经纬纺织机械股份有限公司

JINGWEI TEXTILE MACHINERY CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 0350.HK 000666.SZ

ANNUAL REPORT

2008

IMPORTANT NOTES

The Board of Directors, Supervisory Committee, Directors, Supervisors and senior management of Jingwei Textile Machinery Company Limited (the "Company") undertake that there are no misrepresentation, misleading statement or material omission in this report and are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this annual report.

Deloitte Touche Tohmatsu CPA Ltd. (the PRC Certified Public Accountants) and Deloitte Touche Tohmatsu (Hong Kong Certified Public Accountants) have audited the financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 in accordance with the PRC Corporate Accounting Standards and Hong Kong Financial Reporting Standards, respectively, and have given unqualified audit opinions on both financial statements.

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 confirm that the financial report as disclosed in this annual report is accurate and complete.

This report is prepared in both Chinese and English. Except for the Accounts Prepared in Accordance with Hong Kong Financial Reporting Standards, if there is any discrepancy between the two versions, the Chinese version shall prevail.

Contents

Chapter I Company Profile

1.	Statutory name of the Company	:	經緯紡織機械股份有限公司
	Name of the Company in English	:	Jingwei Textile Machinery Company Limited
	Abbreviation of Company's Chinese name	:	經緯紡織
	Abbreviation of Company's English name	:	JWTM
2.	Legal representative of the Company	:	Liu Haitao
3.	Company Secretary to the Board of Directors	:	Ye Xuehua
	Telephone	:	8610 84534078-8188
	E-mail address	:	yxh@jwgf.com
	Stock representative	:	Qiu Lin
	Telephone	:	8610 84534078-8501
	E-mail address	:	ql@jwgf.com
	Correspondence address	:	Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Postal Code	:	100125
	Facsimile no.	:	8610 84534135
4.	Registered address of the Company	:	8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC
	Postal Code	:	100176
	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.	Newspapers for corporate information disclosure in the PRC	:	Securities Times
	Websites on which the Company's annual report is posted	:	http://www.cninfo.com.cn http://www.hkex.com.hk http://www.jwgf.com
	Place where the annual report is available	:	Secretariat of the Board
6.	Stock Exchanges on which shares of the Company are listed and stock codes		
	A Shares		
	Place of listing	:	Shenzhen Stock Exchange
	Stock abbreviation	:	Jingwei Textile
	Stock code	:	000666
	H Shares		
	Place of listing	:	The Stock Exchange of Hong Kong Limited
	Stock abbreviation	:	Jingwei Textile
	Stock code	:	0350
7.	Other relevant information of the Company		
	(1) Incorporation and registration		
	Date and place of incorporation of the Company	:	15 August 1995 at Taiyuan, Shanxi, the PRC
	Dates and places of changes to registration particulars	:	29 March 1996 at Taiyuan, Shanxi, the PRC 5 September 1996 at Taiyuan, Shanxi, the PRC 4 December 1996 at Taiyuan, Shanxi, the PRC 31 October 2000 at Taiyuan, Shanxi, the PRC 8 October 2003 at Beijing, the PRC 9 April 2007 at Beijing, the PRC
	Business licence registration number of enterprise legal person	:	110000450005710
	Tax registration certificate number	:	GSJZ110192110052522
	Organization code	:	11005252-2
	(2) Auditors		
	PRC	:	Deloitte Touche Tohmatsu CPA Ltd. 30/F Bund Center, 222 Yan An Road East Shanghai, the PRC
	Hong Kong	:	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
	(3) Hong Kong legal advisers	:	Chiu & Partners 41st Floor, Jardine House 1 Connaught Place Central, Hong Kong
	(4) Registrar and transfer office for H shares	:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Chapter II Summary of Accounting and Business Data

Section I Key operating data for the year

1. Key operating data prepared in accordance with the PRC Corporate Accounting Standards

	2008 *RMB*
Operating profit	(18,838,183.44)
Total profit	50,396,248.96
Net profit attributable to Shareholders of the Company	25,855,511.70
Net profit attributable to Shareholders of the Company after extraordinary gains/losses	(113,583,767.60)
Net cash flow from operating activities	40,518,810.06

2. Non-recurring profit or loss

	2008 *RMB*
Profit on disposal of non-current assets	33,693,661.90
Government grants	46,273,937.48
Profit on changes in fair value and disposal of financial assets	4,630,508.23
Profit on entrusted loan	15,830,302.10
Reversal of retirement benefit obligations as a result of changes in benefit policies	44,130,000.00
Other non-operating income and expenses excluding the above items	19,424,801.43
Non-recurring profit or loss attributable to minority shareholders	(3,721,173.45)
Tax effects of non-recurring profit or loss	(20,822,758.39)
Total	139,439,279.30

Section II Key accounting data and financial indicators prepared in accordance with PRC Corporate Accounting Standards for the three years immediately preceding the end of reporting period

1. Key accounting data

Unit: RMB

	2008	2007	Increase/Decrease of current year over previous year (%)	2006
Operating income	3,707,895,439.97	5,432,661,954.93	-31.75%	5,581,692,194.65
Total profit	50,396,248.96	202,119,727.22	-75.07%	230,540,539.43
Net profit attributable to shareholders of the parent	25,855,511.70	162,206,513.23	-84.06%	189,095,795.64
Net profit attributable to shareholders of the parent after extraordinary gains/losses	-113,583,767.60	51,937,068.42	-318.69%	180,369,379.63
Net cash flow generated by operating activities	40,518,810.06	122,924,903.07	-67.04%	129,641,000.76

	End of 2008	End of 2007	Increase/Decrease of current year-end over previous year-end (%)	End of 2006
Total assets	6,010,576,706.82	6,386,010,247.94	-5.88%	6,409,565,937.79
Total shareholders' equity attributable to equity holders of the parent	2,850,881,813.67	2,827,915,964.95	0.81%	2,714,385,339.60
Share capital	603,800,000.00	603,800,000.00	0.00%	603,800,000.00

2. Key financial indicators

Unit: RMB

	2008	2007	Increase/Decrease of current year over previous year (%)	2006
Basic earnings per share (RMB/share)	0.04	0.27	-85.19%	0.31
Diluted earnings per share (RMB/share)	0.04	0.27	-85.19%	0.31
Basic earnings per share after extraordinary gains/losses (RMB/share)	-0.19	0.09	-311.11%	0.30
Fully diluted net return on assets (%)	0.91%	5.74%	Decreased by 4.83 percentage points	6.97%
Weighted average net return on assets (%)	0.91%	5.81%	Decreased by 4.90 percentage points	6.95%
Fully diluted net return on assets after extraordinary gains/losses (%)	-3.98%	1.84%	Decreased by 5.82 percentage points	6.64%
Weighted average net return on assets after extraordinary gains/losses (%)	-4.10%	1.90%	Decreased by 6.00 percentage points	6.63%
Net cash flow per share generated by operating activities (RMB/share)	0.067	0.204	-67.16%	0.215

	End of 2008	End of 2007	Increase/Decrease of current year-end over previous year-end (%)	End of 2006
Net asset per share attributable to Shareholders of the Company (RMB/share)	4.722	4.684	0.81%	4.496

Section III Audited financial information prepared in accordance with Hong Kong Financial Reporting Standards

Income statement

	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*	2004 *RMB'000*
For the year ended 31 December					
Turnover	3,645,693	5,370,325	5,523,945	4,241,912	3,611,043
Profit before taxation	53,522	202,119	230,540	177,549	175,519
Taxation	(25,750)	(26,513)	(23,574)	(17,141)	(10,405)
Profit for the year	27,772	175,606	206,966	160,408	165,114
Attributable to:					
Equity holders of the Company	25,855	162,206	189,095	151,971	155,818
Minority interests	1,917	13,400	17,871	8,437	9,296
	27,772	175,606	206,966	160,408	165,114
Earnings per share (RMB)	0.04	0.27	0.31	0.25	0.26
Net assets per share (RMB)	4.72	4.68	4.50	4.24	4.01
Return on net assets (%)	0.91	5.74	6.97	5.94	6.59

Assets and Liabilities

	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*	2004 *RMB'000*
As at 31 December					
Total Assets	6,027,046	6,387,817	6,411,037	6,129,672	5,136,027
Total Liabilities	(2,955,164)	(3,329,803)	(3,535,276)	(3,412,433)	(2,715,854)
Shareholders' Equity	3,071,882	3,058,014	2,875,761	2,717,239	2,420,173

Chapter III Movements in Share Capital and Information on Shareholders

Section 1 Changes in the number of shares during the year

Unit : share

	Before change		Increase/Decrease (+/-)					After change	
	Number of shares	Proportion	New issue	Bonus shares	Conversion from statutory surplus reserve	Others	Sub-total	Number of shares	Proportion
I. Restricted floating shares subject to terms of lock-up	**195,661,404**	**32.41%**	**–**	**–**	**–**	**–5,351**	**–5,351**	**195,656,053**	**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	–	–	–	–	–	–	–	–	–
Of which,									
Shares owned by domestic non-state legal persons									
Shares owned by domestic natural persons	–	–	–	–	–	–	–	–	–
4. Foreign shares	–	–	–	–	–	–	–	–	–
Of which,									
Shares owned by foreign legal persons	–	–	–	–	–	–	–	–	–
Shares owned by foreign natural persons	–	–	–	–	–	–	–	–	–
5. Shares owned by senior management	21,404	0.004%				–5,351	–5,351	16,053	0.003%
II. Unrestricted floating shares not subject to terms of lock-up	**408,138,596**	**67.59%**	**–**	**–**	**–**	**5,351**	**5,351**	**408,143,947**	**67.60%**
1. Domestically listed domestic shares	227,338,596	37.65%	–	–	–	5,351	5,351	227,343,947	37.66%
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	180,800,000	29.94%	–	–	–	–	–	180,800,000	29.94%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	**603,800,000**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**603,800,000**	**100.00%**

Changes in the number of shares subject to terms of lock-up

Unit: share

Name of shareholder	Number of shares subject to terms of lock-up at the beginning of the year	Number of shares released from terms of lock-up in the year	Number of new shares subject to terms of lock-up in the year	Number of shares subject to terms of lock-up at the end of the year	Reasons for terms of lock-up	Date of release from terms of lock-up
China Textile Machinery (Group) Company Limited	195,640,000	0	0	195,640,000	Share segregation reform	–
Ye Maoxin	8,580	2,145	0	6,435	Shares held by senior management	2 January 2008
Yao Yuming	10,304	2,576	0	7,728	Shares held by senior management	2 January 2008
Liu Xianming	2,520	630	0	1,890	Shares held by senior management	2 January 2008
Total	195,661,404	5,351	0	195,656,053	–	–

Note: As set forth in the above table, for the year ended 31 December 2008, except for the change in the proportion of restricted floating shares subject to terms of lock-up and unrestricted floating shares not subject to terms of lock-up as aforesaid, there was no change in the Company's shareholding structure. According to "Administrative Measures for Shares Held by the Directors, Supervisors and Senior Management of the Listed Company and the Changes" issued by China Securities Regulatory Commission ("CSRC") and the register of members provided by China Securities Depository and Clearing Corporation Limited, an aggregate of 5,351 shares of the Company held by 3 senior management of the Company previously subject to lock-up were released during the reporting period, therefore such shares became unrestricted floating A shares.

Section 1 Changes in the number of shares during the year (continued)

Terms of lock-up imposed on holder of the originally non-floating shares

Name of holder of the originally non-floating shares	Number of shares held subject to terms of lock-up *(share)*	Date on which shares become tradable	Number of new tradable shares *(share)*	Terms of lock-up
China Textile Machinery (Group) Company Limited	195,640,000	8 August 2009	58,692,000	Sale price should not be lower than RMB7 per share
		8 August 2011	136,948,000	Nil

Section 2 Issuance of shares and listing

The Company has not issued any new shares or derivative securities over the three years preceding the end of the reporting period. Except as disclosed in Section 1 of this Chapter, there have been no other changes in total number and structure of Shares. Furthermore, the Company has no outstanding internal employee shares.

Section 3 Information on Shareholders

1. Shareholdings of substantial shareholders

As at 31 December 2008, the Company's top ten registered shareholders and the top ten holders of unrestricted floating shares are as follows:

Unit : share

Total number of shareholders:	61,664 shareholders including one legal-person promoter shareholder, 61,621 holders of domestically listed domestic shares held by the public (A shares), 42 holders of overseas listed foreign shares (H Shares)				
Shareholdings of top ten registered shareholders					
Name of shareholder	**Type of shareholder**	**Percentage to total share capital**	**Total number of shares held**	**Number of shares subject to terms of lock-up held**	**Number of shares under pledge or lock-up**
China Textile Machinery (Group) Company Limited *(Note i (1))*	State-owned legal person	33.83%	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited *(Note i (2))*	Overseas legal person	29.82%	180,029,899	0	–
Ye Qiaoji	Domestic non-state legal person	0.21%	1,290,556	0	–
Liu Zhiwen	Domestic non-state legal person	0.20%	1,180,934	0	–
Xiang Menghua	Domestic non-state legal person	0.16%	950,000	0	–
Zhang Xin	Domestic non-state legal person	0.14%	825,094	0	–
Liu Yuping	Domestic non-state legal person	0.11%	690,151	0	–
Yao Gang	Domestic non-state legal person	0.09%	526,700	0	–
Lin Xiaojie	Domestic non-state legal person	0.07%	421,274	0	–
Fan Liyun	Domestic non-state legal person	0.06%	390,000	0	–

Shareholdings of the top ten holders of unrestricted floating shares		
Name of shareholder	**Number of unrestricted floating shares held**	**Class of shares**
HKSCC Nominees Limited	180,029,899	Overseas listed foreign shares
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed domestic shares
Ye Qiaoji	1,290,556	Domestically listed domestic shares
Liu Zhiwen	1,180,934	Domestically listed domestic shares
Xiang Menghua	950,000	Domestically listed domestic shares
Zhang Xin	825,094	Domestically listed domestic shares
Liu Yuping	690,151	Domestically listed domestic shares
Yao Gang	526,700	Domestically listed domestic shares
Lin Xiaojie	421,274	Domestically listed domestic shares
Fan Liyun	390,000	Domestically listed domestic shares
Connected relationship or concert-party relationship among the above shareholders	Among the top ten registered shareholders of the Company, China Textile Machinery (Group) Company Limited is not connected with any of the other nine shareholders, nor is it a party acting in concert with any of them as defined in Administrative Measures for Information Disclosure of the Movement in Shareholdings of Listed Companies. It is not known whether 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 the Movement in the Shareholdings of Listed Companies.	

