,474,485.17)	35,722,948.24
Total	<u>289,369,880.05</u>	<u>2,414,756.04</u>	<u>(7,323,996.34)</u>	<u>(17,625,626.35)</u>	<u>266,835,013.40</u>

17. Short-term loans

Category	30th June 2008 RMB	1st January 2008 RMB
Bank loans	507,399,675.00	257,512,040.86
including: USD-denominated loans	177,399,675.00	157,512,040.86
Other loans	—	22,000,000.00
Notes financing	<u>153,907,433.00</u>	<u>134,648,700.00</u>
Total	<u>661,307,108.00</u>	<u>414,160,740.86</u>

There are no overdue loans in the short-term loans in the Group as of 30th June 2008.

As of 30th June 2008, the balance of the bank borrowings of the Group included US dollar borrowings of US\$25,863,404.00 (31st December 2007: US\$21,563,404.00) at an exchange rate of 6.8591 (31st December 2007: 7.3046), which is equivalent to RMB177,399,675.00 (31st December 2007: RMB157,512,040.86).

18. Notes payable

Category	30th June 2008 RMB	1st January 2008 RMB
Bank's Acceptance Bill	138,759,775.73	261,856,859.85
Commercial Acceptance Bill	<u>29,110,394.69</u>	<u>14,027,484.01</u>
Total	<u>167,870,170.42</u>	<u>275,884,343.86</u>

There are no payables for shareholders holding 5% and above equity interest in notes payable as of 30th June 2008.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**19. Accounts payable**

Payables to shareholders holding 5% and above equity interest are as follows :

Shareholder's Name	30th June 2008 RMB	1st January 2008 RMB
CTMC	<u>6,301,379.63</u>	<u>6,301,379.63</u>

20. Advances from customers

Advances from shareholders holding 5% and above equity interest are as follows:

Shareholder' name	30th June 2008 RMB	1st January 2008 RMB
CTMC	<u>7,284,345.62</u>	<u>9,284,345.62</u>

The ageing of accounts receivable for subsidiaries engaged in property development within this Group is as follows:

	30th June 2008 RMB	%	1st January 2008 RMB	%
Within 1 year	<u>280,323,366.00</u>	<u>100</u>	<u>210,773,266.00</u>	<u>100</u>

The abovementioned advance receipts are from advance receipts related to old buildings from Huayuanguanjuncheng. The project is expected to be completed by stages from 2005 to the end of 2009. The pre-sale proportion is 69%.

21. Payroll-related payables

	1st January 2008 RMB	Accrual in period RMB	Payment in period RMB	30th June 2008 RMB
Wage, bonus, allowance and subsidy	47,721,164.32	174,549,845.49	(221,219,630.77)	1,051,379.04
Employee welfare	4,142,770.67	10,122,218.19	(12,671,429.90)	1,593,558.96
Social insurance	11,241,927.56	49,607,541.23	(51,032,673.46)	9,816,795.33
Including: medical insurance	2,127,192.34	11,910,366.76	(13,046,491.26)	991,067.84
basic endowment insurance	7,831,185.83	32,494,566.00	(32,652,357.13)	7,673,394.70
unemployment insurance	1,043,137.28	3,180,448.33	(3,250,130.90)	973,454.71
injury insurance	212,695.39	1,125,463.51	(1,217,435.03)	120,723.87
childbirth insurance	27,716.72	891,305.23	(861,373.84)	57,648.11
Housing fund	5,981,701.75	10,290,694.93	(11,769,099.74)	4,503,296.94
Labor union fund & vocational training fund	20,175,914.24	5,840,532.62	(7,584,981.90)	18,431,464.96
Compensation for the cancellation of labor relations	5,568,043.80	213,233.27	(1,256,191.14)	4,525,085.93
Others	<u>2,420,571.21</u>	<u>7,928,509.54</u>	<u>(453,125.52)</u>	<u>9,895,955.23</u>
Total	<u>97,252,093.55</u>	<u>258,552,575.27</u>	<u>(305,987,132.43)</u>	<u>49,817,536.39</u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**22. Taxation payable**

Categories of taxes	30th June 2008 <i>RMB</i>	1st January 2008 <i>RMB</i>
Value-added tax payable	(7,449,980.82)	(1,806,940.34)
Urban construction tax payable	165,596.69	—
Enterprise income tax payable	7,186,356.07	7,687,357.82
Others	3,850,280.87	1,255,343.99
Total	3,752,252.81	7,135,761.47

23. Dividend payable

Investor's name	30th June 2008 <i>RMB</i>	1st January 2008 <i>RMB</i>
CTMC	15,651,200.00	15,651,200.00
Wuxi parts natural person shareholder	3,933,642.79	5,493,642.79
Beijing Huayuan Jingdu Property Development Company	—	2,510,605.07
Beijing Huayuan Yatai High-tech Co., Ltd	—	2,781,429.08
Others	926,314.71	243,347.35
	20,511,157.50	26,680,224.29

24. Other payables

As at 30th June 2008, payables to shareholders holding 5% and above equity interest are as follows:

Shareholder's name	30th June 2008 <i>RMB</i>	1st January 2008 <i>RMB</i>
CTMC	24,551,324.00	25,312,172.00

25. Other current liabilities

	30th June 2008 <i>RMB</i>	1st January 2008 <i>RMB</i>
Accrued expenses	3,770,000.00	6,470,000.00
Deferred income	3,340,739.05	—
Total	7,110,739.05	6,470,000.00

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**26. Long-term loans**

Categories	30th June 2008 RMB	1st January 2008 RMB
Credit loan	255,000,000.00	55,000,000.00
Mortgage loan	100,000,000.00	100,000,000.00
Guaranteed loan	100,000,000.00	100,000,000.00
Total	<u>455,000,000.00</u>	<u>255,000,000.00</u>
Less: Long-term loans with maturity within one year Including Mortgage loan	<u>105,000,000.00</u> <u>100,000,000.00</u>	<u>105,000,000.00</u> <u>100,000,000.00</u>
Long-term loans with maturity over one year	<u>350,000,000.00</u>	<u>150,000,000.00</u>

The interest rates for the above loans range from 6.80% to 8.316%.

Guaranteed loans refer to loans that are secured when CTMC guarantees with joint responsibility for repayment.

27. Long-term payables

	30th June 2008 RMB	1st January 2008 RMB
Welfare for early retired staff	8,972,676.51	8,972,676.51
Retired persons' welfare	142,286,100.60	146,610,000.00
Total	<u>151,258,777.11</u>	<u>155,582,676.51</u>
Less: Long-term payables with maturity within one year	<u>—</u>	<u>8,680,000.00</u>
Long-term payables with maturity over one year	<u>151,258,777.11</u>	<u>146,902,676.51</u>

28. Special payables

	30th June 2008 RMB	1st January 2008 RMB
Import tax rebate	15,058,620.62	—
Total	<u>15,058,620.62</u>	<u>—</u>

In accordance with requirements of the Ministry of Finance, upon the fulfillment of related conditions, rebate of value added and custom taxes for imported winding machine parts of the Company shall be converted to state owned capital.

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
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VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**29. Accrued liabilities**

Category	1st January 2008 RMB	Increase in period RMB	30th June 2008 RMB
New product quality assurance	<u>900,000.00</u>	<u>—</u>	<u>900,000.00</u>

30. Other non-current liabilities

	30th June 2008 RMB	1st January 2008 RMB
Assets-related government subsidy		
– Return of land purchase money	10,315,063.00	10,315,063.00
– Support fund	—	8,520,000.00
Earnings-related government subsidy		
– Textile special fund from the Ministry of Finance	<u>582,491.06</u>	<u>1,344,757.81</u>
Total	<u>10,897,554.06</u>	<u>20,179,820.81</u>

31. Share capital

Changes of the Company's share capital are as follows:

	1st January 2008/ 30th June 2008 (Shares)
1. Restricted shares	
Other domestic shares held	
Including: Shares held by domestic legal persons	<u>204,255,248</u>
Total number of restricted shares	<u>204,255,248</u>
2. Non-restricted shares	
1. RMB-denominated ordinary shares	218,744,752
2. Foreign shares listed overseas	<u>180,800,000</u>
Total number of non-restricted shares	<u>399,544,752</u>
3. Total number of shares	<u>603,800,000</u>

The par value of the abovementioned shares is RMB1 per share.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**32. Capital reserve**

	30th June 2008 and 1st January 2008 RMB
Investors' injected capital premium	1,244,363,180.48
Difference resulting from consolidation under the same control	<u>5,501,852.00</u>
Total	<u><u>1,249,865,032.48</u></u>

33. Surplus reserve

	Statutory surplus reserve RMB	Free surplus reserve RMB	Total RMB
Balance at beginning of the period	369,814,559.89	177,763,046.16	547,577,606.05
Accrual of the period	<u>—</u>	<u>—</u>	<u>—</u>
Balance at end of the period	<u><u>369,814,559.89</u></u>	<u><u>177,763,046.16</u></u>	<u><u>547,577,606.05</u></u>

Statutory reserves are used to cover the Company's losses, expand production and operation or convert capital.