1. Shareholdings of substantial shareholders (continued)

Notes:

i. Particulars of shareholders holding 5% or more of the shares in the Company:

(1) China Textile Machinery (Group) Company Limited is the holder of state-owned legal person shares in the Company and is the controlling shareholder of the Company.

The legal representative of China Textile Machinery (Group) Company Limited is Wang Tiankai. It was established on 28 December 1983, with a registered capital of RMB 2,735,820,000. China Textile Machinery (Group) Company Limited is principally engaged in the manufacture and sale of textile machinery.

On 15 January 2007, China Textile Machinery (Group) Company Limited pledged 204,255,248 shares of the Company (representing 33.83% of the Company's total share capital, including the 100% state-owned legal person shares) held by it to China Hengtian Group Company as a security for the guarantee in the amount of RMB 1.494 billion given by China Hengtian Group Company. The pledge period commences from the effective date of the registration of the pledge of shares (i.e. 15 January 2007) and ends on the date falling two years after the expiry date of the guarantee period according to the guarantee agreement.

On 28 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 Shenzhen Branch of the China Securities Depository and Clearing Corporation Limited 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 17 September 2007.

On 12 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 Shanghai Branch of the Export-Import Bank of China commenced action against China Textile Machinery (Group) Company Limited for 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 Shanghai Branch of the Export-Import Bank of China.

On 2 January 2008, the pledge of 204,255,248 shares in favour of China Hengtian Group Company by China Textile Machinery (Group) Company Limited was released. Currently, all of these 204,255,248 shares are subject to the freezing orders.

China Hengtian Group Company is the beneficial controller of the Company. China Textile Machinery (Group) Company Limited is a controlled subsidiary of China Hengtian Group Company. The legal representative of China Hengtian Group Company is Wang Tiankai and it was established in September 1998 with a registered capital of RMB1,801,950,000. China Hengtian Group Company is principally engaged in the design, production and sale of full set of textile machinery and part components and other machinery equipment.

The structure of the rights of assets and controlling relationship between the beneficial controller of China Textile Machinery (Group) Company Limited (being the largest shareholder of the Company), the largest shareholder and the Company is shown as follows:

The State-owned Assets Supervision and Administration Commission of the State Council

100%

China Hengtian Group Company

87.57%

China Textile Machinery (Group) Company Limited

33.83%

The Company

(2) The H shares held by HKSCC Nominees Limited were held in the capacity of nominee on behalf of various clients, and HKSCC Nominees Limited itself has not owned 5% or more of the Company's total share capital.

1. Shareholdings of substantial shareholders (continued)

ii. As at 31 December 2008, so far as the Directors, Supervisors and senior management of the Company are aware, the following person/entity (other than Directors, Supervisors or senior management of the Company) who had interests in the shares of the Company, which were required to be recorded in the register kept in accordance with section 336 of Part XV of the Securities and Futures Ordinance were as follows:

Long positions in the H shares of the Company:

	Capacity	Number of H shares (share)	Approximate % of total issued H share capital	Approximate % of total issued share capital
Montpelier Asset Management Limited	Investment Manager	16,738,000	9.26	2.77
Zhang Sheng Hang	Beneficial Owner	10,240,000	5.00 (note)	1.70

Note: Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21 October 2003 as shown on the website of The Stock Exchange of Hong Kong Limited. However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000 shares, 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 31 December 2008. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company since 21 October 2003. 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 31 December 2008.

Long positions in the A shares of the Company:

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

Save as disclosed above, in accordance with the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, the Company had not received any notice regarding the interests or short positions owned in the shares and underlying shares of the Company as at 31 December 2008.

Chapter IV Directors, Supervisors, Senior Management and Staff

Section I Directors, supervisors and senior management

1. The following is a list of all current directors, supervisors and senior management and their biographical information:

Executive directors

Mr. Liu Haitao, aged 44, a post-graduate and Senior Engineer, is Chairman of the Company. Since 1992, Mr. Liu has been Deputy Chief, Deputy Factory Manager, Factory Manager and Deputy Secretary of the Party Committee of production office of Zhengzhou Textile Machinery Factory, Chairman of Zhengzhou Hongda New Textile Machinery Company Limited. Mr. Liu was also the General Manager and Secretary of the Party Committee of Zhengzhou Textile Machinery Joint Stock Company Limited. He has been Deputy General Manager of China Hengtian Group Company since November 2004 and Deputy General Manager of China Textile Machinery (Group) Company Limited since December 2004. Since October 2005, he has been Vice Chairman, General Manager and Deputy Secretary of the Party Committee of China Textile Machinery (Group) Company Limited, and has been Director and General Manager of China Hengtian Group Company since September 2006. He has been a Director of the Company since June 2001 and Chairman of the board of the Company since December 2005.

Mr. Ye Maoxin, aged 46, a post-graduate and Senior Engineer, is Standing Vice Chairman of the Company. Mr. Ye is also the Chairman of the Company's subsidiaries, Zhengzhou Hongda New Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Shanghai Weixin Machinery & Electrical Company Limited and Hong Kong Huaming Company Limited, Vice Chairman of Wuxi Hongda Textile Machinery and Special Parts Company Limited, Director of Wuxi Jingwei Textile Technology Testing Company Limited, Vice Chairman of the equity holding company Anhui Huamao Jingwei New Textile Company Limited and Director of China Textile Machinery and Technology Import and Export Company Limited and Hongda Research Institute Company Limited. Mr. Ye has served as Deputy Chief, Chief and Assistant to Factory Manager of Technical Section of Jingwei Textile Machinery Plant since July 1990, Manager of the Chemical Fibre Machinery Department since January 1995, Deputy General Manager of the Company since August 1995, Standing Deputy General Manager of the Company since April 1997 and Director of the Company since August 1998. He was Director and General Manager of the Company from August 2000 to August 2007, Secretary of the Party Committee of the Company from July 2002 to August 2007, Deputy General Manager of China Textile Machinery (Group) Company Limited in October 2005, Vice Chairman of the Company from December 2005 to August 2007, Deputy General Manager of China Hengtian Group Company since September 2006. He has been the Standing Vice Chairman of the Company since August 2007.

Mr. Fan Xinmin, aged 59, a university graduate and Senior Economist, is Vice Chairman of the Company. Since 1983, Mr. Fan held positions including Deputy Secretary and Secretary of The Seventh Workshop of Jingwei Textile Machinery Plant, and Deputy Secretary of the Disciplinary Committee of the Plant, Head of Parts and Components Factory No. 5, Deputy General Manager of Labour Service Company of the Factory, Factory Manager of Components General Factory and General Manager and Deputy Secretary of the Sub-Party Committee of the Labour Service Company, Deputy Factory Manager of Jingwei Textile Machinery Plant, Deputy Secretary of Party Committee and Secretary to the Disciplinary Committee, Secretary of the Party Committee of the Company, Acting General Manager, and General Manager and Secretary of the Party Committee of Jingwei Machinery (Group) Company Limited. He has been Deputy General Manager of China Textile Machinery (Group) Company Limited since July 2001, Assistant to the General Manager of China Hengtian Group Company since December 2005, Chief Economist of China Hengtian Group Company. Since March 2008, and Vice Chairman of the Company since March 2000.

Mr. Yan Fuquan, aged 45, a university graduate, PhD student and Senior Accountant, is Executive Director of the Company. Since 1992, Mr. Yan was the Deputy Director of Chief Accountant Office, Head of Finance Department, Chief Accountant, Secretary of the Party Committee and Factory Manager of Hengyang Textile Machinery Factory. Since June 2004, he has been Chief Accountant of China Hengtian Group Company and has become Director and Chief Accountant of China Textile Machinery (Group) Company Limited since December 2004. He was Supervisor of the Company from August 2001 to April 2006 and has been Director of the Company since April 2006.

Section I Directors, supervisors and senior management (continued)

1. The following is a list of all current directors, supervisors and senior management and their biographical information: (continued)

Executive directors (continued)

Mr. Liu Hong, aged 50, a post-graduate and Senior Economist, is Executive Director of the Company. Since 1992, Mr. Liu had held positions of Assistant to Factory Manager, Deputy Factory Manager, Secretary of the Party Committee, Factory Manager of Yichang Textile Machinery Plant and Director and Vice Chairman of China Textile Machinery (Group) Company Limited. He has been Deputy General Manager of China Textile Machinery (Group) Company Limited since October 1997, Deputy General Manager of China Hengtian Group Company since September 2006 and Director of the Company since August 1998.

Mr. Shi Tinghong, aged 46, a holder of EMBA, Engineer, Senior Economist and Senior Information Manager, is Executive Director of the Company. Since 1992, Mr. Shi was the Production Director, Corporate Management Director, Deputy Factory Manager, Factory Manager of Handan Textile Machinery Factory, General Manager of Hongda Chemical Fibre Technological Equipment Company Limited, Director of Strategic Management Department and Assistant to General Manager of China Textile Machinery (Group) Company Limited. Since December 2005, he has been the Director of Strategic Management Department of China Hengtian Group Company. He has also been the Secretary to the Board of Directors of China Hengtian Group Company since January 2007. He has been Director of the Company since June 2005.

Mr. Yao Yuming, aged 47, a post-graduate and Senior Accountant, is Executive Director, General Manager and Secretary of the Party Committee of the Company. He is also Chairman of Shenyang Hongda Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Beijing Jingwei Textile New Technology Company Limited, Beijing Jingpeng Investment Management Company Limited and Shanghai Chuangan Commercial and Trading Company Limited, subsidiaries of the Company, Director of Zhengzhou Hongda New Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Textile Machinery Company Limited, Wuxi Jingwei Textile and Technology Testing Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited, Shanxi Jingwei Heli Machinery Manufacture Company Limited, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited, Shanghai Weixin Machinery and Electrical Company Limited, Xianyang Jingwei Woven Machinery Company Limited and Beijing Bohong Real Estate Development Company Limited, Director and General Manager of Hong Kong Huaming Company Limited, Director of the equity holding companies including, Hongda Research Institute Company Limited, Hongda Investment Company Limited and Zhengzhou Hongda Non-woven Fabric Engineering and Technology Company Limited, Chairman of the Supervisory Committee of Anhui Huamao Jingwei New Textile Company Limited. Mr. Yao has been Deputy Director of the Finance Office, Assistant to the Factory Manager and Director of the Factory's Finance Office of Jingwei Textile Machinery Factory since July 1990, Director of the Company since August 1995 and was Financial Controller of the Company from August 1995 to April 2008. He was Standing Deputy Manager of the Company from August 2000 to August 2007. He has been General Manager and Secretary of the Party Committee since August 2007.

Mr. Zhang Jianguo, aged 56, a post-graduate and Economist, is Executive Director of the Company. He is Chairman of Tianjin Hongda Textile Machinery Company Limited and Tianjin Jingwei New Textile Machinery Company Limited, subsidiaries of the Company. Since 1976, he had been Deputy Supervisor of 2nd workshop, Deputy Head of Production Office, Supervisor of Assembling Workshop, Manager of Branch Factory of Jin'er, Assistant to Plant Manager, Deputy Plant Manager, Plant Manager and Secretary of the Party Committee of Tianjin Textile Machinery Plant. He has been Chairman of Tianjin Hongda Textile Machinery Company Limited since November 1999. Since August 2005, he has been Chairman of Tianjin Jingwei New Textile Machinery Company Limited. He was also Secretary of the Party Committee of Tianjin Hongda Textile Machinery Company Limited from November 1999 to March 2008. He has been Director of the Company since November 1999.

Section I Directors, supervisors and senior management (continued)

1. The following is a list of all current directors, supervisors and senior management and their biographical information: (continued)

Independent Non-Executive Directors

Mr. Gao Yong, aged 55, a university graduate, senior engineer, is Independent Non-Executive Director of the Company. He is currently Vice Chairman of the PRC Textile Industry Federation, Chairman of the council member of the China Federation of Textile Machinery Industry, Director of International Trade Office of PRC Textile Industry Federation, and is currently an Independent Director of China Textile Machinery Joint Stock Limited Company and Shanghai No. 2 Textile Machinery Joint Stock Limited Company. Mr. Gao has been Head and Deputy Director-General of the former State Textile Equipment Department and Standing Vice-President of China Textile Enterprises Federation since 1993 and an Independent Non-Executive Director of the Company since August 2004.

Mr. Zhao Xi Zi, aged 64, a postgraduate, a professor grade senior engineer, is Independent Non-executive Director of the Company. Mr. Zhao was General Manager of The 19th Metallurgy Construction Company from 1985 to 1989. He had worked in the State Metallurgy Department since 1989 and was the Head of Construction Department of the State Metallurgy Department from 1989 to 1993, the Supervisor of Administrative Office of the State Metallurgy Department from 1993 to 1998, the member of the Party Committee and Deputy Head of the State Metallurgy Department in 1998, and the chairman of supervisory committee (vice minister level) of State-owned Key Large-scaled Enterprises of the State Council from early 2001 to August 2007. He then resigned and retired in August 2007. He has been Independent Non-executive Director of the Company since February 2008.

Mr. Chen Zhong, aged 52, PhD in Economics and researcher, is Independent Non-Executive Director of the Company. Since 1985, Mr. Chen had been Director of Research Department of China Enterprises Association, Publisher of China Enterprise News, Secretary-General of China Business Management Science Foundation, Deputy Secretary-General of the Party Committee of People's Government of Chongqing. and Standing Vice-President of China Enterprise Confederation. During the period , he was also a Member of Appraisal Committee on Management of National Natural Science Foundation, Vice Chairman of China Youth Entrepreneur Association, Vice Chairman of Chinese Society for Management Modernization, part-time Professor of Jilin University and the University of Industry and Commerce of Beijing. He has been Chairman of New Century Fund Management Company Limited since 2008. He has been an Independent Non-Executive Director of the Company since August 2004.

Mr. Yu Shiquan, aged 42, a university graduate, PRC Certified Public Accountant, Registered Tax Advisor, Economist and Accountant, is Independent Non-Executive Director of the Company. Mr. Yu had worked in State Tax Bureau of Huaying City in Sichuan Province, Huaying Tax Firm, Huaying CPA Firm, Dongguan Qingxi Auditor's Firm in Guangdong Province, Sichuan Xingguang CPA Firm, Office of State-owned Enterprises Supervisory Committee and Chengdu Zhongcai Guozheng CPA Firm respectively, as Deputy Head, Head and Secretary, and has been an Officer of State-owned Enterprise Supervisory Committee under the State Council. He is also an Independent Director of Tibet Shengdi, Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Huafang Co., Ltd. (a company listed on the Shanghai Stock Exchange) He has been an Independent Non-Executive Director of the Company since June 2004. Mr. Yu had been independent directors of China Great Wall Computer Shenzhen Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and Shanghai Worldbest Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange) in the last three years.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board of the Company considers that all of the Independent Non-executive Directors are in compliance with the Rule 3.13 of the Listing Rules and are considered to be independent.

Section I Directors, supervisors and senior management (continued)

1. **The following is a list of all current directors, supervisors and senior management and their biographical information: (continued)**

Supervisors

Mr. Tu Kelin, aged 58, a holder of MBA and Senior Political Worker, is Chairman of the Supervisory Committee of the Company. Since 1985, Mr. Tu had been the Deputy Director and Director of Tools Department of Zhengzhou Textile Machinery Factory, Factory Manager and Secretary of the Party Committee of Henan Textile Machinery Factory and Assistant to General Manager and Head of Human Resources Department of China Textile Machinery (Group) Company Limited. From September 2001, he has been the Deputy Secretary of the Party Committee and Secretary of Disciplinary Committee of China Textile Machinery (Group) Company Limited. He has been the Supervisor of the Company since August 2001 and the Chairman of the Supervisory Committee since August 2007.

Ms. Peng Zeqing, aged 56, university graduate and Senior Political Worker, is Vice Chairman of Supervisory Committee of the Company. She is Director of Yichang Jingwei Textile Machinery Company Limited, a subsidiary of the Company. Since 1990, Ms. Peng had been the Deputy Factory Manager , Deputy Secretary and Secretary of the Party Committee of Yichang Textile Machinery Factory and Chairman and Secretary of the Party Committee of Yichang Textile Machinery Company Limited. Ms. Peng has been Secretary of Disciplinary Committee of the Company since July 2002, Chairman of the Labour Union of the Company since July 2004, Deputy Secretary of the Party Committee of the Company since April 2005 and Vice Chairman of the Supervisory Committee of the Company since June 2005.

Mr. Liu Jiebo, aged 45, a postgraduate and Senior Economist, is Supervisor of the Company. Since 1997, Mr. Liu had been Director of Finance Department, Deputy Factory Manager, Factory Manager, Deputy Secretary of the Party Committee of Handan Textile Machinery Factory, Chairman of the Board and General Manager, Deputy Secretary of the Party Committee, Secretary of the Party Committee of Handan Textile Machinery Company Limited. He has been Director of Human Resources Department of China Hengtain Group Company and China Textile Machinery (Group) Company Limited since 2007 and a Supervisor of the Company since August 2007.

Ms. Zhang Xiaoli, aged 44, a postgraduate, Senior Accountant and Certified Public Accountant, is Supervisor of the Company. Since 1997, Ms. Zhang had been Deputy Director of Finance Department of China Jinlong Sonxiang Group Company, and Deputy Director of the Finance Department of China Hengtian Group Company. Since 2005, she has been Director of the Audit Supervision Department of China Hengtian Group Company and China Textile Machinery (Group) Company Limited. She has been a Supervisor of the Company since August 2007.

Mr. Dong Min, aged 52, a post-graduate and Mechanical Engineer, is Supervisor of the Company. He is Chairman of Xianyang Jingwei Woven Machinery Company Limited, a subsidiary of the Company. From June 1991 to September 1997, Mr. Dong was Deputy Supervisor and Supervisor of the Preparatory Workshop and Director of Marketing Department of Xianyang Textile Machinery Plant. He had been Deputy Factory Manager of Xianyang Textile Machinery Factory since May 1997 and General Manager and Secretary of the Party Committee of Xianyang Textile Machinery Manufacturing Company Limited since November 2000, etc. Since April 2002, he had been Assistant to General Manager of the Company and has been General Manager of Textile Engineering Department of the Company since January 2003. He has been a Supervisor of the Company since June 2005 and Chairman of Xianyang Jingwei Woven Machinery Company Limited since March 2007.

Section I Directors, supervisors and senior management (continued)

1. **The following is a list of all current directors, supervisors and senior management and their biographical information: (continued)**

Supervisors (continued)

Mr. Lian Jinhua, aged 49, a post-graduate and Senior Accountant, is Supervisor of the Company. Mr. Lian is also the Director of the Company's subsidiaries namely, Xianyang Jingwei Woven Machinery Company Limited, Jinzhong Steel Collar Manufacture Company Limited, and Kunshan Textile Textile Machinery Company Limited, and Chairman of the Supervisory Committee of Beijing Jingwei Textile Machinery New Technology Company Limited, Shanghai Weixin Machinery & Electrical Company Limited and Wuxi Jingwei Textile Technology Testing Company Limited, and Director of the Company's equity holding company, namely, Huangshi Jingwei Textile Machinery Company Limited. From September 1992 to December 1996, Mr. Lian was Deputy Director of Supervisory and Auditing Department, Supervisor of the Auditing Office, Supervisor of the Supervisory and Auditing Department of Jingwei Textile Machinery Plant. He was Chief Accountant of Shanxi Textile Machinery Plant from December 1996 to March 2003. Since June 2001, he has been Head of the Property Development Department, Head of the Strategic Development Department and Head of Strategic Management Department of the Company. He has been a Supervisor of the Company since August 2004.

Mr. Li Xisheng, aged 50, a post-graduate and Senior Political Worker, is Supervisor of the Company. Mr. Li was Deputy Head and Head of the Promotion Department of Jingwei Textile Machinery Plant from January 1994 to August 1997, Deputy Secretary of the Party Committee and Secretary of the Disciplinary Committee of Xianyang Textile Machinery Plant from August 1997 to July 1998, Supervisor of Auditing Office of Jingwei Machinery (Group) Company Limited from July 1998 to October 2000 and Chairman of the Labour Union of Jingwei Machinery (Group) Company Limited from October 2000. He has been the Chairman of the Labour Union of the Yuci Branch of the Company since July 2005 and a Supervisor of the Company since August 2007.

Deputy General Managers

Mr. Lin Jianwang, aged 53, a post-graduate and Senior Engineer, is Standing Deputy General Manager of the Company. He is currently Chairman of the Company's subsidiary, namely, Wuxi Jingwei Textile Technology Testing Company Limited, Director of Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Xianyang Jingwei Woven Machinery Company Limited, Shanxi Jingwei Heli Machinery Manufacture Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited, Shanghai Weixin Machinery & Electrical Company Limited, and Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited, Deputy General Manager of the Company's equity holding company, namely, Hongda Research Institute Company Limited, Director of Zhengzhou Hongda Non-woven Fabric Engineering and Technological Company Limited and Anhui Huamao Jingwei New Textile Company Limited. Since September 1993, Mr. Lin has been Chief Engineer of Qingdao Textile Machinery Factory. From March 2000, he has been Director and General Manager of Beijing Jingwei Textile Machinery New Technology Company Limited. He was Deputy General Manager of the Company from August 2000 to June 2008. Since June 2008, he has been Standing Deputy General Manager of the Company.

Mr. Wang Weizhi, aged 51, a university graduate and Senior Political Worker, is Deputy General Manager and Deputy Secretary of the Party Committee of the Company. Mr. Wang is currently Director of the Company's subsidiary, namely, Beijing Jingwei Textile Machinery New Technology Company Limited. Mr. Wang was consecutively Deputy Secretary of Group Committee, Secretary of Group Committee and Secretary of Party Branch of Branch Plant, Deputy Head of Organisation Department of Party Committee and Secretary of Party Branch of Chemical Fibre Machinery Department of Jingwei Textile Machinery Plant from January 1983 to July 1995, Deputy Secretary of Party Committee and Secretary of Disciplinary Committee of Jingwei Textile Machinery Plant, Deputy Secretary of Party Committee and Secretary of Disciplinary Committee and Deputy General Manager of Jingwei Textile Machinery (Group) Company Limited from August 1995 to May 1999, Deputy Secretary of Party Committee and Secretary of Disciplinary Committee of the Company from July 1997 to August 2000, General Manager, Deputy Secretary of Party Committee and Secretary of Party Committee of Jingwei Machinery (Group) Company Limited from June 1999 to May 2002, Chairman of the Board of Directors, Secretary of Party Committee of Jingwei Textile Machinery (Group) Company Limited, Secretary of Party Committee of Yuci Branch and Director of the Company from June 2002 to August 2003. He has been Deputy Secretary of Party Committee and a Deputy General Manager of the Company since June 2002.

Section I Directors, supervisors and senior management (continued)

1. The following is a list of all current directors, supervisors and senior management and their biographical information: (continued)

Mr. Shi Jianping, aged 46, a post-graduate and Senior Engineer, is Deputy General Manager of the Company. He is currently Chairman of Wuxi Jingwei Textile Machinery Sales Services Company Limited, Vice Chairman of the Board of Directors of Qingdao Hongda Textile Machinery Company Limited, Director of Changde Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited and Beijing Jingwei Textile Machinery New Technology Company Limited, and Supervisor of the Company's equity holding company China Textile Machinery and Technology Import and Export Company Limited. Mr. Shi was Deputy Factory Manager of Qingdao Textile Machinery Cooling Branch Factory, General Manager of Precision Metal Plate Factory from February 1995 to August 1999, General Manager of Qingdao Hongda Textile Machinery Company Limited from August 1999 to April 2001, Factory Manager and Secretary of Party Committee of Qingdao Textile Machinery Plant, Vice Chairman and Secretary of Party Committee of Qingdao Hongda Textile Machinery Company Limited from April 2001 to October 2003 and Assistant to General Manager of the Company and General Manager of Blowing Machinery Business Department of the Company from October 2003 to June 2005. He was Supervisor of the Company from August 2004 to June 2005. He has been a Deputy General Manager of the Company since June 2005.

Mr. Liu Xianming, aged 46, a post-graduate and Senior Engineer, is Deputy General Manager of the Company. He is Director the Company's subsidiary, namely, Shenyang Hongda Textile Machinery Company Limited, Chairman of the equity holding company Huangshi Jingwei Textile Machinery Company Limited and Supervisor of Hongda Research Institute Company Limited. Mr. Liu was Deputy Supervisor of Technology Renovation Office of Shenyang Textile Machinery Plant from May 1995 to May 1996, Deputy Factory Manager, Factory Manager of Shenyang Textile Machinery Plant and Secretary of Party Committee of Shenyang Textile Machinery Plant, Chairman and Secretary of Party Committee of Shenyang Hongda Textile Machinery Company Limited from May 1996 to May 2003, Director of the Company from November 1999 to May 2003 and Vice Chairman of the Supervisory Committee and Assistant to General Manager of the Company from May 2003 to June 2005. He has been a Deputy General Manager of the Company since June 2005.

Mr. Mao Faqing, aged 39, a university graduate and student of a doctorate degree, senior accountant, PRC registered accountant, PRC registered tax advisor, is the Financial Controller and Head of Finance Department of the Company. He is Director of the subsidiaries of the Company, namely, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Textile Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited and Beijing Jingpang Investment Management Company Limited, Supervisor of Shanghai Weixin Machinery & Electrical Company Limited, Financial Controller of Beijing Jingwei Textile New Technology Company Limited and Supervisor of the equity holding company Hongda Investment Company Limited. Mr. Mao had been the accountant of the Finance Department and Deputy Supervisor of Finance Office of the Company from September 1995 to August 2000, Head of the Finance Department since September 2000 and Deputy Financial Controller of the Company since March 2008. He has been Financial Controller of the Company since April 2008.

Company Secretary

Mr. Ye Xuehua, aged 44, a post-graduate and Senior Engineer, is Secretary of the Board of Directors of the Company. He is Chairman of the Supervisory Committee of the Company's subsidiary, namely, Shanghai Weixin Machinery & Electrical Company Limited. In July 1990, Mr. Ye joined Jingwei Textile Machinery Plant. He has been Secretary to the Board since March 2000 and he had been Director of Office of General Manager of the Company during the period from September 2000 to August 2002.

Section I Directors, supervisors and senior management (continued)

2. Term of office, interests in share capital and remuneration of Directors, Supervisors and senior management

Name	Position	Gender	Age	Beginning date of current term of office	Ending date of current term of office	Number of shares held at beginning of the year	Number of shares held at the end of the year	Reasons for change	Total remuneration received from the Company during the reporting period (RMB'0000) (before tax)	Whether salary received from the shareholder of the Company or other associated unit
Liu Haitao	Chairman	Male	44	15 August 2007	15 August 2010	–	–	–	–	Yes
Ye Maoxin	Standing Vice Chairman	Male	46	15 August 2007	15 August 2010	8,580	8,580	–	26	No
Fan Xinmin	Vice Chairman	Male	59	15 August 2007	15 August 2010	–	–	–	–	Yes
Yan Fuquan	Director	Male	45	15 August 2007	15 August 2010	–	–	–	–	Yes
Liu Hong	Director	Male	50	15 August 2007	15 August 2010	–	–	–	–	Yes
Shi Tinghong	Director	Male	46	15 August 2007	15 August 2010	–	–	–	–	Yes
Yao Yuming	Director	Male	47	15 August 2007	15 August 2010	10,304	10,304	–	36	No
	General Manager			15 August 2007						
	Financial Controller			15 August 1995	22 April 2008			–		
Zhang Jianguo	Director	Male	56	15 August 2007	15 August 2010	–	–	–	36	No
Gao Yong	Independent Non-executive Director	Male	55	15 August 2007	15 August 2010	–	–	–	5	No
Zhao Xi Zi	Independent Non-executive Director	Male	64	29 February 2008	15 August 2010	–	–	–	5	No
Chen Zhong	Independent Non-executive Director	Male	52	15 August 2007	15 August 2010	–	–	–	5	No
Yu Shiquan	Independent Non-executive Director	Male	42	15 August 2007	15 August 2010	–	–	–	5	No
Li Hui	Independent Non-executive Director	Female	46	15 August 2007	20 June 2008	–	–	–	–	No
Tu Kelin	Chairman of Supervisory committee	Male	58	15 August 2007	15 August 2010	–	–	–	–	Yes
Peng Zeqing	Vice Chairman of Supervisory Committee	Female	56	15 August 2007	15 August 2010	–	–	–	36	No
Liu Jiebo	Supervisor	Male	45	15 August 2007	15 August 2010	–	–	–	–	Yes
Zhang Xiaoli	Supervisor	Female	44	15 August 2007	15 August 2010	–	–	–	–	Yes
Dong Min	Supervisor	Male	52	15 August 2007	15 August 2010	–	–	–	20	No
Lian Jinhua	Supervisor	Male	49	15 August 2007	15 August 2010	–	–	–	20	No
Li Xisheng	Supervisor	Male	50	15 August 2007	15 August 2010	–	–	–	12	No
Lin Jianwang	Standing Deputy General Manager	Male	53	20 June 2008		–	–	–	41	No
	Deputy General Manager			14 August 2000	20 June 2008					
Wang Weizhi	Deputy General Manager	Male	51	5 June 2002		–	–	–	36	No
Shi Jianping	Deputy General Manager	Male	46	9 June 2005		–	–	–	36	No
Liu Xianming	Deputy General Manager	Male	46	9 June 2005		2,520	2,520	–	38	No
Mao Faqing	Financial Controller	Male	39	22 April 2008		–	–	–	34	No
Ye Xuehua	Secretary to the Board	Male	44	15 August 2007	15 August 2010	–	–	–	28	No
Total			–	–	–	21,404	21,404	–	419	–

Section I Directors, supervisors and senior management (continued)

2. Term of office, interests in share capital and remuneration of Directors, Supervisors and senior management (continued)

Save as disclosed above, as at 31 December 2008, none of the Directors, Supervisors, senior management and their respective spouses or children under the age of 18 had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), nor had any of them been granted any rights or short positions to subscribe for any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which was required to be recorded in the register established and maintained in accordance with section 352 of the Securities and Futures Ordinance or required to be notified to the Company and The Stock Exchange of Hong Kong Limited in accordance with Model Code for Securities Transactions by Directors of the Listed Issuers. During the reporting period, none of the Directors, Supervisors or senior management had any material interests in the contacts executed by the Company or its subsidiaries.