34. Undistributed Profit

	January to June of 2008 RMB	2007 RMB
Undistributed profit at beginning of the period	<u>429,160,582.78</u>	<u>339,014,504.95</u>
Add: Net profit of the period	52,131,380.61	162,206,513.23
Less: Accrual of statutory surplus reserve	<u>—</u>	<u>(23,756,435.40)</u>
Profit available for distribution	481,291,963.39	477,464,582.78
Less: Accrual of free surplus reserve	—	—
Dividends payable – last year's/previous year's cash dividends approved on the general shareholders' meeting	<u>—</u>	<u>(48,304,000.00)</u>
Undistributed profit at end of the period	<u><u>481,291,963.39</u></u>	<u><u>429,160,582.78</u></u>

Pursuant to the 2007 after tax profit distribution plan approved by the 2007 shareholders' general meeting held on 20th June 2008, the shareholders have approved a final dividend of RMB0.10 (tax inclusive) per ten shares, with an aggregate of RMB6,038,000.00. The profit distribution has been scheduled for execution on 18th July 2008.

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**35. Minority Shareholders' Equity**

	30th June 2008 <i>RMB</i>	1st January 2008 <i>RMB</i>
Changde Texma Company Ltd	11,234,831.23	11,041,007.10
Wuxi Hongda Texma Parts Company Ltd	38,447,909.74	36,667,558.92
Wuxi Jingwei Textile S&T Test Company Ltd	19,188,345.46	20,074,016.86
Shanxi Jingwei Heli Machinery Manufacturing Company	81,347,861.40	81,957,127.04
Beijing Hongbo Property Development Company Limited	50,956,424.60	52,742,654.21
Others (RMB10 million and below)	27,561,236.75	27,616,082.64
Total	<u>228,736,609.18</u>	<u>230,098,446.77</u>

36. Operating income

	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Main operations	2,137,467,535.66	2,519,740,550.00
Other operations	46,295,512.88	415,753,324.54
Total	<u>2,183,763,048.54</u>	<u>2,935,493,874.54</u>

Total revenues of top five clients stand at RMB540,903,256.23 (compared with RMB 522,874,365.00 last year) which accounts for 25% of the total operating income, compared with 18% of last year.

37. Operating cost

	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Main operations	1,876,586,953.49	2,114,128,849.00
Other operations	42,340,697.74	386,708,249.42
	<u>1,918,927,651.23</u>	<u>2,500,837,098.42</u>

38. Operating tax and surcharges

Taxes	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Operating tax	57,959.92	152,771.00
Urban Construction and maintenance fee	2,226,721.79	3,812,172.00
Extra education fee	774,622.82	1,226,053.00
Others	95,765.40	227,163.67
Total	<u>3,155,069.93</u>	<u>5,418,159.67</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**39. Financial expenses**

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Interest rate expense	26,802,987.97	21,416,703.00
Less: Capitalized interest expenses	(6,499,329.00)	—
Less: interest income	(3,838,635.67)	(6,078,229.00)
Exchange differences	(11,887,587.96)	41,795.00
Less: Capitalized exchange differences	—	—
Others	977,044.24	980,490.96
Total	5,554,479.58	16,360,759.96

40. Assets impairment loss

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Loss from bad debt	(15,892,539.18)	5,226,821.87
Loss from impairment of inventories	(1,035,005.33)	5,258,110.00
Total	(16,927,544.51)	10,484,931.87

41. Gain/(Loss) from changes in fair value

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Trading financial assets	(246,093.09)	—

42. Investment gain

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Gain from long-term equity investment	30,979,186.45	3,948,566.00
Including: Profit announced by investee to be distributed under cost method	1,184,788.76	—
Gain (losses) recognized under equity method	(1,252,410.89)	3,948,566.00
Gain from disposal of long-term equity investment	31,046,808.58	—
Interest income from entrusted loans	2,183,582.99	—
Gain from investments in trading financial assets	1,858,613.03	23,326,454.00
Gain from other investments	—	1,255,891.75
Total	35,021,382.47	28,530,911.75

There are no major restrictions on the remittance of investment earnings.

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**43. Non-operating income**

	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Income from disposal of fixed assets	2,136,947.93	1,343,513.00
Amercement income	306,703.98	37,133.00
Government grant	11,189,427.70	143,652.00
Liabilities not needed to be paid	—	221,292.00
Others	2,152,960.03	3,307,760.24
	<hr/>	<hr/>
Total	<u>15,786,039.64</u>	<u>5,053,350.24</u>

44. Non-operating income

	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Loss from disposal of fixed assets	1,550,246.34	680,573.00
Amercement expenses	400,903.57	155,034.00
Others	1,202,920.37	708,779.47
	<hr/>	<hr/>
Total	<u>3,154,070.28</u>	<u>1,544,386.47</u>

45. Income tax

	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Current income tax expenses	12,255,687.35	22,153,041.73
Deferred income tax expenses	756,143.78	—
	<hr/>	<hr/>
	<u>13,011,831.13</u>	<u>22,153,041.73</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**46. EPS**

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Basic EPS	<u>0.09</u>	<u>0.16</u>

The EPS was calculated based on current net profit attributable to holders of ordinary shares and 603,800,000 shares at the year end.

The Company has no potential ordinary shares, and hence has not diluted the presented EPS.

47. Net profit after deducting extraordinary gains and losses

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Net profit	52,131,380.61	97,372,927.00
Add/Less: extraordinary gains and losses	(12,593,219.50)	(22,810,104.00)
– Profits and losses from disposal of non-current assets	(586,701.59)	(662,940.00)
– Government grants	(11,189,427.70)	(143,652.00)
– Gains on entrusted loans	(2,183,582.99)	–
– Net amount of non-operating income and expenses other than the above items	(855,840.07)	(2,702,371.00)
– Other extraordinary gains and losses	<u>2,222,332.85</u>	<u>(19,301,141.00)</u>
Net profit after deducting extraordinary gains and losses	<u>39,538,161.11</u>	<u>74,562,823.00</u>

48. Cash and cash equivalents

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Cash	927,628,125.47	637,468,328.04
Including: Inventory cash	1,402,397.33	1,113,277.26
Bank deposit used for payment at any time	826,225,728.14	631,953,545.75
Other currency capital used for payment at any time	<u>100,000,000.00</u>	<u>4,401,505.03</u>
Balance of cash and cash equivalents	<u>927,628,125.47</u>	<u>637,468,328.04</u>
Restricted cash and cash equivalents of parent company and Subsidiaries of the Group	<u>14,824,161.04</u>	<u>6,830,744.72</u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**49. Supplementary information of cash flow statements**

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Reconciliation of net profit to cash flow from		
operating activities net profit	50,769,543.02	106,067,598.77
Add: Provision for assets impairment	(16,927,544.51)	10,484,931.87
Fixed assets depreciation	58,567,716.01	52,310,159.55
Intangible assets amortization	4,807,233.06	3,708,773.46
Amortization of long-term deferred expenses	—	—
Losses resulting from disposal of fixed assets, intangible assets or other long-term assets (less gains)	(586,701.59)	(314,180.26)
Fair value changes losses (less gains)	246,093.09	—
Financial costs	5,554,479.58	16,416,151.68
Investment losses (less gains)	(35,021,382.47)	(27,022,837.74)
Decrease in deferred income tax assets (less increase)	(613,023.69)	(801,348.00)
Inventory decrease	(79,000,256.48)	(47,122,807.66)
Decrease in operating receivables (less increase)	(27,919,650.39)	(474,899,674.00)
Increase in operating payables (less decrease)	(65,483,911.50)	148,139,471.66
	<u>(104,381,358.49)</u>	<u>(213,033,760.67)</u>
Net cash flow from operating activities		
	<u>(104,381,358.49)</u>	<u>(213,033,760.67)</u>
Net changes of cash and cash equivalents		
at end of the year	942,452,286.51	708,070,100.26
Less: Cash at beginning of the year	(644,299,072.76)	(905,280,654.75)
	<u>298,153,213.75</u>	<u>(197,210,554.49)</u>
Net increase of cash and cash equivalents		
	<u>298,153,213.75</u>	<u>(197,210,554.49)</u>

50. Segment Information

Revenue, cost, profit and assets as well as liabilities of the business segments of the Group are mainly generated from manufacturing and selling of textile machinery. Other businesses of the Group include selling of raw materials, which is not significant enough to present an independent segment report.