3. Mechanism for determining remuneration of the Directors, Supervisors and senior management

On 16 June 2004, the general meeting of the Company approved the establishment of the Personnel Nomination and Remuneration Committee of the Board of Directors of the Company as well as the adoption of the "Implementation Rules and Regulations of the Personnel Nomination and Remuneration Committee of the Board of Directors". Accordingly, the Personnel Nomination and Remuneration Committee of the Board of Directors of the Company determined remuneration package of the Directors, Supervisors and senior management based on the major scope of work, job duty, importance of the respective positions and salary level of relevant positions compared with similar positions in other relevant enterprises.

4. Resignation and election of Directors, Supervisors and senior management

(1) Resignation of Directors, Supervisors and senior management

Name	Original Position	Reason for resignation
Yao Yuming	Financial Controller	Change in position
Li Hui	Independent Non-executive Director	Personal reason
Lin Jianwang	Deputy General Manager	Change in position

(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

① The Company convened an Extraordinary General Meeting on 29 February 2008, at which the resolution to elect Mr. Zhao Xi Zi as an Independent Non-executive Director of the Company was considered and approved.

② The Company convened a Board meeting on 22 April 2008, at which the resignation of Mr. Yao Yuming from the post of Financial Controller was considered and approved, and Mr. Mao Faqing was appointed as the Financial Controller of the Company following the nomination from General Manager.

③ The Company convened the 2007 Annual General Meeting on 20 June 2008, at which the resignation of Ms. Li Hui as an Independent Non-executive Director of the Company was considered and approved.

④ The Company convened a Board meeting on 20 June 2008 and decided to appoint Mr. Lin Jianwang as the Standing Deputy General Manager of the Company following the nomination from the General Manager and the recommendation from the Personnel Nomination and Remuneration Committee.

Section II Staff

As at 31 December 2008, the total number of staff of the Group was 13,737, among which 417, 916 and 707 were at the senior, middle and junior levels respectively, and 3,875 received tertiary education or above. Amongst the staff in the Group, 1,563 were engaged in technical, scientific research and development, 699 in sales and marketing, 1,991 in operation and management, 6,635 in production and 2,849 in other areas. For the year ended 31 December 2008, the total remuneration for the staff of the Group amounted to RMB444,524,000 (RMB572,102,000 for the corresponding period of last year). The remuneration is determined by reference to the standard of the position and performance of the staff. In addition, the number of retired staff of the Group was 3,740 for the year ended 31 December 2008.

Chapter V Structure of Corporate Governance

Section I Structure of Corporate Governance Disclosed Pursuant to Requirement by China Securities Regulatory Commission ("CSRC")

I. Current Structure of Corporate Governance

Since its establishment, the Company has committed to perfecting its corporate governance structure and continued to improve its corporate system in strict compliance with the "Company Law", "Securities Law", "Code of Corporate Governance for Listed Companies" and the relevant laws and regulations and related requirements of the rules set out by relevant regulatory bodies including the CSRC and Shenzhen Stock Exchange so as to further the establishment of a healthy and complete internal control and management system of the Company.

During the reporting period, the Company continued to intensify the launching and strengthening of special activities on corporate governance in accordance with the requirements set out in the documents issued by relevant regulatory bodies. Through persistence in conducting self-examination on corporate governance and carrying out timely reform with respect to new problems identified during the self-examination and inspection by regulatory bodies, the results obtained from the effort in activities to enhance the quality of the listed company in recent years had been reinforced. As a result, the internal control system of the Company was further improved and refined. Currently, the actual status of corporate governance is in compliance with the requirements set out by regulatory bodies including the CSRC. The Company will continue to refine its structure of corporate governance and enhance the level of corporate governance so as to protect the legal interests of the listed company and all shareholders, in particular the medium and minority shareholders.

Section I Structure of Corporate Governance Disclosed Pursuant to Requirement by the CSRC (continued)

II. Performance of Independent Non-executive Directors

The Independent Non-executive Directors have conscientiously performed their duties in accordance with relevant laws, rules and regulations and the Articles of Association. They have participated in the work of the Board and in the discussions in respect of significant matters. They also gave advice on regulating the operation and business activities of the Company based on their professional knowledge and experience and they had no objection to such subject matters in the Company. The Independent Non-executive Directors offered their independent opinion as to whether the connected transactions were fair and equitable. They also participated in the work of Audit Committee to review the financial matters of Company. The Independent Non-executive Directors protected the overall interests of the Company as well as the legal interests of the shareholders as a whole and made positive contribution to the development of the Company.

The attendance at board meetings by the Independent Non-executive Directors during the year is as follows:

Name of Independent Non-executive Directors	Number of board meetings held during the year (number)	Attendance in person and attendance via communications (number)	Attendance by proxy (number)	Absence (number)
Gao Yong	15	15	0	0
Zhao Xi Zi (Note 1)	14	14	0	0
Chen Zhong	15	15	0	0
Yu Shiquan	15	15	0	0
Li Hui (Note 2)	7	0	6	1

Notes:

1. The Company convened an Extraordinary General Meeting on 29 February 2008, at which resolution to elect Mr. Zhao Xi Zi as an Independent Non-executive Director of the Company was considered and approved.

2. The Company convened the 2007 Annual General Meeting on 20 June 2008, at which the resignation of Ms. Li Hui as Independent Non-executive Director of the Company was considered and approved.

III. Independent Operation of the Company

The controlling shareholder exercises its equity holder's right strictly in accordance with the relevant laws, without any infringement against the General Meeting or intervene directly or indirectly the decision-making activities and operations of the Company. In respect of personnel, finance, organization, business and assets, the controlling shareholder and the Company are independent from each other with separate financial systems, risks and obligations, thus the Company has a complete and independent business and operational capacity. The election, appointment and dismissals of Directors, Supervisors and senior management are in strict adherence to procedures set forth in the relevant laws, administrative rules and regulations and Article of Association.

IV. Establishment and Completeness of the Internal Control System of the Company

The Company has attached prime importance to the setup of internal control system since its establishment and continues to refine and improve the system. A comparatively complete and effective internal control system has now been established and runs throughout every level and step of the operating and management activities of the Company to ensure all operations of the Company are conducted based on the set prescribed principles.

In respect of production and operating control, the Board and the Management are able to perform their duties seriously in accordance with the Articles of Associations and other relevant regulations, carry into effect strictly resolutions passed at shareholders' meetings and Board meetings and implement effective control on every step of production and operation. The Board reports to the general meeting of shareholders on a regular basis while the Management regularly reports to the Board and the Supervisory Committee about the operation of the Company. The performance of the Board and the Management in fulfilling their duties is supervised by the Supervisory Committee and Independent Non-executive Directors.

In respect of financial management control, the Company has set up an effective financial control and management mechanism in accordance with relevant laws, rules and regulations which plays a significant role in effective prevention and reduction in the operational risk exposure of the Company.

In respect of information disclosure, the Company has set up enhanced systems and mechanisms such as the information disclosure management system, investor relationship management system and material information internal reporting system in accordance with the Listing Rules of Shenzhen Stock Exchange and the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and other relevant regulations set out in legal provisions so as to fulfil the responsibility regarding information disclosure to ensure the truthfulness, accuracy and completeness in all material respects of every significant aspect of information disclosure.

Section I Structure of Corporate Governance Disclosed Pursuant to Requirement by the CSRC (continued)

IV. Establishment and Completeness of the Internal Control System of the Company (continued)

During the year, the Company continued to promote and strengthen the special activities on corporate governance. The Company published on the designated media the Announcement in relation to the Completion of Reform in Corporate Governance" which explained the completion of items of reform during 2007. The Company also revisited the core contents of Company Law, Securities Law, Amendments to Criminal Law (VI) with the controlling shareholder and related people so as to deepen their familiarity and understanding on the legal structure and basic principles of regulated operation of listed companies to prevent non-compliance. Also, the Company arranged relevant training for directors, supervisors and senior management of the Company to further raise their concept in credibility and their legal awareness. In addition, the Company carried out a serious reform and did a summary on the new problems identified during the self-examination and regulatory inspection in the year and reported to the relevant regulatory bodies.

During the year, the Company also compiled the "System of Annual Reporting of Work of Independent Directors" and "Code of Practice of Audit Committee of the Board of Directors" and amended the "Information Disclosure System" in accordance with the requirements set out in the relevant laws, rules and regulatory documents, thus further enhanced the internal control system of the Company.

Currently, the setup and established systems of relevant organisations of the Company are reasonable and the internal control system is complete and effective, which are in compliance with the requirements of relevant laws of the State, the administrative rules and regulations and departmental measures as well as the needs for corporate development. The internal control system is comprehensive, reasonable and effective and poses positive functions on regulating the daily operation and management of the Company.

The full text of the "Report on Self-evaluation of Internal Control System for the Year 2008" of the Company was published on the website of cninfo (http://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) for shareholders' reference. The Supervisory Committee and the Independent Non-executive Directors of the Company issued opinions regarding the self-evaluation of the Company's internal control:

1. Opinions on the "Report on Self-evaluation of Internal Control System for the Year 2008" of the Company issued by the Supervisory Committee:

   The Company has established and perfected the relevant internal control system in accordance with the related requirements set out by CSRC and Shenzhen Stock Exchange and taking into consideration its own actual state, which boosted and guaranteed the accomplishment of all operation and management objectives and the normal course of business activities of the Company. The organisation and structure of the internal control of the Company are complete with scientific installations. Its internal audit and internal control system were comprehensive, well-equipped and efficient, which guaranteed the full effect of execution and supervision on the key activities of internal control. The "Report on the Self-evaluation of Internal Control System for the Year 2008" of the Company is true and objective in reflecting the actual state of the internal control of the Company.

2. Opinions on the "Report on Self-evaluation of Internal Control System for the Year 2008" of the Company issued by the Independent Non-executive Directors:

   The Company has established a relatively comprehensive internal control system which is in compliance with the requirements of the relevant laws of the State, administrative rules and regulations and departmental measures. The internal control system is legal, reasonable and effective. The Company's activities including corporate governance, production and operation, information disclosure and substantial events were carried out in accordance with all requirements of the internal control system of the Company so that the internal or external risks which may exist in each detail of the activities were reasonably controlled. The internal control of the Company is effective. The "Report on the Self-evaluation of Internal Control System for the Year 2008" of the Company is true and objective in reflecting the actual state of internal control of the Company. The Company needs to further strengthen and improve the setup of the internal control system following the changes in external operating environment and the requirements of the latest provisions and to reinforce inspection and supervision on the effect and efficiency of execution of internal control, to reinforce the execution of internal control constantly so as to enhance the performance of internal control.

V. Establishment and Implementation of Evaluation and Motivation Mechanism on Senior Management

With the direction to define and enhance performance of responsibility, be adaptive to the market and enhance efficiency, and following the principles that remuneration and risk and responsibility be commensurate and pegging with the overall operating performance of the Company, the Company implements the management and appraisal system based on different rankings, hence resulting on motivation without losing control.

Section II Report of Corporate Governance as required by the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

The Board, Supervisory Committee and Senior Management are committed for an effective implementation of corporate governance policy, to ensure all decisions are on a fair and true basis, on a transparent, equal and impartial manner, with checks and balances that are necessary and effective to keep improving the corporate governance structure. The Company operates strictly within the respective framework set forth by its Articles of Association, and provides timely, accurate, complete and reliable corporate information to all market participants and regulatory bodies. It targets to enhance corporate value, promote governance quality and meet the expectation of shareholders and concerned parties in relation to the Group.

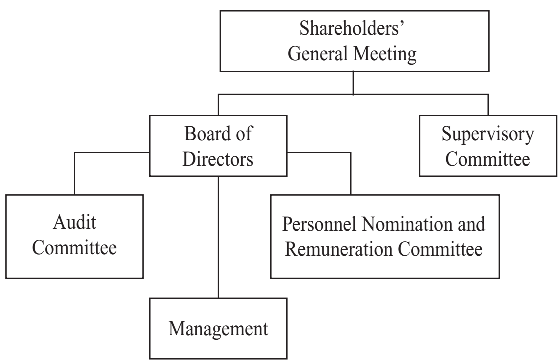
During the reporting period, except for the deviation from Code Provision B.1.1, the Company has fully complied with the Code Provisions of Codes on Corporate Governance in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited. Under Code Provision B.1.1., listed issuers shall establish a remuneration committee. The majority of its members should be independent non-executive directors. The current Personnel Nomination and Remuneration Committee of the Board of Directors of the Company is composed of two Independent Non-executive Directors and two Executive Directors, which cannot fully comply with the requirement in relation to the minimum percentage of independent non-executive directors under Code Provision B.1.1.. To ensure full compliance with the Code Provisions set out in Appendix 14 to the Listing Rules, the Company will adjust the composition of the Personnel Nomination and Remuneration Committee and/or appoint additional Independent Non-executive Directors as its members.

I. Corporate Governance

Since its establishment, the Company has, in strict compliance with the Company Law and Securities Law of the PRC, as well as the applicable laws and regulations of the CSRC, the Listing Rules of Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited respectively, perfected its corporate governance structure and established modernized corporate system as well as standardized its operations in accordance with the relevant CSRC documents.