Revenue, cost, profit and assets as well as liabilities of the business segments of the Group are mainly generated from sales in the PRC. Overseas sales of the Group include sales in Asia, Africa and other regions. The size of these geographical regions is not significant enough to present an independent segment report.

VII. RELATED PARTIES AND TRANSACTIONS**(1) Related parties with controlling relationship**

Company name	Place of registration	Business nature	Registered capital	% of voting rights	% of shares
CTMC	Beijing	Textile machinery manufacturing & trade	2,735,820,000	33.83	33.83

CTMC is the largest shareholder of the Company, the remaining 66.17% interest is separately held by other shareholders. CTMC substantially controls the Company, therefore, CTMC is the controlling parent company of the Company.

The ultimate controlling parent company of the Group is China Hengtian Group Company.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(All amounts are stated in Rmb Yuan unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (continued)**(2) Other related parties that have transactions with the Group but have no controlling relations with it are as follows:**

	Relationship with related parties
China Textile Industrial Corporation for Foreign Economic and Technological Cooperation	Controlled by the ultimate controlling parent company
Hantrong Investment Co., Ltd.	Controlled by the ultimate controlling parent company
Beijing Hongda Industries Co., Ltd.	Controlled by the same parent company
Beijing Hongda Tiancheng Trade Company Limited	Controlled by the same parent company
Sales and Technical Services Company of China National Textile Machinery Corporation	Controlled by the same parent company
Guangzhou Branch of China Textile Industry Group	Controlled by the same parent company
Hongda Investment Company Limited	Controlled by the same parent company
Jinlang Company Limited	Controlled by the same parent company
Jingwei Machinery (Group) Company Limited	Controlled by the same parent company
Yuci Fibre Machinery Company Limited	Controlled by the same parent company
Jingjin Joint Package Company Limited	Controlled by the same parent company
Jingwei Machinery (Group) Packaging Company Limited	Controlled by the same parent company
Yuci Mechanic and Electronic Equipment Plant	Controlled by the same parent company
Tianjin Textile Machinery Plant	Controlled by the same parent company
Tianjintian Textile Machinery Steel Modification Company Limited	Controlled by the same parent company
Tianjintian Textile Machinery Heat Treatment Company Limited	Controlled by the same parent company
Yichang Textile Machinery Plant	Controlled by the same parent company
Yichang Chinese Textile Industry and Trade Company Limited	Controlled by the same parent company
Shenyang Textile Machinery Component Sales Company	Controlled by the same parent company
Parts Plant of Shanying Company	Controlled by the same parent company
Zhengzhou Textile Machinery Company Limited	Controlled by the same parent company
Weinan Textile Machinery Plant	Controlled by the same parent company
Weinan Textile Machinery Company Limited	Controlled by the same parent company
Hengyang Textile Machinery Plant	Controlled by the same parent company
Huangshi Textile Machinery Plant	Controlled by the same parent company
Guangzhou Carding Machinery Plant	Controlled by the same parent company
Taichang Hongdafangyuan Electronics Company Limited	Controlled by the same parent company
Shaoyang Textile Machinery Company Limited	Controlled by the same parent company
Honglong Daily Machinery Plant	Controlled by the same parent company
Technical Training Plant of Changde Textile Machinery Plant	Controlled by the same parent company
Qingdao Textile Machinery Company Limited	Controlled by the same parent company
Qingdao Jinyi Pressing Company Limited	Associate
Shenyang Jingxing Textile Machinery Manufacturing Company Limited	Associates
China Texmatech Company Limited	Associates
Anhui Huamao Jingwei New Type Textile Company Limited	Associate
Qingdao Textile Machinery Jinhui Molds Company	Jointly controlled entity
Qingdao Textile Machinery Kelifeng Company	Company in which key personnel of subsidiaries has significant influence ("Company in which Key Personnel of Subsidiaries has Significant Influence")
Qingdao Textile Machinery Carding Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery Forging Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Electric Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery Nonwovens Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery and Lida Electric Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Shenyang Textile Machinery Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (continued)**(3) The Company has made the following major connected transactions with related parties from January to June 2008**

Goods sold to and charges on the related parties are detailed as follows:

	January to June 2008	January to June 2007
	<i>amount</i>	<i>amount</i>
	<i>RMB</i>	<i>RMB</i>
Finished goods sold		
Companies controlled by the same parent company	4,804,847	16,824,880
Associates	368,195,750	312,629,575
Jointly controlled entities	—	37,188
Companies controlled by ultimate controlling parent company	34,888,562	—
Total	407,889,159	329,491,643
Raw materials and parts sold		
Companies controlled by the same parent company	100,556,335	91,849,897
Associates	—	419,403
Jointly controlled entities	72,006	—
Companies controlled by ultimate controlling parent company	7,821,975	—
Companies in which key personnel of subsidiaries has significant influence	805,398	9,746,217
Total	109,255,714	102,015,517
Processing charges		
Companies controlled by the same parent company	—	7,186,480
Total	—	7,186,480
Charges on provision of support services		
Controlling companies	—	2,900,000
Companies controlled by the same parent company	2,778,450	3,596,527
Associates	—	30,000
Total	2,778,450	6,526,527
Rental income received		
Companies controlled by the same parent company	2,802,461	2,979,982
Total	2,802,461	2,979,982

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (continued)**(3) The Company has made the following major connected transactions with related parties from January to June 2008 (continued)**

Goods purchased from and payments to the related parties are detailed as follows:

	January to June 2008 amount RMB	January to June 2007 amount RMB
Tools and molds purchased		
Associates	99,038	58,111
Companies controlled by the same parent company	5,961,957	9,296,302
Companies in which key personnel of subsidiaries has significant influence	12,149	—
Total	<u>6,073,144</u>	<u>9,354,413</u>
Molds purchased		
Associates	11,807,269	22,419,094
Companies controlled by the same parent company	19,344,538	35,444,870
Companies in which key personnel of subsidiaries has significant influence	26,960,714	37,215,326
Total	<u>58,112,521</u>	<u>95,079,290</u>
Energy purchased		
Companies controlled by the same parent company	308,238	1,219,200
Total	<u>308,238</u>	<u>1,219,200</u>
Packaging materials purchased		
Companies controlled by the same parent company	—	1,350,641
Companies in which key personnel of subsidiaries has significant influence	14,114,668	16,254,258
Total	<u>14,114,668</u>	<u>17,604,899</u>
Raw materials and parts purchased		
Associates	6,348,288	5,838,340
Companies controlled by the same parent company	57,062,479	64,363,601
Companies in which key personnel of subsidiaries has significant influence	87,910,475	92,570,872
Total	<u>151,321,242</u>	<u>162,772,813</u>
Finished goods purchased		
Companies controlled by the same parent company	162,551,598	190,728,357
Companies in which key personnel of subsidiaries has significant influence	4,688,405	9,789,252
Total	<u>167,240,003</u>	<u>200,517,609</u>
Processing fees paid		
Associates	—	27,245
Companies controlled by the same parent company	32,716,413	17,122,593
Companies in which key personnel of subsidiaries has significant influence	5,115,892	—
Total	<u>37,832,305</u>	<u>17,149,838</u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (continued)**(3) The Company has made the following major connected transactions with related parties from January to June 2008 (continued)**

	January to June 2008 amount RMB	January to June 2007 amount RMB
Transportation services fees		
Companies controlled by the same parent company	4,623,678	3,304,939
Total	<u>4,623,678</u>	<u>3,304,939</u>
Repair and maintenance fees		
Companies controlled by the same parent company	8,404,254	15,173,587
Total	<u>8,404,254</u>	<u>15,173,587</u>
Other support fees		
Companies controlled by the same parent company	6,033,357	4,320,707
Total	<u>6,033,357</u>	<u>4,320,707</u>
Rental expenses		
Associates	4,242,500	4,242,500
Companies controlled by the same parent company	417,538	506,959
Total	<u>4,660,038</u>	<u>4,749,459</u>
Staff accommodation rental expenses		
Companies controlled by the same parent company	170,341	172,883
Total	<u>170,341</u>	<u>172,883</u>

VIII. CONTINGENCIES

	30th June 2008 RMB	1st January 2008 RMB
Guarantee for borrowings from a third party bank	150,000,000.00	150,000,000.00
Guarantee to banks for mortgage loans on behalf of commercial building buyers	<u>110,449,000.00</u>	<u>92,811,000.00</u>
Total	<u>260,449,000.00</u>	<u>242,811,000.00</u>

On 10th October 2007, the Group provided an irrevocable guarantee for Beijing Hualian Group Investment Holding Company for a one-year bank loan in the amount of RMB150,000,000.00 and undertook joint guarantee obligation.

As at 30th June 2008, Beijing Bohong Property Development Company Limited, a subsidiary of the Company, provided joint obligation guarantee to banks that provide mortgage loans in accordance with practices of the real estate industry for a secured loan amounted to RMB110,449,000.00 in respect of commodity buildings that have sold but have not obtained property title certificates.

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

IX. COMMITMENTS**(1) Capital commitments**

	30th June 2008 RMB	1st January 2008 RMB
Contracted but not recognized in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	3,528,849.70	12,294,146.30

(2) Operating lease commitments

At the balance sheet date, the Group had commitments for non-cancellable operating leases which fall due as follows:

	30th June 2008 RMB	1st January 2008 RMB
Minimum lease payments under non-cancellable operating leases		
The first year after balance sheet date	6,066,360.00	10,331,318.29
The second year after balance sheet date	1,953,186.00	1,888,700.00
The third year after balance sheet date	–	1,836,900.00
Future years	–	300,000.00
Total	8,019,546.00	14,356,918.29

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS**1. Currency capital**

	30th June 2008		1st January 2008	
	Amount of Foreign currency	RMB	Amount of Foreign currency	RMB
Cash				
RMB		199,381.67		181,576.75
HKD	31,850.00	29,536.14	16,680.00	15,619.15
USD	2,666.00	19,606.83	3,407.84	24,892.90
EURO	19,493.30	206,035.87	24,370.50	259,957.69
Yen	70,150.00	4,612.29	–	–
Pound	1,050.00	15,309.73	1,050.00	15,309.74
Swiss Franc	57.00	379.00	–	–
Others	50.00	196.53	50.00	196.53
Bank Deposit				
RMB		550,936,378.14		345,030,487.45
HKD	20,827.73	20,668.98	20,827.73	19,503.09
USD	130,598.46	246,611.67	55,490.24	405,334.02
Other currency capital				
RMB		101,361,239.53		543,954.33
Total		653,039,956.38		346,496,831.65

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**2. Notes receivable**

	30th June 2008 RMB	1st January 2008 RMB
Bank's Acceptance Bill	484,069,455.92	801,491,641.14
Commercial Acceptance Bill	48,969,500.00	53,881,197.75
Total	<u>533,038,955.92</u>	<u>855,372,838.89</u>

On 30th June 2008, the Group discounted unexpired acceptance bills with the right of recourse of RMB55,199,500.00 (31st December 2007: RMB51,875,000.00). Unexpired acceptance bills with the right of recourse that have been endorsed amounted to RMB398,224,456.20 (31st December 2007: RMB551,701,382.58).

3. Accounts receivable

The ageing of accounts receivable is provided as follows:

	30th June 2008				1st January 2008			
	Amount	Proportion	Bad Debt Provision	Book Value	Amount	Proportion	Bad Debt Provision	Book value
	RMB	%	RMB	RMB	RMB	%	RMB	RMB
Within one year	433,967,832.95	77	—	433,967,832.95	205,809,466.15	64	—	205,809,466.15
One to two years	77,622,004.02	14	(3,566,882.14)	74,055,121.88	62,854,756.95	20	(5,594,320.21)	57,260,436.74
Two to three years	10,188,806.53	2	(3,497,198.16)	6,691,608.37	7,926,972.83	2	(5,444,931.64)	2,482,041.19
Above three years	38,238,810.82	7	(35,764,910.82)	2,473,900.00	44,403,601.98	14	(38,559,629.93)	5,843,972.05
Total	<u>560,017,454.32</u>	<u>100</u>	<u>(42,828,991.12)</u>	<u>517,188,463.20</u>	<u>320,994,797.91</u>	<u>100</u>	<u>(49,598,881.78)</u>	<u>271,395,916.13</u>

Changes in provision for bad debts for accounts receivable are stated as follows:

	30th June 2008 RMB	1st January 2008 RMB
Amount at beginning of period	49,598,881.78	69,557,405.87
Accrual amount of the period	2,323,681.13	3,465,206.89
Amount reversed during the period	(390,000.00)	(12,400,165.40)
Amount written off during the period	<u>(8,703,571.79)</u>	<u>(11,023,565.58)</u>
Amount at end of the period	<u>42,828,991.12</u>	<u>49,598,881.78</u>

4. Prepayments

The aging of prepayments is stated as follows:

	30th June 2008		1st January 2008	
	Amount	Proportion	Amount	Proportion
	RMB	%	RMB	%
Within one year	143,324,052.94	96	60,099,769.07	91
One to two years	1,079,923.43	1	911,052.89	1
Two to three years	113,635.95	—	9,803.00	—
Above three years	4,669,584.28	3	4,711,566.94	8
Total	<u>149,187,196.60</u>	<u>100</u>	<u>65,732,191.90</u>	<u>100</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**5. Other Receivables**

The ageing of other receivables is provided as follows:

	30th June 2008				1st January 2008			
	Amount	Proportion	Provision for bad debt	Book value	Amount	Proportion	Provision for bad debt	Book value
	RMB	%	RMB	RMB	RMB	%	RMB	RMB
Within 1 year	227,227,833.39	83	—	227,227,833.39	235,171,142.34	86	(2,000,000.00)	233,171,142.34
1 to 2 years	10,231,586.55	4	(2,000,000.00)	8,231,586.55	13,427,351.17	5	(21,866.62)	13,405,484.55
2 to 3 years	11,086,382.77	4	—	11,086,382.77	11,288,399.53	4	(17,825.80)	11,270,573.73
Over 3 years	23,545,824.60	9	(847,036.00)	22,698,788.60	13,155,485.65	5	(877,343.58)	12,278,142.07
Total	<u>272,091,627.31</u>	<u>100</u>	<u>(2,847,036.00)</u>	<u>269,244,591.31</u>	<u>273,042,378.69</u>	<u>100</u>	<u>(2,917,036.00)</u>	<u>270,125,342.69</u>

Changes in other provision for bad debts receivable are as follows:

	30th June 2008 RMB	1st January 2008 RMB
Amount at beginning of the period	2,917,036.00	846,749.17
Accrual amount of the period	—	2,273,855.00
Amount reversed during the period	(70,000.00)	(203,568.17)
Amount at end of the period	<u>2,847,036.00</u>	<u>2,917,036.00</u>

6. Inventories

Category	30th June 2008 RMB	1st January 2008 RMB
Cost		
Raw materials	108,146,395.52	93,892,350.90
Unfinished products	170,286,098.84	169,519,773.38
Finished products	299,902,446.46	352,324,756.28
Less: Impairment	(32,816,001.82)	(32,844,262.87)
Total inventory	<u>545,518,939.00</u>	<u>582,892,617.69</u>

Changes of provision for obsolete stocks are as follows:

	Amount at beginning of the period RMB	Accrual amount of the period RMB	Amount reversed during the period RMB	Amount at end of the period RMB
Provision for obsolete stocks:				
Unfinished product	13,500,000.00	—	—	13,500,000.00
Finished products	19,344,262.87	—	(28,261.05)	19,316,001.82
Total	<u>32,844,262.87</u>	<u>—</u>	<u>(28,261.05)</u>	<u>32,816,001.82</u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**7. Long-term Equity Investment**

(1) Long-term equity investments are detailed as follows:

Name of Investee	Initial Investment cost RMB	Cost at beginning of the period RMB	Newly added Investment during the period RMB	Equity adjustment during the period RMB	Cash dividends during the period RMB	Other decreases RMB	Cost at end of the period RMB
Equity method							
China Texma Tech Company Ltd	30,000,000.00	46,368,108.52	–	1,970,000.00	–	–	48,338,108.52
Hongda Research Institute Company	20,000,000.00	25,331,243.50	–	(1,561,000.00)	–	–	23,770,243.50
Anhui Huamao Jingwei New Type Textile Company Limited	25,000,000.00	12,730,221.91	–	(825,838.39)	–	–	11,904,383.52
Zhengzhou Hongda Non-woven Company Ltd	17,000,000.00	13,442,684.96	–	(835,572.50)	–	–	12,607,112.46
	<u>92,000,000.00</u>	<u>97,872,258.89</u>	<u>–</u>	<u>(1,252,410.89)</u>	<u>–</u>	<u>–</u>	<u>96,619,848.00</u>
Cost method							
Qingdao Hongda Textile Machinery Company Limited	44,100,000.00	96,341,388.00	–	–	–	–	96,341,388.00
Zhengzhou Hongda New Type Textile Machinery Company Limited	23,010,000.00	80,805,192.00	–	–	–	–	80,805,192.00
Shenyang Hongda Texma Company Limited	69,580,000.00	81,301,993.00	–	–	–	–	81,301,993.00
Tianjin Hongda Texma Company Limited	26,930,000.00	71,005,633.00	–	–	–	–	71,005,633.00
Changde Textile Machinery Company Limited	29,644,900.00	35,279,928.00	–	–	–	–	35,279,928.00
Beijing Jingwei Textile New Technology Company Limited	98,400,000.00	98,407,084.00	–	–	–	–	98,407,084.00
Tianjin Jingwei Textile Machinery Company Limited	12,000,000.00	12,000,000.00	–	–	–	–	12,000,000.00
Xianyang Jingwei Machinery Manufacturing Company Limited	57,468,693.00	61,469,929.00	–	–	–	–	61,469,929.00
Wuxi Hongda Textile Machinery Parts Company Limited	2,000,000.00	4,765,534.00	–	–	–	–	4,765,534.00
Wuxi Jingwei Textile S&T Test Company Limited	32,960,000.00	34,152,507.00	–	–	–	–	34,152,507.00
Shanxi Heli Jingwei Machinery Manufacturing Company Limited	30,000,000.00	39,288,285.00	–	–	–	–	39,288,285.00
Yichang Jingwei Textile Company Limited	15,000,000.00	15,000,000.00	–	–	–	–	15,000,000.00
Beijing Jingpeng Investment Management Company Limited	96,000,000.00	96,000,000.00	–	–	–	–	96,000,000.00
Jingwei Textile Machinery Yuci Materials Company Limited	4,960,000.00	5,000,000.00	–	–	–	–	5,000,000.00
Kunshan Jingwei Textile Machinery Manufacturing Company Limited	3,190,974.00	3,190,974.00	–	–	–	–	3,190,974.00
Shanghai Weixin Electronic & Mechanical Company Limited	14,400,000.00	14,400,000.00	–	–	–	–	14,400,000.00
Shanghai Chuangan Trade & Commerce Company Limited	1,800,000.00	1,800,000.00	–	–	–	–	1,800,000.00
Hong Kong Huaming Limited	4,966,416.00	62,559,880.00	–	–	–	–	62,559,880.00
Hongda Investment Company Limited	24,866,602.17	24,866,602.17	–	–	–	–	24,866,602.17
Jinzhong Jingwei Ring Manufacturing Company Limited	490,000.00	500,000.00	–	–	–	–	500,000.00
Taiyuan Jingwei Electric Appliance Company Limited	4,900,000.00	5,212,000.00	–	–	–	–	5,212,000.00
Shanghai Jingwei Dongxing Blooming-Carding Machinery Company Limited	36,974,000.00	36,974,000.00	–	–	–	–	36,974,000.00
	<u>633,641,585.17</u>	<u>880,320,929.17</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>880,320,929.17</u>
Total	<u>725,641,585.17</u>	<u>978,193,188.06</u>	<u>–</u>	<u>(1,252,410.89)</u>	<u>–</u>	<u>–</u>	<u>976,940,777.17</u>
Less: Provision for impairment		–					–
Net amount of long-term equity investment		<u>978,193,188.06</u>					<u>976,940,777.17</u>

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**7. Long-term Equity Investment (continued)**

- (2) There is no restriction on the ability of the investee in which the long-term equity investments are held by the Company as of 30th June 2008 to transfer capital to the Group.

8. Fixed Assets

Changes in fixed assets during the year are provided as follows:

	Housing RMB	Machinery and equipment RMB	Transportation equipment RMB	Total RMB
Original value				
Amount at beginning of period	280,574,723.35	717,816,134.27	30,707,796.09	1,029,098,653.71
Purchase of the period	1,084,175.80	715,852.55	917,275.95	2,717,304.30
Transferred from construction in progress during the period	1,232,690.00	10,529,783.09	55,750.74	11,818,223.83
Decrease of the period	—	(10,929,846.48)	(913,895.64)	(11,843,742.12)
Amount at end of period	<u>282,891,589.15</u>	<u>718,131,923.43</u>	<u>30,766,927.14</u>	<u>1,031,790,439.72</u>
Accumulated depreciation				
Amount at beginning of period	(102,500,709.12)	(426,724,529.54)	(13,548,402.19)	(542,773,640.85)
Accrual amount of the period	(4,590,217.15)	(15,787,606.77)	(1,621,997.93)	(21,999,821.85)
Decrease of the period	—	5,697,396.41	844,151.88	6,541,548.29
Amount at end of period	<u>(107,090,926.27)</u>	<u>(436,814,739.90)</u>	<u>(14,326,248.24)</u>	<u>(558,231,914.41)</u>
Impairment allowance				
Amount at beginning of period	—	(30,430,294.35)	—	(30,430,294.35)
Increase of the period	—	—	—	—
Write-off of the period	—	3,278,420.91	—	3,278,420.91
Amount at end of period	<u>—</u>	<u>(27,151,873.44)</u>	<u>—</u>	<u>(27,151,873.44)</u>
Net amount				
Amount at beginning of period	<u>178,074,014.23</u>	<u>260,661,310.38</u>	<u>17,159,393.90</u>	<u>455,894,718.51</u>
Amount at end of period	<u>175,800,662.88</u>	<u>254,165,310.09</u>	<u>16,440,678.90</u>	<u>446,406,651.87</u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**9. Construction in Progress**

	Cost at beginning of the period RMB	Increase in period RMB	Transferred to fixed assets after completion this period RMB	Cost at end of the period RMB	Capital resources RMB
Construction of Yuci's assembling plant	12,406,053.80	4,830,302.89	–	17,236,356.69	Proprietary fund
Machinery to be installed	11,046,028.84	–	(10,818,223.83)	227,805.01	Proprietary fund
Others	1,030,088.00	16,897,008.76	(1,000,000.00)	16,927,096.76	Proprietary fund
Total	24,482,170.64	21,727,311.65	(11,818,223.83)	34,391,258.46	
Less: Provision for impairment	–	–	–	–	
Net value of construction in progress	24,482,170.64			34,391,258.46	

10. Intangible Assets

	Land use right RMB	Patent rights RMB	Software RMB	Total RMB
Original value				
Amount at beginning of the period	99,144,504.38	21,413,627.93	5,610,050.00	126,168,182.31
Increase of the period	–	240,000.00	–	240,000.00
Decrease of the period	–	–	–	–
Amount at end of the period	99,144,504.38	21,653,627.93	5,610,050.00	126,408,182.31
Accumulated amortization				
Amount at beginning of the period	(18,985,376.72)	(16,024,254.61)	(2,322,809.37)	(37,332,440.70)
Provision of the period	(1,132,640.11)	(309,734.15)	(391,260.00)	(1,833,634.26)
Decrease of the period	–	–	–	–
Amount at end of the period	(20,118,016.83)	(16,333,988.76)	(2,714,069.37)	(39,166,074.96)
Net amount				
Amount at beginning of the period	80,159,127.66	5,389,373.32	3,287,240.63	88,835,741.61
Amount at end of the period	79,026,487.55	5,319,639.17	2,895,980.63	87,242,107.35
Remaining amortization life	37.1 years to 42.5 years	5.8 years to 6.75 years	1.5 years to 4.33 years	

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**11. Provision for asset impairment**

	1st January 2008 RMB	Provision for the period RMB	Decrease of the period Amount reversed during the period RMB	Write-off amount of the period RMB	30th June 2008 RMB
Provision for bad debt	52,515,917.78	2,323,681.13	(460,000.00)	(8,703,571.79)	45,676,027.12
Provision for inventory obsolete stocks	32,844,262.87	—	(28,261.05)	—	32,816,001.82
Provision for fixed asset impairment	30,430,294.35	—	—	(3,278,420.91)	27,151,873.44
Total	115,790,475.00	2,323,681.13	(488,261.05)	(11,981,992.70)	105,643,902.38

12. Short-term borrowings

Category	30th June 2008 RMB	1st January 2008 RMB
Bank loans	397,399,664.00	257,512,040.86
Notes facilities	55,199,511.00	51,875,000.00
Total	452,599,175.00	309,387,040.86

13. Notes payable

	30th June 2008 RMB	1st January 2008 RMB
Bank's acceptance bills	95,973,970.84	148,532,353.10
Commercial acceptance bills	2,006,197.75	2,006,197.75
Total	97,980,168.59	150,538,550.85

14. Payroll-related payables

	1st January 2008 RMB	Provision of the period RMB	Payment of the period RMB	30th June 2008 RMB
Wage, bonus, subsidy and allowance	26,382,734.99	66,783,569.76	(92,407,053.11)	759,251.64
Employees' welfare	457,840.79	3,963,740.60	(4,421,581.39)	—
Social insurance	955,983.96	14,552,204.85	(14,725,000.02)	783,188.79
Including: Medical insurance	492,553.56	3,722,586.24	(4,043,597.90)	171,541.90
Basic pension insurance	—	9,253,531.43	(9,253,531.43)	—
Unemployment insurance	310,939.68	935,003.36	(924,023.60)	321,919.44
Work injury insurance	152,490.72	428,015.08	(419,546.08)	160,959.72
Birth insurance	—	213,068.74	(84,301.01)	128,767.73
Housing fund	3,418,559.35	1,805,430.40	(2,670,795.27)	2,553,194.48
Labor union and education fee	4,448,984.56	2,274,930.72	(4,854,765.14)	1,869,150.14
Others	2,067.55	11,737.00	(13,804.55)	—
Subtotal	35,666,171.20	89,391,613.33	(119,092,999.48)	5,964,785.05