Documentations relating to its corporate governance consist of the Articles of Association, Rules Governing the Proceedings of the General Meeting, Rules Governing the Proceedings of the Board Meetings, and Rules Governing the Proceedings of Meetings of Supervisory Committee. The Board has established two special committees, the Audit Committee and Personnel Nomination and Remuneration Committee.

The Structure of Corporate Governance of the Company:



Section II Report of Corporate Governance as required by the Listing Rules (continued)

II. Board

The fifth Board of the Company comprises 12 Directors, of which 8 are Executive Directors and 4 are Independent Non-Executive Directors.

At the Extraordinary General Meeting held by the Company on 29 February 2008, Mr. Zhao Xi Zi was elected as Independent Non-executive Director of the Company following the nomination from the Board. At the 2007 Annual General Meeting held on 20 June 2008, the resignation of Ms. Li Hui as the Independent Non-executive Director of the Company was considered and approved.

The main duties of the Board are to exercise the management decision-making power under the authorization of the shareholders at the general meeting in the aspects of corporate developmental strategy, management structure, investment and financing, planning and financial control.

The Directors are elected or replaced in shareholders' meeting and a polling system is adopted for the election of Directors. Shareholders holding 5% or more of issued shares and the Board are entitled to nominate Directors in writing. The term of office of Directors is three years and Directors can be re-elected upon expiry of their term. Independent non-executive Directors are independent parties not connected with the management and substantial shareholders of the Company.

The positions of Chairman and General Manager (Chief Executive Officer) of the Company are taken up by different persons and there is a clear division of work between the two roles. The Chairman presides at the Board meetings and reviews the implementation of the Board's resolutions. General Manager, supported by the Board and other senior management of the Company, is responsible for the management and coordination of the Group's business, and for making daily decisions in accordance with the strategy formulated by the Board. In the year 2008, Chairman of the Company is Mr. Liu Haitao and General Manager (Chief Executive Officer) of the Company is Mr. Yao Yuming.

The Board is accountable to the shareholders and mainly exercises the following authorities:

(1) to convene the General Meetings and report its work to the shareholders at the General Meeting;

(2) to implement the resolutions passed at the General Meetings;

(3) to decide the operational plans and investment plans of the Company;

(4) to prepare the annual financial budget and final accounts of the Company;

(5) to prepare the profit distribution proposal and loss-covering plans of the Company;

(6) to formulate plans of increasing or reducing registered capital, or issuing bonds of the Company;

(7) to draft plans for corporate merger, sub-division and dissolution;

(8) to determine the set-ups of the Company's internal management departments;

(9) to engage or dismiss General Manager of the Company; to engage or dismiss Deputy General Manager of the Company, Chief Financial Officer and other senior management as recommended by the General Manager and determine their remuneration and payment methods;

(10) to establish the fundamental management system of the Company;

(11) to prepare the proposal for the amendments of the Articles of Association;

(12) to draft material acquisition or disposal proposals of the Company;

(13) with compliance with the relevant laws, regulations and the Articles of Associations, to exercise the authorities on fund-raising and borrowing loans for the Company and to decide the pledge, lease, subcontracting or transfer of the Company's significant assets, and authorize the General Manager to exercise the said authorities within a prescribed scope;

(14) to perform other duties authorized by the General Meeting and the Articles of Association; and

(15) to consider and approve any external guarantees subject to approval by the General Meeting, and submit for approval by the General Meeting;

Section II Report of Corporate Governance as required by the Listing Rules (continued)

II. Board (continued)

The General Manager is accountable to the Board and mainly exercises the following authorities:

(1) to supervise the management of the production and operations of the Company, and implement the Board resolutions;

(2) to formulate and implement the annual operational plans and investment plans of the Company;

(3) to formulate the proposal for the set-ups of the internal management departments of the Company;

(4) to formulate the fundamental management system of the Company;

(5) to establish the fundamental regulations of the Company;

(6) to propose the engagement, dismissal or job rotation of Deputy General Manager or Chief Financial Officer;

(7) to engage or dismiss any other managerial staff who are not subject to the engagement or dismissal by the Board;

(8) to convene and chair in person (or authorise a Deputy General Manager as proxy) the regular meetings of the General Manager, which should be attended by General Manager, Deputy General Managers and other senior management staff;

(9) to determine the awards, punishment, promotion or demotion, salary increase or deduction, engagement, employment, dismissal or discharge of Company staff;

(10) to exercise the authority on the pledge, lease, subcontracting or transfer of the Company's assets under the scope as authorized by the Board; and

(11) to exercise other authorities as granted by the Articles of Association and the Board.

The Deputy General Managers assist the work of the General Manager.

The members of the Board have different industrial background and have expertise in corporate management, financial accounting, investment strategy and textile machinery. Their profiles are set out in Chapter IV "Directors, supervisors and senior management and staff" of this annual report.

In 2008, two Directors held management positions in the Company, accounting for 1/6 of the total number of Directors. This arrangement enabled the Board to review and supervise the procedure of management of the Company.

As at present, the fifth Board of Company has four Independent Non-executive Directors, representing 1/3 of the total number of Directors. Independent non-executive Directors are familiar with the duties and obligations of being the directors of listed companies and independent non-executive directors of listed companies. During the reporting period, Independent Non-executive Directors, with a prudent, responsible and serious attitude, participated in the Board's meetings, fully leveraged on their experiences and expertises in perfecting the corporate governance and formulation of major decisions, and have provided objective opinions on the Company's significant events and connected transactions. Independent non-executive Directors have promoted the scientific approach in the Board's decisions and the decision-making process and safeguarded the interests of the Company and shareholders as a whole.

Section II Report of Corporate Governance as required by the Listing Rules (continued)

II. Board (continued)

In 2008, the Company held 15 Board meetings to discuss about the Company's overall strategic and investment proposals as well as the operation and financial performance of the Company. The Board meeting achieved efficient and timely discussions and prudent decisions . Independent non-executive Directors of the Company had no objection to the Company's decisions. Attendance percentage of the meetings was 98.93% (including attendance by other Directors as proxy) and the details are as follows:

Name of Director	Position	Total number of meetings	Attendance in person	Attendance via communications	Attendance by proxy	Absence	Not attending in person for two consecutive meetings?	Remarks
Liu Haitao	Chairman	15	8	7	0	0	No	–
Ye Maoxin	Standing Vice Chairman	15	7	7	0	1	No	Elected as Standing Vice Chairman of the Company at the first meeting of the fifth Board on 15 August 2007 and ceased to be general manager of the Company
Fan Xinmin	Vice Chairman	15	7	7	1	0	No	–
Yan Fuquan	Director	15	7	7	1	0	No	–
Liu Hong	Director	15	8	7	0	0	No	–
Shi Tinghong	Director	15	7	7	1	0	No	–
Yao Yuming	Director, General Manager	15	8	7	0	0	No	Resigned as Financial Controller of the Company at the sixth meeting of the fifth Board on 22 April 2008
Zhang Jianguo	Director	15	6	7	2	0	No	–
Gao Yong	Independent Non-executive Director	15	8	7	0	0	No	–
Zhao Xi Zi	Independent Non-executive Director	14	7	7	0	0	No	Appointed on 29 February 2008
Chen Zhong	Independent Non-executive Director	15	8	7	0	0	No	–
Yu Shiquan	Independent Non-executive Director	15	8	7	0	0	No	–
Li Hui	Independent Non-executive Director	7	0	0	6	1	Yes	Resigned on 20 June 2008

Explanation on failing to attend in person for two consecutive Board meetings: As Director Li Hui had long-term overseas commitment, she attended the relevant Board meetings by proxy.

Number of Board meetings convened during the year		15
Of which:	Number of on-site meetings	8
	Number of meetings convened via communications	7
	Number of on-site meetings with communications	0

Section II Report of Corporate Governance as required by the Listing Rules (continued)

II. Board (continued)

All the Directors are capable of acquiring the relevant information and latest development on the legal, regulatory and other continuing obligations to be complied with by directors of listed companies from the Secretary to the Board and such arrangement ensures that Directors fully understand his duties and that the Board meeting will proceed smoothly and the relevant laws and regulations are complied with. Directors and the Special Board Committees are authorized, pursuant to the requirements for the exercise of duties, performance of obligations or the business requirements, to engage independent professional bodies for providing necessary services to them. Any reasonable costs arising therefrom shall be borne by the Company.

The Company is in strict compliance with the relevant provisions in respect of securities transactions by directors as promulgated by the regulatory bodies in the Mainland and Hong Kong, and has insisted to adhere to the standards strictly.

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules as the code of practice for securities transactions by Directors. The Company has made specific enquiries to all the directors and all the Directors have confirmed that they have complied with the code for securities transactions by Directors as set forth in "Model Code for Securities Transactions by Directors of Listed Issuers" during the reporting period.

Special Board Committees

Pursuant to the resolutions of general meeting, the Board has established two special committees and each of which has defined terms of reference. Their respective scope of supervision are as follows:

Section II Report of Corporate Governance as required by the Listing Rules (continued)

II. Board (continued)

Audit Committee

The terms of reference of the Committee was formulated with reference to "Guidelines on Effective Operations of the Audit Committee" issued by Hong Kong Institute of Certified Public Accountants. Its duties include: to review the degree of completeness, accuracy and fairness of the financial reports of the Company, to receive the reports from the Company's management and Auditors, to make inquiry to the Finance Department and Auditors in respect of the Company's financial status and get reasonable explanation thereon and to review the Company's internal control and financial reporting mechanisms and to report to the Board on the matters thereon.

To date, the members of the Audit Committee under the fifth Board of the Company are Mr. Gao Yong (Chairman of the Committee) and Mr. Yu Shiquan. Both of the members are Independent Non-executive Directors. Pursuant to Rule 3.21 of the Listing Rules, all the members of the audit committee must be non-executive directors with a minimum of three members. There were 3 members in the Audit Committee of the Company, but due to the resignation of one of the members Ms. Li Hui on 20 June 2008, the current Audit Committee cannot comply with the aforesaid requirement in relation to the minimum number of members. The Company will appoint an independent non-executive director as member of the Audit Committee as soon as possible so as to comply with the requirements of the Listing Rules.

Two meetings of the Audit Committee were held in 2008. All the matters passed by the Audit Committee have been properly recorded and filed according to the relevant rules. The Chairman of the Audit Committee reported to the Board on all the important matters.

The attendance of members is as follows:

Name of the committee member	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Gao Yong (Chairman of the Committee)	2	2	100%
Yu Shiquan	2	2	100%

The work of Audit Committee for the year include: reviewed the completeness of the 2007 Annual Report, 2008 Interim Report and the relevant accounts of the Company, and reviewed the substantial opinions on financial reporting as set out in financial statements and reports. It also reviewed the Company's internal financial reporting procedures, financial and accounting policies and practices, and conducted relevant discussions with Executive Directors, General Manager and external Auditors. The Committee examined the independence of external Auditors and considered and approved its terms of employment and remuneration. It also discussed the nature, scope and relevant reporting obligations of Auditors and provided written reports and recommendations to the Board in a timely manner. Audit Committee of the Board of the Company has reviewed the results of the Group for the year ended 31 December 2008.

Personnel Nomination and Remuneration Committee

The Committee has specific written terms of reference, with clearly defined duties and responsibilities. The terms of reference of the Personnel Nomination and Remuneration Committee include the specific duties and responsibilities set out in Code Provisions B.1.3(a) to (f) in Appendix 14 to the Listing Rules, while appropriate modifications will be made as and when necessary.

To date, the fifth Personnel Nomination and Remuneration Committee comprises two Independent Non-executive Directors and two Executive Directors, including Mr. Zhao Xi Zi (Chairman of the Committee), Mr. Liu Haitao, Mr Ye Maoxin and Mr. Yu Shiquan. The relevant requirements were complied with.

The main duties of Personnel Nomination and Remuneration Committee are: to provide recommendations to the Board on the scale and composition of the Board on the basis of the Company's operations, scale of assets and shareholding structure, to study the selection criteria and procedure of Directors and Managers and provide recommendations thereon to the Board, to broadly identify qualified candidates for Directors and Managers, to review the candidates for Directors and Managers and to provide recommendations thereon, to formulate the remuneration proposal or policy on the basis of the scope, duties and importance of Directors and senior management and the remuneration of similar positions of other enterprises and the remuneration proposal or policy shall include but not limited to the criteria, procedure and mechanism of appraisal and the major proposal and system of rewards and punishments and to supervise the implementation of the Company's remuneration policy.

III. Mechanism of supervision

Supervisory Committee

The Supervisory Committee, established under the laws of the PRC and pursuant to the Articles of Association, reviews the financial condition of the Company, and carries out supervision on whether the decisions and management of the Board and senior management are in compliance with the legal requirements for safeguarding the legal interests of shareholders, the Company and the staff. The fifth Supervisory Committee comprises seven members and the Chairman of Supervisory Committee is Mr. Tu Kelin. The number and the qualification of members are in compliance with the legal requirements. The profiles of Supervisors of the fifth Supervisory Committee of the Company are set out in Chapter IV "Directors, supervisors and senior management and staff" of this annual report.

In 2008, the Supervisory Committee of the Company held 4 meetings and all the Supervisors attended the meetings and the Board meetings and have performed the duties of Supervisory Committee in a diligent manner. The Supervisory Committee reviewed matters including the financial information related to the Company's 2007 annual report and 2008 first quarterly, interim and third quarterly reports. The Committee has monitored the management of the Board and senior management of the Company and provided recommendations thereon to the management.

The attendance of members (including attendance by other supervisors as proxy) is as follows:

Name	Position	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Tu Kelin	Chairman of Supervisory Committee	4	4	100%
Peng Zeqing	Vice Chairman of Supervisory Committee	4	4	100%
Liu Jiebo	Supervisor	4	4	100%
Zhang Xiaoli	Supervisor	4	4	100%
Dong Min	Supervisor	4	4	100%
Lian Jinhua	Supervisor	4	4	100%
Li Xisheng	Supervisor	4	4	100%

Section II Report of Corporate Governance as required by the Listing Rules (continued)

III. Mechanism of supervision (continued)

Internal Control and Internal Audit

The Board is responsible for making a balanced, clear and comprehensive assessment on the performance and prospect of the Group. The Board is also responsible for making arrangement for the preparation of accounts of the Company (including accounts for the year ended on 31 December 2008) on a going concern basis that reasonably and fairly reflect the financial conditions of the Group, as well as arranging for the announcement of price-sensitive information and financial disclosure. The management reports to the Board all relevant information and records which enables the Board to make the above evaluations and to prepare the accounts and financial disclosure.

The Board is responsible for establishing and maintaining the Company's internal control and reviewing the control procedures in relation to finance, operation and supervision, so as to safeguard the interests of shareholders and assets of the Company. The Board authorizes the management to carry out internal control mechanism, and the effectiveness of which will be reviewed by Audit Committee.

The Company has established the Internal Audit Department which regularly, and whenever necessary, reviews the possible risks and significance of the financial, operating and internal control activities of the Company's branches and subsidiaries in accordance with the internal control system of different business operations of the Company, so as to provide independent and objective evaluation and recommendations for ensuring the compliance of the Company's operations with regulations, the efficiency of operations and the effectiveness of the control mechanism of the Company.

The Company has always placed a lot of emphasis on internal control and has established corresponding internal management mechanism and procedures in aspects of operations, finance, administration and human resources. To consistently standardize corporate governance, the Board of the Company has reviewed the effectiveness of the internal control system of the Company for the year 2008 and the review covered its financial, operational and compliance controls and risk management functions.

Section II Report of Corporate Governance as required by the Listing Rules (continued)

III. Mechanism of supervision (continued)

Fee to External Auditors and Term of Service

The aggregate remuneration to Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd. (as the international and PRC auditors of the Company respectively) for the year 2008 was RMB3,960,000. Other than audit related services, Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd. have not provided non-audit services during the year.

The Board of the Company agreed on the proposal to re-appoint Deloitte Touche Tohmatsu (Hong Kong Certified Public Accountants) and Deloitte Touche Tohmatsu CPA Ltd. (the PRC Certified Public Accountants) as the international auditors and PRC auditors for the Company for the year ending 31 December 2009, and submitted the proposal to 2008 Annual General Meeting for approval.

Starting from 2004, in accordance with the "Regulations on the Regular Rotation of Signatory Certified Public Accountant for Auditing Securities and Futures Transactions", the Company requires rotation of certified public accountants for signature of the PRC auditor's reports. The PRC auditor's report for the PRC annual report for the year 2008 were signed by Xie Jiayang and Tong Chuangjiang, both of whom are certified public accountants registered in the PRC.

Financial Controller

Financial Controller is in charge of the Company's financial matters and is accountable to General Manager. Financial Controller is responsible for preparing the financial statements pursuant to the generally accepted accounting principles in the PRC and Hong Kong Financial Reporting Standards and the relevant disclosure requirements of CSRC, Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited. Financial Controller is also responsible for preparing the annual budget and annual accounts and supervising the implementation of the annual financial and operational plans. Financial Controller shall comply with the relevant systems of internal control as formulated by the Board and make recommendations to the Board.

Equity Interests in Shares and securities transactions by Directors, Supervisors and senior management

Please refer to Paragraph 2, Section I, Chapter IV "Terms of office, interests in share capital and remuneration of Directors, Supervisors and senior management".

Interests in shares of the Substantial Shareholders

Save as disclosed in Chapter III "Movements in share capital and information on shareholders", to the best knowledge of the Directors, Supervisors and senior management of the Company, as at 31 December 2008, no person (other than the Directors, Supervisors and senior management of the Company) holds any interests or short positions in the shares or underlying shares of the Company which shall be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to in Divisions 2 and 3 of Part XV of Securities and Futures Ordinance or any interests or short positions recorded in the register required to be maintained pursuant to section 336 of Securities and Futures Ordinance.

Section II Report of Corporate Governance as required by the Listing Rules (continued)

III. Mechanism of supervision (continued)

Shareholders, investors' relationship and other stakeholders

The Company is devoted to ensuring that all the shareholders, in particular the minority shareholders, are able to enjoy equal status and sufficiently exercise their respective rights.

General Meeting

General Meeting is the highest authority of the Company and will exercise its authority and make decisions on significant events pursuant to laws and regulations. Annual General Meeting and Extraordinary General Meeting will serve as the channel of direct communications between the Board and shareholders. Therefore, the Company places strong emphasis on General Meetings, 45-day notice will be given in advance of the general meetings and the Company will request all the Directors, Supervisors and senior management to attend by serving a 45-day notice. The Company encourages all the shareholders to attend the meetings and welcome shareholders to voice their opinions at the meetings.

Substantial shareholder

The Company's substantial shareholder is China Textile Machinery (Group) Company Limited (holding 33.83% of shares of the issued share capital of the Company). Being the Company's substantial shareholder, it has not, directly or indirectly, bypassed the general meeting and intervened the decisions and operation of the Company. The Company maintains independence with respect to the staff, resources, finance, structure and business of its substantial shareholder.

Information disclosure and management of investors' relationship

The Secretary to the Board and the stock representative are responsible for information disclosure and reception of shareholders and investors. To optimize the management over investors' relationship, the Company formulated "Information Disclosure System" and "Management System of Investors Relationship" and amendments to the two systems had been made where appropriate in accordance with the requirements of the relevant laws, rules and regulations to ensure the openness, fairness and equity of information disclosed and to enhance the transparency of the Company.

Evaluation and Incentive of Senior Management

The Personnel Nomination and Remuneration Committee is responsible for the appraisal of senior management.

IV. Summary

The Company has adopted a corporate governance mechanism that reflects its capability in management and business operation. Good corporate governance is essential to the healthy development of the Company and the promotion of investors' confidence. To achieve good corporate governance, it is essential for the Company to review whether the measures on corporate governance keep abreast of the market developmental trend and the requirements of regulatory bodies. This is the Company's objective to establish itself as a leading, healthy and modernized corporation. The Company will continue to devote efforts in promoting the standard of corporate governance so as to ensure the stable development of the Company and to increase the shareholders' values.

Chapter VI General Meetings of Shareholders

Five general meetings of the Company were convened during the year.

Meeting	Date on which meeting was held	Media on which resolutions were published	Date of announcement
The First Extraordinary General Meeting of 2008	29 February 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, websites of cninfo and the Company	29 February 2008 1 March 2008
2007 Annual General Meeting	20 June 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, websites of cninfo and the Company	20 June 2008 21 June 2008
Class Meeting for Holders of A Shares of 2007	20 June 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, websites of cninfo and the Company	20 June 2008 21 June 2008
Class Meeting for Holders of H Shares of 2007	20 June 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, websites of cninfo and the Company	20 June 2008 21 June 2008
The Second Extraordinary General Meeting of 2008	30 December 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, websites of cninfo and the Company	30 December 2008 31 December 2008

Chapter VII Directors' Report

Section I Operation Review of the Company during the Reporting Period

1. Overall Operation Review of the Company during the Reporting Period

The Company is a large textile machinery manufacturer in the PRC, and the only enterprise group capable of carrying out research and development as well as manufacturing of complete set of cotton weaving equipment with integrated activities in scientific research, industrial and trading. It is principally engaged in the development, manufacturing and sales of textile machinery and components and parts thereof and is accredited as a national high and new technology enterprise. Its predecessor is the former Jingwei Textile Machinery Factory with over 50 years of history. As the flagship in the textile machinery industry in China, the Company is dedicated to the development of China's textile industry with a full-flow of digital solution of textile machinery to satisfy various customers' needs. The Company's major products consist of equipment for the whole process of cotton weaving including cotton-clearing machine, carding machine, clearing-carding machine, combing machine, doubling machine, roving machine, spinning machine, air-jet yarn weaving machine, automatic winding machine, common winding machine, high-speed warping machine, water-jet weaving machine, air-jet weaving machine, rapier weaving machine, warp knitting machine, circular weft knitting machine as well as components and parts for textile machinery. Its major products account for more than half of the market share in the textile machinery market in China and are sold in various regions in China and exported to over 40 countries and regions. The Company enjoys great reputation in the PRC textile and textile machinery industries, and has important influence in the international textile and textile machinery industries. The Company is recognized as a specialized textile machinery enterprise with excellent quality and good reputation.

In 2008, under the effects of tightening of the monetary policy of the State, the appreciation of the Renminbi and the global financial crisis, demands in both domestic and overseas textile markets reduced which led to a substantial decline in demands in the textile machinery market and as a result, the production and sales of textile machinery have suffered material impact. Since 2008, domestic sales volume of leading products of the Company has fallen significantly, while production costs have increased significantly due to price hike of basic materials and energy. The aforesaid factors resulted in a relatively substantial decrease in the turnover, operating income and operating profits of the Group during the reporting period.

For the year ended 31 December 2008 and as stated in the financial report prepared in accordance with the HKFRS, the Group's revenue amounted to RMB3,645,693,000 and profit attributable to equity holders of the Company amounted to RMB25,855,000, representing a decrease of 32.11% and 84.06% from that of last year respectively. As at 31 December 2008, the Group's carrying amount of bank balances was RMB734,709,000, borrowings due within one year was RMB622,296,000 of which borrowings in the U.S. dollars amounted to US$13,000,000 (equivalent to RMB88,850,000), and the balances were borrowings in Renminbi. The interest rates were in the range of 3.89% to 7.47% per annum. The Group had long-term borrowings of RMB 473,091,000. The gearing ratio (long-term borrowings divided by net asset value) was 16.59%.

As at 31 December 2008, bank and cash balances of the Group of RMB50,276,000 were pledged to secure bills payable and letter of credit granted to the Group (2007: RMB6,831,000).

As at 31 December 2008, properties under development and completed properties of RMB454,204,000 of the Group (2007: 192,610,000) were pledged as security for the Group's bank loans.

As at 31 December 2008, none of the short-term investments of the Group (2007: Nil) were pledged as security for the Group's bank loans.

For the year ended 31 December 2008 and as stated in the financial report prepared in accordance with the PRC Corporate Accounting Standards, operating revenue of the Group amounted to RMB3,707,895,000, representing a decrease of 31.75% from that of last year. Operating profit was RMB-18,838,000 , representing a decrease of 110.07% from that of last year. Net profit attributable to shareholders of the parents was RMB25,856,000, representing a decrease of 84.06% over that of the previous year.

Section I Operation Review of the Company during the Reporting Period (continued)

1. Overall Operation Review of the Company during the Reporting Period (continued)

Among the above items:

Operating revenue of the Company was RMB2,500,925,000, representing a decrease of 28.59% over that of the previous year while its operating profit was RMB48,641,000, representing a decrease of 15.41% over that of the previous year. Net profit of the Company was RMB70,166,000, representing an increase of 39.06% over that of the previous year.

Major controlled subsidiaries:	Operating revenue of Qingdao Hongda Textile Machinery Company Limited was RMB682,805,000 while operating profit was RMB-4,576,000.
	Operating revenue of Shenyang Hongda Textile Machinery Company Limited was RMB106,490,000 while operating profit was RMB-14,091,000.
	Operating revenue of Tianjin Jingwei New Type Textile Machinery Company Limited was RMB190,072,000 while operating profit was RMB4,117,000.
	Operating revenue of Changde Textile Machinery Company Limited was RMB201,450,000 while operating profit was RMB-7,024,000.
	Operating revenue of Beijing Jingwei Textile New Technology Company Limited was RMB272,786,000 while operating profit was RMB15,291,000.
	Operating revenue of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited was RMB56,307,000 while operating profit was RMB232,000.
	Operating revenue of Wuxi Jingwei Textile Technology Testing Company Limited was RMB103,291,000 while operating profit was RMB-5,596,000.
	Operating revenue of Wuxi Hongda Textile Machinery and Special Parts Company Limited was RMB68,263,000, while operating profit was RMB3,833,000.

The major operating activities of the Group in 2008 were as follows:

(1) Product competitiveness increased continuously following new progress obtained in technology research and development

① Research and development of new products was further promoted. During the year, the Company had a total of 56 new product plans, of which 52 were completed, representing a completion rate of 93%. The Company took part in the ITMA ASIA + CITME 2008, during which satisfactory effects were obtained and the highly automatised, high-speed, high-quality and highly reliable technology level of the products of the Company was fully demonstrated.

② Level of digitisation was further upgraded. The Jingwei control system which was made up of the ARM structure formed a serial development. Trials were administered on doubling, roving, spinning and air-jet yarn products. The Company also conducted finite element analysis on products such as combining machine, carding machine and warp knitting machine. The Jingwei e-System "Jingwei-Siemens Textile Enterprise Informationalised Display Production Line" (the research and development process of which was mainly taken part by the Company) passed the examination and acceptance procedure. The project filled the gap for domestic technology in network informationalisation of complete workflow equipment in the cotton-weaving industry, which marked a big leap towards the international advanced level of textile informationlisation of our country.

③ Patents of products increased year by year. In 2008, the enterprise obtained 52 licensed patents and acceptance for 51 patent applications. Numerous new products passed verification for technological outcome.

Section I Operation Review of the Company during the Reporting Period (continued)

1. Overall Operation Review of the Company during the Reporting Period (continued)

(1) Product competitiveness increased continuously following new progress obtained in technology research and development (continued)

④ Results of technological progress were remarkable. The four enterprises under the Company, namely Yuci Branch, Qingdao Hongda Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited and Changde Textile Machinery Company Limited, were awarded “Model Enterprise for Innovation in Textile Technology” for 2008 by PRC Textile Industry Federation. Products of a number of models of the Company were awarded various awards including First Class Award of Science and Technology Progress by PRC Textile Industry Federation and First Class Award of Sang Ma Textile Technology.

(2) Market share was steady and on the rise as a result of full efforts devoted in the exploration of domestic and overseas markets

① Remarkable results of sale of complete set of equipment were obtained. In 2008, the Company further strengthened promotion of the overall image of the Company and marketing and sales of complete set of cotton weaving equipment so that the influence of the Company in the industry was further enhanced and its position among users became stronger year by year. Particularly, under the substantial downturn in the market, the competitive edge of the Company in the sale of the complete set of cotton weaving equipment of the Company was sharpened.

② Steady progression in export. The Company fully leveraged on the export platform of China Textile Machinery and Technology Import and Export Company Limited to increase efforts in expanding the international market. With active steps taken in adjusting the structure of export products, new breakthroughs in export of products were obtained.

③ Constant improvement in after-sales services. Under the substantial downturn of market of the Company and all enterprises in 2008, the Company continued to improve its after-sales services by providing active on-site services for customers. To a certain extent, the response to customers’ needs was speeded up. Tracking service was provided in respect of new products and to key customers while improvement and enhancement in respect of existing problems were made in a timely manner, thus raising the degree of customers’ loyalty and satisfaction continuously.

④ Sales management was continuously strengthened. Dynamic management on the market information of sales network was particularly strengthened in 2008. Material projects were centrally planned and implemented by the Company which boosted sales effectively.

(3) Significant effect in cost reduction and efficiency enhancement through increasing efforts in financial management

① Capital structure was improved. In the face of economic downturn and capital pressure, the Company utilised its overall strength and its creditworthiness with banks and increased the proportion of long-term loans appropriately. To ensure a smooth financing channel, the Company increased the banking credit facilities, which offered significant protection to the normal operation of the Company subsequently.