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**15. Taxes payable**

Tax category	30th June 2008 <i>RMB</i>	1st January 2008 <i>RMB</i>
Corporate income tax payable	2,443,364.48	4,847,932.55
Value added tax payable	(1,404,916.83)	(5,779,453.85)
Operating tax payable	(1,437.26)	35,426.69
Urban construction payable	(29,480.44)	(9,486.57)
Land use tax payable	2,004,053.87	210,053.87
Others	88,659.46	842,642.71
Total	3,100,243.28	147,115.40

16. Long-term loans

Category	30th June 2008 <i>RMB</i>	1st January 2008 <i>RMB</i>
Credit loans	255,000,000.00	55,000,000.00
Guaranteed loans	50,000,000.00	50,000,000.00
Total	305,000,000.00	105,000,000.00
Less: Long-term loans with maturity within one year	55,000,000.00	5,000,000.00
Long-term loans with maturity over one year	250,000,000.00	100,000,000.00

The interest rate for the above loans range from 6.80% – 7.56%.

17. Unallocated profits

	January to June 2008 <i>RMB</i>	2007 <i>RMB</i>
Unallocated profit at beginning of period	19,292,911.11	22,185,029.52
Add: Net profit of the period	25,917,187.74	50,457,645.80
Less: Accrual of statutory surplus reserve	—	(5,045,764.21)
Profit available for distribution to shareholders	45,210,098.85	67,596,911.11
Less: Accrual of free surplus reserve	—	—
Dividends payable – last year's/previous year's cash dividends approved at the general meeting	—	(48,304,000.00)
Unallocated profit at end of the period	45,210,098.85	19,292,911.11

Notes to the Financial Statements

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**18. Operating Income**

	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Principal activities	1,498,141,071.82	1,639,042,577.97
Other activities	17,846,237.31	229,342,109.00
Total	<u>1,515,987,309.13</u>	<u>1,868,384,686.97</u>

19. Operating cost

	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Principal activities	1,422,112,763.29	1,516,710,305.61
Other activities	17,252,597.20	221,808,515.00
	<u>1,439,365,360.49</u>	<u>1,738,518,820.61</u>

20. Business tax and surcharge

Tax category	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Business tax	—	72,828.00
Urban construction maintenance expense	544,865.75	1,491,240.18
Total	<u>544,865.75</u>	<u>1,564,068.18</u>

21. Financial cost

	Current period cumulative amount <i>RMB</i>	Corresponding period of previous year cumulative amount <i>RMB</i>
Interest expense	7,494,704.95	10,279,785.00
Less: interest income	(2,300,002.02)	(3,599,814.00)
Exchange differences	(11,087,584.62)	—
Expenses for financial institutions' proceedings	608,193.00	488,071.51
Total	<u>(5,284,688.69)</u>	<u>7,168,042.51</u>

**Notes to the Financial Statements**

(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)

(All amounts are stated in Rmb Yuan unless otherwise stated)

X. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS (continued)**22. Gain on investments**

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Gain on long-term equity investments	17,947,589.11	2,021,731.00
Including: Profit recognized under cost method and announced by investee to be distributed	19,200,000.00	—
Gain/loss recognized under equity method	(1,252,410.89)	2,021,731.00
Gain on entrusted loan interest	2,771,334.40	—
Gain on tradable financial assets	1,567,775.64	19,519,415.00
Gain on other investments	—	1,255,891.50
Total	<u>22,286,699.15</u>	<u>22,797,037.50</u>

There are no major restrictions on the remittance of investment earnings of the Company.

23. Non-operating income

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Income from disposal of fixed assets	337,764.97	516,585.00
Amercement income	72,699.98	34,606.00
Government grant	2,180,000.00	285,000.00
Others	458,869.21	660,468.74
Total	<u>3,049,334.16</u>	<u>1,496,659.74</u>

24. Non-operating expense

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Expense from disposal of fixed assets	281,214.01	84,494.00
Amercement expense	1,000.00	1,000.00
Others	602,000.00	3,400.20
Total	<u>884,214.01</u>	<u>88,894.20</u>

25. Income tax

	Current period cumulative amount RMB	Corresponding period of previous year cumulative amount RMB
Current income tax expenses	1,110,446.27	6,405,142.63
Deferred income tax expenses	(92,725.70)	—
	<u>1,017,720.57</u>	<u>6,405,142.63</u>

Chapter VII Condensed Interim Financial Statements Prepared in Accordance with Hong Kong Financial Reporting Standards (Unaudited)

Consolidated Profit and Loss Account (Prepared in Accordance with HKFRS)

	<i>Note</i>	Unaudited Six months ended 30th June	
		2008 <i>RMB '000</i>	2007 <i>RMB '000</i>
Turnover	4	2,183,763	2,935,494
Cost of sales		(1,922,083)	(2,506,255)
Gross profit		261,680	429,239
Other revenue	5	64,378	34,169
Gain from change in fair value of investment held for trading		1,612	—
Distribution expenses		(60,638)	(77,949)
Administrative expenses		(181,695)	(239,728)
Operating profit		85,337	145,731
Finance cost	6	(20,304)	(21,459)
Share of profits less losses of associated and joint venture companies		(1,252)	3,949
Profit before taxation	7	63,781	128,221
Income tax expenses	8	(13,012)	(22,153)
Profit for the period		<u>50,769</u>	<u>106,068</u>
Attributable to:			
Equity holders of the Company		52,131	97,373
Minority interest		(1,362)	8,695
		<u>50,769</u>	<u>106,068</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– basic and diluted	9	<u>0.09</u>	<u>0.16</u>
Dividend	10	<u>—</u>	<u>—</u>



Consolidated Balance Sheet
(Prepared in Accordance with HKFRS)

		Unaudited 30th June 2008 RMB '000	Audited 31st December 2007 RMB '000
Non-current assets			
Property, plant and equipment	11	1,287,432	1,255,400
Prepaid lease payments		262,518	262,518
Intangible assets	12	11,621	12,446
Interests in joint venture companies		24,619	25,445
Interests in associated companies		86,556	86,983
Available-for-sale investments		38,978	45,931
Deferred tax assets		35,118	35,731
		<u>1,746,842</u>	<u>1,724,454</u>
Current assets			
Inventories	13	1,470,925	1,464,177
Properties under development for sale		608,801	536,549
Trade and other receivables	14	1,646,015	1,670,243
Prepaid lease payments		2,720	5,975
Amounts due from holding company		102	791
Amounts due from fellow subsidiaries		174,705	174,585
Amounts due from associated companies		64,706	49,451
Amounts due from joint venture companies		149,125	112,348
Held-for-trading investments		2,110	4,945
Pledged bank balances		114,824	6,831
Bank balances and cash	15	827,628	637,468
		<u>5,061,661</u>	<u>4,663,363</u>
Current liabilities			
Trade and other payables	16	2,193,406	2,321,792
Amounts due to holding company		53,787	78,549
Amounts due to fellow subsidiaries		154,267	103,398
Amounts due to associated companies		220	3,233
Taxation payable		3,752	7,687
Borrowings – amount due within one year		766,307	497,161
		<u>3,171,739</u>	<u>3,011,820</u>
Net current assets		<u>1,889,922</u>	<u>1,651,543</u>
Total assets less current liabilities		3,636,764	3,375,997
Non-current liabilities			
Borrowings – amount due after one year		350,000	150,000
Other non-current liabilities		178,116	167,983
		<u>528,116</u>	<u>317,983</u>
		<u>3,108,648</u>	<u>3,058,014</u>
Capital and reserves			
Share capital	17	603,800	603,800
Reserves		2,276,112	2,224,115
		<u>2,879,912</u>	<u>2,827,915</u>
Equity attributable to equity holders of the Company		228,736	230,099
Minority interests		<u>3,108,648</u>	<u>3,058,014</u>

Condensed Consolidated Statement of Changes in Equity
(Prepared in Accordance with HKFRS)

Unaudited

	Attributable to equity holders of the Group								
	Share capital	Share premium	Statutory surplus reserve	Discretionary surplus RMB'000	Exchange reserve	Retained profits	Total	Minority interests RMB'000	Total RMB'000
At 1st January 2007	603,800	1,249,865	346,059	177,764	(2,117)	339,015	2,714,386	161,375	2,875,761
Exchange differences arising on translation of foreign operations and net expense recognised directly in equity	–	–	–	–	79	–	79	–	79
Profit for the year	–	–	–	–	–	97,373	97,373	8,695	106,068
Total recognised income and expense for the year	–	–	–	–	79	97,373	97,452	8,695	106,147
Transfers	–	–	23,756	–	–	(23,756)	–	–	–
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	57,179	57,179
Dividends paid	–	–	–	–	–	(48,304)	(48,304)	–	(48,304)
At 30th June 2007	<u>603,800</u>	<u>1,249,865</u>	<u>369,815</u>	<u>177,764</u>	<u>(2,038)</u>	<u>364,328</u>	<u>2,763,534</u>	<u>227,249</u>	<u>2,990,783</u>
At 1st January 2008	603,800	1,249,865	369,815	177,764	(2,489)	429,161	2,827,916	230,098	3,058,014
Exchange differences arising on translation of foreign operations and net expense recognised directly in equity	–	–	–	–	(135)	–	(135)	–	(135)
Profit for the year	–	–	–	–	–	52,131	52,131	(1,362)	50,769
Total recognised income and expense for the year	–	–	–	–	(135)	52,131	51,996	(1,362)	50,634
At 30th June 2008	<u>603,800</u>	<u>1,249,865</u>	<u>369,815</u>	<u>177,764</u>	<u>(2,624)</u>	<u>481,292</u>	<u>2,879,912</u>	<u>228,736</u>	<u>3,108,648</u>



Condensed Consolidated Cash Flow Statement
(Prepared in Accordance with HKFRS)

	Unaudited	
	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Net cash used in operating activities	(104,381)	(213,034)
Cash flows from investing activities:		
– cash flow disposal of equity and financial investment, net	40,548	19,449
– purchases of property, plant and equipment	(57,240)	(75,105)
– disposal of property, plant and equipment	1,928	552
Net cash flows from investing activities	(14,764)	(55,104)
Cash flows from financing activities		
– dividends paid and interest paid	(17,536)	(19,873)
– cash of borrowings	689,642	148,875
– repayment of borrowings due	(253,660)	(58,074)
Net cash flows from/(used in) financing activities	418,446	70,928
Net decrease in cash and cash equivalents	299,301	(197,210)
Cash and cash equivalents at 1st January	644,299	905,281
Effect of foreign exchange rate changes	(1,148)	–
Cash and cash equivalents at 30th June	<u>942,452</u>	<u>708,070</u>
Analysis of balances of cash and cash equivalents:		
– Cash and cash equivalent	942,452	708,070
– Time deposits with maturity more than three months	100,000	–
	<u>842,452</u>	<u>708,070</u>

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the People's Republic of China (the "PRC") with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Shenzhen Stock Exchange. Its immediate substantial shareholder is China Textile Machinery (Group) Company Limited ("CTMC"), a company established in the PRC which holds 33.83% of the equity interest in the Company with controlling interest. The remaining 66.17% of the Company's shares are widely held. The directors regard the Company's parent company is CTMC and the Company's ultimate holding company is China Hengtain Group Company ("China Hengtain").

These consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company. The Company and its subsidiaries (the "Group") are principally engaged in manufacturing and sales of textile machinery mainly in the PRC. The registered address of the Company is 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In previous year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSS"), amendment to Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC)-INT") (hereinafter collectively referred to as "new HKFRSS"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Disclosures
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-INT 8	Scope of HKFRS 2
HK(IFRIC)-INT 9	Reassessment of embedded derivatives
HK(IFRIC)-INT 10	Interim financial reporting and impairment

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC)-INT 11	HKFRS 2: Group and treasury share transactions ³
HK(IFRIC)-INT 12	Service concession arrangements ⁴
HK(IFRIC)-INT 13	Customer loyalty programmes ⁵
HK(IFRIC)-INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ⁴

¹ Effective for annual periods beginning on or after 1st January 2009.

² Effective for annual periods beginning on or after 1st July 2009.

³ Effective for annual periods beginning on or after 1st March 2007.

⁴ Effective for annual periods beginning on or after 1st January 2008.

⁵ Effective for annual periods beginning on or after 1st July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.



Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

3. BASIS FOR PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with HKFRS. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. TURNOVER

Turnover represents the amount received and receivable for goods sold by the Group to outsiders for the period, excluding value added tax:

	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Turnover		
Sales of goods	<u>2,183,763</u>	<u>2,935,494</u>

No independent analysis on business segments is presented as revenues, costs, profits, assets and liabilities of the Group are substantially attributable to manufacture and sales of textile machinery.

The Group's operations are principally carried out in the PRC, overseas sales are mainly to countries in Asia and Africa through agents, no independent segment analysis is presented as these sales volume of such geographical segments are insufficient.

5. OTHER REVENUE

	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Interest income from banks	3,839	6,078
Interest income due from related parties	2,183	—
Government subsidies	11,189	144
Investment gain	31,047	23,390
Net exchange gain	11,888	42
Dividends income from available-for-sale investments	1,185	1,006
Gain on disposal of property, plant and equipment	587	663
Others	<u>2,460</u>	<u>2,846</u>
	<u>64,378</u>	<u>34,169</u>

6. FINANCE COST

	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Interest expenses:		
– Bank loans due within five years	<u>20,304</u>	<u>21,459</u>

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

7. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Profit before taxation had credited and charged the following items:		
Amortisation of intangible assets	1,550	2,527
Amortisation of land use rights	3,258	2,762
Depreciation of property, plant and equipment	58,568	51,086
Auditor's remuneration	1,300	3,500
Provision (write back) for doubtful debts	(15,892)	6,537
Provision (write back) for inventories	(1,035)	5,258
Operating lease expense-land and buildings	4,691	4,176
Research and development costs	25,213	26,855
Staff costs, include directors' and supervisors' emoluments	<u>258,553</u>	<u>302,144</u>

8. INCOME TAX EXPENSES

	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Current tax		
PRC Enterprise Income Tax	12,256	21,342
Deferred tax		
Charge for the year	<u>756</u>	<u>811</u>
	<u><u>13,012</u></u>	<u><u>22,153</u></u>

Hong Kong profits tax has not been provided as the Group had no taxable profits in Hong Kong for the period (January to June 2007: Nil). The Company and its subsidiaries are subject to PRC enterprise income tax on their assessable profits.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to the shareholders of RMB52,131,000 (January to June 2007: RMB97,373,000) and 603,800,000 (January to June 2007: 603,800,000) shares in issue during the period.

No diluted earnings per share is presented since the Company has no dilutive potential shares during the period for the two years.

10. DIVIDEND

No dividend was proposed by the Company for the six months ended 30th June 2008 (January to June 2007: nil).

Pursuant to the 2007 after tax profit distribution plan approved by the 2007 shareholders' annual general meeting held on 20 June 2008, the shareholders have approved a final dividend of RMB0.10 (tax inclusive) per ten shares, with an aggregate of RMB6,038,000.00. The profit distribution has been implemented on 18th July 2008.

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2008					
Net amount at the beginning of the period	483,600	643,799	55,988	72,013	1,255,400
Additions	2,569	8,261	5,297	81,664	97,791
Assigned assets after construction	5,120	10,714	56	(15,890)	—
Depreciation	(10,757)	(41,931)	(5,880)	—	(58,568)
Disposals and other reductions	—	(6,626)	(565)	—	(7,191)
As at 30 June 2008					
Net amount at the end of the period	<u>480,532</u>	<u>614,217</u>	<u>54,896</u>	<u>137,787</u>	<u>1,287,432</u>
As at 1 January 2007					
Net amount at the beginning of the period	458,294	622,715	59,609	53,645	1,194,263
Additions	4,200	31,890	3,366	36,658	76,114
Assigned assets after construction	2,384	12,125	—	(23,585)	(9,076)
Transfers	13,012	17,916	—	—	30,928
Depreciation	(8,844)	(37,633)	(4,609)	—	(51,086)
Disposals and other reductions	(1,265)	(4,752)	(731)	—	(6,748)
As at 30 June 2007					
Net amount at the end of the period	<u>467,781</u>	<u>642,261</u>	<u>57,635</u>	<u>66,718</u>	<u>1,234,395</u>

The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	9 to 50 years
Machinery and equipment	7 to 22 years
Motor vehicles	9 to 14 years

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

12. INTANGIBLE ASSETS

	Patents and licences RMB'000	Software RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2008				
Net amount at the beginning of the period	5,430	4,757	2,259	12,446
Additions	725	–	–	725
Amortisation	(310)	(1,240)	–	(1,550)
As at 30 June 2008				
Net amount at the end of the period	<u>5,845</u>	<u>3,517</u>	<u>2,259</u>	<u>11,621</u>
As at 1 January 2007				
Net amount at the end of the period	16,113	6,145	2,259	24,517
Additions	–	40	–	40
Amortisation	(492)	(2,035)	–	(2,527)
As at 30 June 2007				
Net amount at the end of the period	<u>15,621</u>	<u>4,150</u>	<u>2,259</u>	<u>22,030</u>

Patents and licences mainly represent licensing of technology for manufacturing of textile machinery.