② Cost was under effective control. In 2008, expenses for the overall period and sales expenses, administrative expenses, staff remuneration expenses, etc. were controlled effectively.

③ Effectively lowered sourcing cost by boosting strategic sourcing. The Company further intensified supply chain management by taking active efforts and innovation in the selection of parts and components, optimisation of techniques, lowering of sourcing cost, active deployment of stock as well as expansion and extension of sales. Meanwhile, movements in the price of raw materials were closely followed and timely adjustments were made on sourcing prices so that sourcing cost was lowered.

Section I Operation Review of the Company during the Reporting Period (continued)

1. Overall Operation Review of the Company during the Reporting Period (continued)

(4) Risk-resistant capacity enhanced by increased efforts in risk management

① The establishment of internal control system was reinforced with strengthened audit supervision and guidance. The robustness and effectiveness of the internal control system served as the basis while internal control was extended to the management of audit. Improvements in management and asset securing were boosted, which posed significant impact on regulating and improving operation management of the enterprise.

② Awareness on risk prevention significantly strengthened with reinforced risk management and control. The Company took stringent measures in examination and approval and control on credit sales items so as to minimise risks. Due diligence on contracts were carried out to prevent contractual risks.

(5) Fostering a stable operation of the enterprise by strengthening management in coordination of operation

① Management in operation of the enterprise was strengthened. In 2008, in addressing the difficult market environment, the Company reinforced analysis on operation of the enterprise. By means of quarterly operation analysis meetings, special-topic meetings, etc., communication on the state of operation of the enterprise was enhanced whereby operation of all enterprises could be controlled, followed and guided.

② Level of informationalisation was raised continuously. In 2008, the setup of the Company's information system and its business application were basically completed. The focus of informationalisation work gradually shifted to integration of application. The development and application of a series of management tools were completed which posed positive effect on cost control, resource utilisation and efficiency enhancement.

③ Satisfactory results were obtained from energy saving and waste reduction. To boost the practice of energy saving and waste reduction, the Company set up a steering team for energy saving and waste reduction. Not only energy saving and consumption reduction as well as environmental protection were made focus during the production process, the requirements on energy saving and waste reduction were also applied on the research and development of products as a whole. Positive progress was obtained.

④ ISO9001 certificate passed re-assessment. The Company made use of the quality management system to re-assess the chance for renewal of the certificate and reinforced simplification, intensification and enhancement of the business flow of all systems so that the re-assessment and approval procedure of China Association for Quality was successfully passed which laid a foundation for further intensified detailing management.

Section I Operation Review of the Company during the Reporting Period (continued)

2. Principal activities of the Company and its operation

(1) Analysis of principal activities by product

Unit: RMB'000

Items	Operating revenue	Operating cost	Operating profit margin (%)	Increase/ Decrease of operating revenue compared with last year (%)	Increase or decrease of operating cost compared with last year (%)	Increase or decrease of operating profit margin compared with last year (%)
Natural fibre textile machinery	2,450,878	2,223,030	9.30	(35.72)	(32.76)	(30.02)
Chemical fibre textile machinery	94,858	80,337	15.31	(25.93)	(13.76)	(43.84)
Weaving machinery	178,853	146,714	17.97	(52.99)	(56.32)	53.46
Others	136,740	126,876	7.21	14.35	18.35	(30.34)
Real estate	312,567	232,619	25.58	–	–	–
Total	3,173,896	2,809,576	11.48	(33.96)	(31.67)	(20.50)

Under the impact of the market, sales of the Company's key products for the year decreased to different extents. In particular, sales revenue of natural fibre textile machinery was RMB2,450,878,000, representing a decrease of 35.72% compared with that of last year. In the meantime, Beijing Bohong Real Estate Development Company Limited, a subsidiary of the Company, realised sales of real estate which recorded an increase in sales revenue of RMB312,567,000.

(2) Principal activities by region:

Unit: RMB'000

Region	Operating revenue	Increase/Decrease of operating revenue compared with last year (%)
PRC	2,570,808	(37.93)
Asia	570,390	(10.16)
Africa	21,846	24.67
Others	10,852	(7.18)
Totals	3,173,896	(33.96)

Sales to customers who subsequently sold the goods to overseas countries are classified as operating revenue from those overseas countries.

(3) Major suppliers and customers

For the year ended 31 December 2008, the total sales by the Group to the 5 largest customers amounted to RMB 772,886,000 , representing 20.84 % of operating revenue for the year.

For the year ended 31 December 2008, the total purchase by the Group from the 5 largest suppliers amounted to RMB 403,604,000 , representing 20.46 % of the total purchases for the year.

Section I Operation Review of the Company during the Reporting Period (continued)

3. Change in the assets composition during the Reporting Period

Unit: RMB'000

Items	2008	2007	Increase/decrease (%)	Reason for difference
Notes receivable	700,809	1,229,252	(43)	Note (1)
Other receivables	40,195	71,219	(44)	Note (2)
Entrusted loans	180,469	67,000	169	Note (3)
Inventories	1,774,348	2,000,726	(11)	Note (4)
Long-term equity investment	218,784	158,359	38	Note (5)
Construction materials	11,453	5,748	99	Note (6)
Short-term borrowings	552,290	414,161	33	Note (7)
Notes payable	181,266	275,884	(34)	Note (8)
Advances from customers	306,361	559,362	(45)	Note (9)
Employee benefits payables	54,182	97,252	(44)	Note (10)
Tax payable	(5,000)	7,136	(170)	Note (11)
Other payables	181,145	265,097	(32)	Note (12)
Other current liabilities	4,425	6,470	(32)	Note (13)
Long-term borrowings	473,091	150,000	215	Note (14)
Long-term payables	95,117	146,903	(35)	Note (15)
Operating income	3,707,895	5,432,662	(32)	Note (16)
Operating costs	3,263,869	4,707,685	(31)	Note (17)
Business taxes and levies	26,345	10,268	157	Note (18)
Selling and distribution expenses	129,852	147,676	(12)	Note (19)
Administrative expenses	344,700	465,055	(26)	Note (20)
Impairment loss in respect				
of assets	(5,661)	12,330	(146)	Note (21)
Investment income	53,087	117,486	(55)	Note (22)
Non-operating income	75,274	19,541	285	Note (23)
Non-operating expenses	6,040	4,465	35	Note (24)
Income tax expenses	22,624	26,513	(15)	Note (25)

Note (1): Notes receivable was mainly calculated based on the undue bank's acceptance bills and commercial acceptance bills received by the Group. The decrease in balance as compared to the end of last year was mainly due to the impact of macro-economic environment during the year, resulting in a decrease in operating income as compared to last year so that balance of notes receivable as at the end of the year decreased accordingly.

Note (2): Other receivables were mainly calculated based on value-added tax and input tax subject to deduction as well as staff borrowing reserve. The decrease in the balance as at the end of the year was mainly due to the confirmation of deduction on value-added tax and input tax subject to deduction.

Note (3): Entrusted loans were mainly calculated based on the amounts lent to associates and other investee enterprises by the Group. The increase in the balance as at the end of the year was mainly due to the increase in the amount lent to Anhui Huamao Jingwei New Type Textile Company Limited and Langfang Hengsheng Realty Group Company Limited.

Note (4): The decrease in inventories as at the end of the year was mainly due to the decrease in appropriation of capital in inventories as a result of control on the volume of stock for responding to the changes in macro-economic environment by the Group.

Note (5): The increase in the balance of long-term equity investment as at the end of the year was mainly due to the addition of investment in Langfang Hengsheng Realty Group Company Limited and Huangshi Jingwei Textile Machinery Company Limited.

Note (6): The increase in the balance of construction materials as at the end of the year was mainly due to the increase in prepayment for some large equipment and the purchase of special equipment for construction.

Note (7): Short-term borrowings were mainly calculated based on borrowings from banks. The increase in the balance as at the end of the year was mainly due to the increase of short-term borrowings discretionally for increasing cash reserve based on the current macro-economic environment.

Note (8): Notes payable was mainly calculated based on bank's acceptance bills and commercial acceptance bills issued by the Company for paying trade amounts. The decrease in the balance as at the end of the year was mainly due to the decrease in notes issued as a result of lowering of inventory level and reduction in purchase for accommodating to the changes in the macro-economic environment of the year.

Note (9): Advances from customers were mainly calculated based on the sales deposits, trade amounts or transportation fees received from customers. The decrease in the balance as at the end of the year was mainly due to the completion and approval and acceptance of No. 2 Building of the Company's subsidiary, Beijing Bohong Real Estate Development Company Limited during the current period which wrote off the relevant prepayment for real estate during the year.

Section I Operation Review of the Company during the Reporting Period (continued)

3. Change in the assets composition during the Reporting Period (continued)

Note (10): Employee benefits payables were mainly calculated based on wages, bonus, social security and cost of benefits payable to staff. The decrease in balance as at the end of the year was mainly due to the downward adjustment in the level of employees' wages and salaries for responding to the changes in macro-economic environment by the Group.

Note (11): Tax payable was mainly calculated based on the various taxes including value-added tax, business tax and income tax to be paid in the course of production and operation of the Company. The decrease in the balance as at the end of the year was mainly due to the increase in excess value-added tax as a result of the slightly less extent of decrease in the balance of inventories of the Group during the year compared to the decrease in scale of sales for the year

Note (12): Other payables were mainly calculated based on the accounts with external units. The decrease in balance as at the end of the year was mainly due to the repayment for the respective liabilities by the Group.

Note (13): Other current liabilities were mainly calculated based on the various accrued expenses. The decrease in the balance as at the end of the year was mainly due to the decrease in the expenses to be accrued as at the end of the year compared to the end of last year.

Note (14): Long-term borrowings were mainly calculated based on the long-term borrowings from banks. The increase in the balance as at the end of the year was mainly due to the addition of borrowings for the purpose of project construction by the Company.

Note (15): Long-term payables were mainly calculated based on dismissal benefits. The decrease in the balance as at the end of the year was mainly due to the adjustments in policies of retirement benefits during the year by the Group which lowered the payment standard for benefits of retiring staff and ceased payment for benefits of some retired staff so that the benefits of retiring staff provided for were written back.

Note (16): Operating income was mainly calculated based on sales of textile machinery products, real estate and raw materials. The decrease for the year as compared to last year was mainly due to the decrease in sales volume as affected by the changes in the macro-economic environment during the year.

Note (17): Operating cost was mainly calculated based on the cost carried forward from textile machinery products, real estate and raw materials. The decrease for the year as compared to last year was mainly due to the decrease in sales volume which decreased the selling cost correspondingly.

Note (18): Business taxes and levies were mainly calculated based on business tax, city maintenance and construction tax, land value-added tax, etc. The increase for the year as compared to last year was mainly due to the increase in sales revenue of real estate as compare to last year by the taxable unit of business tax, Beijing Bohong Real Estate Development Company Limited, the subsidiary of the Company, during the year, which increased the business tax and surcharge correspondingly.

Note (19): Selling and distribution expenses were mainly calculated based on the various expenses including the staff remuneration, travel and advertising expenses incurred by the sales department. The decrease for the year as compared to the last year was mainly due to the downward adjustment in the level of employees' wages and salaries for responding to the changes in macro-economic environment by the Group as well as the strengthened control on all expenses.

Note (20): Administrative expenses were mainly calculated based on expenses including staff remuneration, business reception and research and development expenses incurred by the administrative department. The decrease for the year as compared to the last year was mainly due to the downward adjustment in the level of employees' wages and salaries for responding to the changes in macro-economic environment by the Group as well as the strengthened control on all expenses.

Note (21): Impairment loss in respect of assets loss was mainly calculated based on provision for and write-back of impairment allowance of bad debt, decrease in value of stocks, etc. The decrease for the year as compared to last year was mainly due to the increased efforts of the Group in debt collections by means of a number of methods so that payables provided for as bad debts were recovered and the bad debt allowance for payables was written back.

Note (22): Investment income was mainly calculated based on investment gain of associates, investment gain on trading financial assets and interest gain on entrusted loans. The decrease for the year as compared to last year was mainly due to the decrease in gain on securities investment in respect of subscription in the secondary market during the year by the Company as a result of changes in the capital market trend as well as the decline in results of associates which resulted in a decrease in investment gain of associates.

Note (23): Non-operating income was mainly calculated based on income from subsidies, income from disposal of assets, etc. The increase for the year as compared to last year was mainly due to the increase in government subsidies obtained by the Group during the year.

Note (24): Non-operating expenses were mainly calculated based on loss on disposal of assets, fines, donations, etc. The increase for the year as compared to last year was mainly due to the increase in donations by the Group during the year.

Note (25): The decrease in income tax expenses for the year as compared to last year was mainly due to the drop in sales volume as a result of the impact of change in the macro-economic environment, leading to the decrease in total profits which decreased the income tax correspondingly.

Section I Operation Review of the Company during the Reporting Period (continued)

4. Composition of the Company's cash flow

Net cash flow from the Group's operating activities for 2008 was RMB40,519,000 which were decreased by RMB82,406,000 from net cash flow of RMB122,925,000 for 2007. It was mainly due to the impact of international financial crisis which led to the tense use of capital for many textile enterprises and resulted in the decrease in sales of the Group. Also, under the impact of inflation in the prices of raw materials such as steel and cost of coal, electricity, oil and transportation, the purchasing capital of the Group increased and resulted in a decrease in net cash flow from operating activities.

Net cash flow from investing activities was RMB332,800,000 , representing a decrease of RMB337,626,000 over RMB4,826,000 of net cash flow for 2007. It was mainly due to the increase in equity investment from cash funding as well as increase in investment in technological reform and relocation and reconstruction of some companies.

Net cash flow from financing activities was RMB339,100,000, representing an increase of RMB724,315,000 over RMB385,215,000 of net cash flow for 2007. It was mainly due to the addition of discount loan of RMB200,000,000 during the year and repayment of some of the loans by the Company last year.

Items	**2008** *RMB'000*	**2007** *RMB'000*
Net cash flow from operating activities	40,519	122,925
Net cash flow from investing activities	(332,800)	4,826
Net cash flow from financing activities	339,100	(385,215)
Effect of foreign exchange rate on cash	146	(777)
Net increase in cash and cash equivalents	46,965	(258,241)

5. Financial assets and financial liabilities in foreign currency

Unit: RMB

Item	Opening balance	Gain or loss due to change in fair value during the period	Cumulative change in fair value included in equity	Impairment provided during the period	Closing balance
Financial assets:					
Of which: 1. financial assets at fair value through current profit or loss					
Of which: derivative financial assets					
2. Loans and receivables	4,582,458.41				353,133.04
3. Financial assets available-for-sale					
4. Held-to-maturity investment					
Sub-total of financial assets	4,582,458.41				353,133.04
Financial liabilities	165,332,995.47				90,171,926.47

Section I Operation Review of the Company during the Reporting Period (continued)

6. Important information relating to the Company's operation

(1) Current facility utilization of the Group is generally normal. Expansion of production capacity of the Company is primarily achieved through social collaboration and functional divisions.