Patents and licences and software have definite useful lives and are amortised on a straight line basis over the following periods:

Patents and licences	10 years
Software	5 years

13. INVENTORIES

	30th June 2008 RMB'000	31st December 2007 RMB'000
Raw materials	386,155	378,086
Work in progress	430,691	386,146
Finished goods	654,079	699,945
	<u>1,470,925</u>	<u>1,464,177</u>

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

14. TRADE AND OTHER RECEIVABLES

	30th June 2008	31st December 2007
	<i>RMB '000</i>	<i>RMB '000</i>
Trade receivables	574,726	393,784
Less: Provision for doubtful debts	<u>(145,818)</u>	<u>(164,452)</u>
	428,908	229,332
Bills receivables	837,804	1,220,635
Prepayments, deposits and other receivables	<u>379,303</u>	<u>220,276</u>
	<u><u>1,646,015</u></u>	<u><u>1,670,243</u></u>

The turnover of the Group is principally generated from receipts of customers' payment of trade amounts. In general, customers are required to pay the trade amounts upon receipt of invoice. For large or long-term customers with good payment record, a credit period of 30 to 360 days is granted depending on case-by-case basis.

The following is an ageing analysis of the trade and bills receivables net of provision for doubtful debts, including receivables due from holding company, fellow subsidiaries, associated companies and joint venture companies:

	30th June 2008	31st December 2007
	<i>RMB '000</i>	<i>RMB '000</i>
Less than 1 year	1,430,582	1,572,310
1-2 years	84,395	70,065
2-3 years	10,041	8,085
Over 3 years	<u>6,781</u>	<u>6,175</u>
	<u><u>1,531,799</u></u>	<u><u>1,656,635</u></u>

15. BANK BALANCES AND CASH

The Group's bank balances and cash that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	30th June 2008	31st December 2007
	<i>RMB '000</i>	<i>RMB '000</i>
Hong Kong dollars	13,726	13,397
Swiss Franc	3,637	3,462
United States dollars	2,572	2,594
Euro	3,406	472
Others	<u>20</u>	<u>15</u>

Included in bank balances and cash is RMB100,000,000 of time deposits with maturity more than three months.

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

16. TRADE AND OTHER PAYABLES

	30th June 2008	31st December 2007
	<i>RMB '000</i>	<i>RMB '000</i>
Trade payables	1,122,506	1,190,838
Bills payables	135,520	244,877
Accrued charges and other payables	935,380	886,077
	<u>2,193,406</u>	<u>2,321,792</u>

The following is an ageing analysis of the trade and bills payables, including payables due to holding company, fellow subsidiaries and associated companies:

	30th June 2008	31st December 2007
	<i>RMB '000</i>	<i>RMB '000</i>
Less than 1 year	1,285,125	1,459,155
1-2 years	28,423	28,476
2-3 years	9,325	7,915
Over 3 years	27,140	24,629
	<u>1,350,013</u>	<u>1,520,175</u>

17. SHARE CAPITAL

	Number of shares		Amount	
	30th June 2008	31st December 2007	30th June 2008	31st December 2007
			<i>RMB '000</i>	<i>RMB '000</i>
Registered, issued and fully paid				
A shares, RMB 1.00 each				
– restricted	204,255,248	204,255,248	204,255	204,255
– others	218,744,752	218,744,752	218,745	218,745
H shares, RMB 1.00 each	180,800,000	180,800,000	180,800	180,800
	<u>603,800,000</u>	<u>603,800,000</u>	<u>603,800</u>	<u>603,800</u>

18. CONTINGENT LIABILITIES

	30th June 2008	31st December 2007
	<i>RMB '000</i>	<i>RMB '000</i>
Guarantees for bank loans of third party	150,000	150,000
Guarantees for mortgage bank loans of customers	110,449	92,811
	<u>260,449</u>	<u>242,811</u>



Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

19. COMMITMENTS

(a) Capital commitments

	30th June 2008	31st December 2007
	<i>RMB '000</i>	<i>RMB '000</i>
Authorised but not provided for	3,529	12,294
	<u>3,529</u>	<u>12,294</u>

(b) Lease commitments

	30th June 2008	31st December 2007
	<i>RMB '000</i>	<i>RMB '000</i>
Land and buildings		
Within one year	6,067	10,331
In the second to fifth years inclusive	1,953	4,026
	<u>8,020</u>	<u>14,357</u>

20. RELATED PARTIES TRANSACTIONS

For the six months period ended on 30th June 2008, the Group has the following transactions with its related companies:

(1) Transactions with holding companies

	Six months ended 30th June 2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Other supporting services income received	—	2,900

(2) Transactions with fellow subsidiaries

	Six months ended 30th June 2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Sales of goods and services		
Sale of finished goods	39,694	16,825
Sale of materials, parts and components	108,378	91,850
Processing fee received	—	7,186
Other supporting services income received	2,778	3,597
Rental income received	2,802	2,980
	<u>153,652</u>	<u>122,438</u>
Purchases of goods and services		
Purchase of finished goods	162,552	190,728
Purchase of materials, parts and components	57,062	64,364
Purchase of tools module	5,962	9,296
Purchase of castings	19,345	35,445
Purchase of package	—	1,351
Purchase of energy	308	1,219
Processing fee paid	32,716	17,123
Transportation services expense paid	4,624	3,305
Repairs and maintenance services expense paid	8,404	15,174
Other supporting services expense paid	6,033	4,321
Rental expense paid	417	507
Staff accommodation rental expense paid	170	173
	<u>297,593</u>	<u>343,006</u>

Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

20. RELATED PARTIES TRANSACTIONS (continued)

(3) Transactions with associates

	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Sales of goods and services		
Sale of finished goods	368,196	312,630
Sale of materials, parts and components	—	419
Processing fee received	—	30
	<hr/>	<hr/>
	368,196	313,079
Purchases of goods and services		
Purchase of materials, parts and components	6,348	5,838
Purchase of tools module	99	58
Purchase of castings	11,807	22,419
Processing fee paid	—	27
Rental expense paid	4,243	4,243
	<hr/>	<hr/>
	22,497	32,585

(4) Transactions with jointly controlled entities

	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Sale of finished goods	—	37
Sale of materials, parts and components	72	—
	<hr/>	<hr/>
	72	37

(5) Transactions with companies in which certain key management personnel of the subsidiaries of the Company have influence in

	Six months ended 30th June	
	2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Sale of goods and services		
Sale of materials, parts and components	805	9,746
	<hr/>	<hr/>
	805	9,746
Purchase of goods and services		
Purchase of finished goods	4,688	9,789
Purchase of materials, parts and components	87,910	92,571
Purchase of tools module	12	—
Purchase of castings	26,961	37,215
Purchase of package	14,115	16,254
Processing fee paid	5,116	—
	<hr/>	<hr/>
	138,802	155,829



Notes to the Unaudited Condensed Interim Financial Statements
(Prepared in Accordance with HKFRS)

20. RELATED PARTIES TRANSACTIONS (continued)

(6) Transactions with other state-owned entities

	Six months ended 30th June 2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Sales of goods and services		
Sale of finished goods	271,451	336,086
Sale of materials, parts and components	9,424	10,670
	<hr/>	<hr/>
	280,875	346,756
Purchases of goods and services		
Purchase of finished goods	5,136	3,320
Purchase of materials, parts and components	86,537	133,470
Purchase of energy	17,879	32,759
Processing fee paid	2,298	2,466
Purchase of tools module	20	43
Purchase of castings	2,931	3,536
	<hr/>	<hr/>
	114,801	175,594

21. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30th June 2008	2007
	<i>RMB '000</i>	<i>RMB '000</i>
Salaries and other short-term employee benefits	9,932	9,576
Post-employment benefits	144	92
	<hr/>	<hr/>
	10,076	9,668
	<hr/>	<hr/>

Chapter VIII Documents Available for Inspection

The following documents are available for inspection at the Secretariat to the Board of Directors of the Company:

1. The interim report for year 2008 duly signed by the Chairman of the Board of Directors;
2. The financial reports duly signed and sealed by the officer in charge of the Company, the officer in charge of the Company's accounting matter and the person in charge of accounting firm;
3. All documents which were publicly disclosed in the newspapers and magazines specified by the China Securities Regulatory Commission during the reporting period; and
4. Memorandum and Articles of Association of the Company.

Jingwei Textile Machinery Company Limited
Board of Directors

15th August 2008