(2) For the year ended 31 December 2008, new sales contracts signed by the Company for the forthcoming year amounted to RMB 1,419,000,000.

(3) The Group prioritizes corporate competitiveness through product development with attractive incentive schemes for technical staff. For such reasons, turnover of technical staff is relatively stable.

7. Analysis of operation and results of the Company's major controlled subsidiaries and equity holding companies

As at 31 December 2008, the Group's major controlled subsidiaries were as follows:

Unit: RMB'000

Name of enterprise	Principal activities	Registered capital	Equity interest held by the Group %	Total assets	Net assets	Net profit
Qingdao Hongda Textile Machinery Company Limited	Manufacture, sales, installation, repairing and leasing of special equipment for textile industry, textile machinery and related components	114,000	97.663	821,373	298,776	11,237
Shenyang Hongda Textile Machinery Company Limited	Technological development and manufacture of textile machinery and related components; electronic and electric machinery and equipment and economic technological consultancy	71,000	98	196,528	108,628	(10,814)
Tianjin Jingwei New Type Textile Machinery Company Limited	Manufacture and processing of textile machinery and special accessories and electronic equipment and economic technological consultancy	16,000	100	132,609	58,285	3,803
Changde Textile Machinery Company Limited	Manufacture and sales of textile machinery and other machinery and parts and components, powder metallurgy	42,350	95	341,017	174,175	(3,599)
Beijing Jingwei Textile New Technology Company Limited	Technological development and sale of textile machinery and computer hardware and software, sale of special textile equipment, agricultural machinery, instruments and meters as well as automobile components	100,000	100	407,237	182,073	14,900
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	Manufacture and sales of blowing-carding machinery and related components	50,000	95.948	118,034	91,504	401
Wuxi Jingwei Textile Technology Testing Company Limited	Manufacture and sales of cotton yarn; research and development in textile machinery and equipment, devices and relevant technologies	49,530	66.55	152,959	49,086	(7,551)
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Manufacture of new style textile machinery, other textile machinery and special parts and components as well as machinery and components for general use; sales of in house products	20,000	35	149,695	71,790	5,064

Section I Operation Review of the Company during the Reporting Period (continued)

8. Fixed assets

Details of the movements in fixed assets during the year are set out in the notes to the financial statements prepared in accordance with the PRC Corporate Accounting Standards and the notes to the financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

9. Retirement benefit scheme

The Group has appointed actuaries to carry out actuarial calculation regarding welfare for the retired and the widowed of staff since 2007 and has recognised the respective liabilities. The management of the Company and its subsidiaries and branches decided to adjust the existing policies of retirement benefits during the year which included lowering the payment standard for benefits of retiring staff and ceasing payment for benefits of some retired staff.

Details of the retirement benefit scheme of the Group are set out in the notes to the financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

10. Donations

Donations made by the Group during the year amounted to RMB2,397,000 (2007: RMB371,000).

Section II Prospects for the future development of the Company

1. Development trend of the textile machinery industry and market competition faced by the Company

In recent years, textile industry has experienced rapid development in China, leveraging on which, Chinese textile machinery industry has continued to grow. China has become one of the largest countries in textile machinery manufacturing and consumption in the world. Furthermore, the quality and technology of products have improved significantly, some of which have come up to international advanced production technology standard. Research and development level of new products required by the industry has further enhanced. However, with effect of many adverse factors such as adjustment in national macro-policies, appreciation of the Renminbi, increasing price of energy and raw materials and global financial crisis, Chinese textile industry suffered unprecedented impact and pressure in 2008, while textile machinery industry, being a close industry with textile industry, also experienced a cold winter. First of all, due to effect of upward adjustment in export tax rate, change in foreign exchange rate, increase in production cost and tightening of the credit policy implemented by the State at the end of 2007, most of the textile enterprises in the country encountered the situation of capital shortage and difficult operation, so enterprises generally had no ability to continue business or suspended production expansion and equipment upgrade, resulting in rapidly declining demand in the national textile machinery market. Remarkable decrease in orders of textile machinery enterprises became the major factor for falling production and sales of textile machinery enterprises. Second, the outbreak of global financial crisis led to significant shrinkage in demand in the overseas textile market. Substantial appreciation in the Renminbi against the U.S. dollars worsened the export of textile machinery of the State. In addition, persistently high production cost in steel materials and energy within a period resulted in the smaller profit of textile machinery industry, with some enterprises seeing loss, which has had material effect on the future operation and development of textile machinery enterprises, and the whole textile machinery industry. Besides, owing to relatively prosperous development in the overall textile machinery industry in previous years and smaller scale in industry integration, a number of enterprises, in particular small-scaled enterprises with weaker research and development ability, who have used to making profit by way of malignant competition such as production of homogeneous products of lower price, often failed to change to meet the new situation while encountering the industry crisis, making remarkable decrease in enterprise benefits, even suspending production and becoming bankrupt, which imposed certain effect on the whole textile machinery industry within this period.

2009 is a year full of opportunities and challenges to the textile machinery industry.

In terms of opportunities, a combination of favourable factors such as the ten measures promulgated by the State Council for boosting domestic demand and accelerating stable and progressive economic growth, gradual implementation of investment plan involving RMB4,000 billion, the plan for readjustment and revitalization of textile industry and equipment manufacturing industry, transformation of value added tax and upward adjustment of tax refund for export of textile products formulated by the State, bring new development opportunities to textile machinery industry. Concurrently, operating environment of textile industry has eased to some extent, which contributes to industry structure adjustment conducted by enterprises adopting high value-added equipment. Moreover, prices of raw materials such as steel go down and prices of coal, electricity, oil and transportation prices begin to adjust downward, which will lead to cost control to some extent in manufacturing enterprises. The important strategic opportunities of development of textile industry still exist.

Section II Prospects for the future development of the Company (continued)

1. Development trend of the textile machinery industry and market competition faced by the Company (continued)

In terms of challenges, the current total volume of national spindle is comparatively large. Since 2008, the textile industry has entered into an intensified adjustment period, coupled with enormous impact brought about by the world financial crisis, the scale of substantial development of the textile industry is inhibited to a certain extent. Investment in equipment of textile industry is basically at a standstill position. Orders to be received by the textile machinery manufacturers are unlikely to increase substantially in the short run. Demands in the textile market might remain depressed. Under the uncertain prospect of the financial crisis, operating difficulties encountered by the textile machinery enterprises remain severe and might last for a longer period.

2. Future development strategies of the Company

Facing the competition and challenges brought about by economic globalization in the 21st century, the Company would position itself to be based in China, the largest textile industry market in the world. With a clear vision of "A friend of the global textile industry and the pride of the manufacturing industry of China" and the mission of "providing customers with full-flow digital solutions", the Company will adhere closely to the business direction of "seeking structural adjustment, pursuing innovation, strict management and ensuring stability" and develop core competitiveness, so as to establish itself as a diversified, internationalized and modernized conglomerate.

3. The operational plan for the new financial year

In 2009, the Company will continue to implement scientific development vision and pay attention to details and reinforce implementation, fully enhancing the operational quality of overall economy and core competitiveness of the enterprise.

(1) **To put effort in cash flow and ensure normal operation of the enterprise.**

In 2009, under the circumstances of continuous financial crisis, the Company will go on strengthening the control on operating cash flow, enhancing cash flow management and raising capital for development actively, so as to secure capital protection.

(2) **To increase effort in advancing adjustment of business structure of the enterprise, devote effort to expand operation scale of the enterprise.**

To actively advance integration of resources, improve the operational system of Business Department and facilitate effective operating management of Business Department. To actively carry forward the integration of resources of special parts business, and facilitate further improvement of technical level of specific products. To actively facilitate the integration of casting resources, improve quality of molds and continue to reduce costs. To speed up adjustment of organizational structure of production and implement process reengineering of business so as to optimize overall arrangement of production. To actively streamline organizations, optimize staff structure and to strengthen protection of important positions and special positions, in particular scientific and technological talent.

Section II Prospects for the future development of the Company (continued)

3. The operational plan for the new financial year (continued)

(3) To devote efforts to enhance the technological level of products with the goal of pursuing innovation for research and development

To implement the project supported by the country as an opportunity to accelerate advancing technological innovation and to develop core manufacturing technology. To continue to seek and to reserve new IT projects, and actively seek the support of the State's policies to promote continuous innovation and progress of product technology of the enterprise. To actively explore and selectively carry out international cooperation so as to enhance key technical levels. To strengthen cooperation and research and development of the main textile machinery products, and upgrade the quality of their products by comparison of international advanced standard. To track developmental trend of domestic and foreign textile machinery, leveraging on methods like cooperation, joint ventures and technological transfer to rapidly get access to technologies which the enterprise is in urgent need. To strengthen ties with institutions of higher education and scientific research bodies so as to shorten development time and improve success rate.

(4) To constantly expand market share both at home and abroad with client-oriented business approach

To firmly establish the concept of the supremacy of customers so as to further improve customer service quality. To continuously focus on sales of complete sets, enhance monitoring and evaluation of service quality so as to make complete sets become the branded project of the Company. Concurrently, enterprises will accelerate preparation work of the new key products to pull sales of new products so as to expand market share and gradually change the product sales structure of the company. The Company will also actively intensify efforts to develop international markets, improve in product quality, delivery as well as after-sales service and will further devote efforts in market expansion of non-spinning equipments, increase types of machines exported to expand export market share and raise proportion of export products, and thus gradually achieve the goal of product internationalization.

(5) To improve overall enterprise management through firm implementation

All enterprise management measures must be strictly managed, attended to details, and firmly implemented. In 2009, the Company will strengthen its operational management to ensure the achievement of the annual sales target. To further intensify the application of information technology and improve the effectiveness of integrated applications. Taking the running of ISO9001 system as an opportunity to facilitate the improvement of management. To strengthen the procurement management of materials in bulk and further exploit the advantages of centralized purchasing. Meanwhile, perfect internal control system through prevention of risk as the means of control. To actively and effectively promote internal control and business risk auditing, so as to enhance internal controls and risk management capabilities.

Section II Prospects for the future development of the Company (continued)

4. Capital requirement and capital application plans required for achieving future strategic development of the Company and the source of capital

Funds for the Company's day-to-day manufacturing, operations and research and development will be mainly from self-generated funds, while the outstanding portion to be resolved by bank credit facilities. Meanwhile, to actively seek new investment projects to meet its strategic development needs so as to form new streams of economic growth, such as acquisition of relevant external resources or import of technologies. The amount of funds needed will be determined by reference to the potential projects, while the source of funding may be collected in accordance with the circumstances of the possible projects including self-generated funds, bank loans or financing on the capital market.

5. Inherent risks and mitigation strategies

As the textile industry had entered an intensified adjustment period since 2008, in addition to the lingering impact of financial crisis, the weak demands in the textile machinery industry would hardly change in the near future. The operating environment encountered by the Company remains difficult. Under such situation, in 2009, the Company will regard structural adjustment as the main theme for reform so as to enhance the comprehensive quality and competitiveness of the enterprise. Products will be the main focus so as to maintain a leading technological level of production in the PRC. Market exploration will be considered as the universal topic by striving to underpin and expand domestic and overseas market presence. Management will be considered as the important protection with efforts to be devoted in enhancing the level of management of enterprise operation. Focus will be put on cash flow and the capacity in risk management and control will be continuously raised. The power of execution will be made the core of cultural establishment and team building will be strengthened continuously.

At present, the Company is one of the largest and best enterprises in China’s textile machinery industry in terms of scale of operation and assets quality. The Company has good business results and higher management standard in the industry. Its production lines are complete, sales channels are comprehensive, and it possesses a high quality professional team, and has its own competitive advantages, with the technical cooperation with world famous textile machinery manufacturers, which will further strengthen the technical competitiveness of its products. The Company will make good use of its own competitive edge, resolve risks and continue to maintain steady growth of the Company for the creation of more wealth for shareholders.

Section III Investments of the Company

1. Use of proceeds

As at 31 December 2007, the unutilised proceeds from the issue of shares amounted to RMB752,000 which was deposited with the bank. During the reporting period, the Company utilised such proceeds for supplementing working capital. As at 31 December 2008, the proceeds raised previously were used up. The utilisation of accumulated proceeds from the issue of shares by the Company is set out in the 2003 Annual Report of the Company.

2. Status of investment projects with funds not raised through the issue of shares for the reporting period

Unit: RMB'000

Name of the project	Amount involved in the project	Progress of the project	Revenue derived from the project
Langfang Hengsheng Realty Group Co., Ltd.	68,000	Newly commenced in December 2008	Nil
Huangshi Jingwei Textile Machinery Company Limited	7,500	Newly commenced in December 2008	Nil
Qingdao Textile Machinery Joint Stock Limited Company	7,802	Newly commenced in December 2008	Nil
Total	83,302	–	–

Section IV Routine work of the Board of Directors

1. The Board meetings and the details of resolutions

15 meetings were held by the Board during the reporting period. Details are as follows:

Meeting	Date on which meeting was held	Summary of resolutions or newspapers and media on which the resolutions were published	Date of announcement
Extraordinary Board Meeting of the Fifth Board	10 January 2008	Resolved to issue the notice of the 2008 First Extraordinary General Meeting	
The Fifth Meeting of the Fifth Board	29 February 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	29 February 2008 1 March 2008
Extraordinary Board Meeting of the Fifth Board	27 March 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	27 March 2008 28 March 2008
The Sixth Meeting of the Fifth Board	22 April 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	23 April 2008
The Seventh Meeting of the Fifth Board	24 April 2008	The First Quarterly Report of the Company was considered and approved	
Extraordinary Board Meeting of the Fifth Board	9 May 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	9 May 2008 10 May 2008
Extraordinary Board Meeting of the Fifth Board	5 June 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	5 June 2008 6 June 2008
The Eighth Meeting of the Fifth Board	20 June 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	20 June 2008 21 June 2008
Extraordinary Board Meeting of the Fifth Board	28 July 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	28 July 2008 29 July 2008

Section IV Routine work of the Board of Directors (continued)

1. The Board meetings and the details of resolutions (continued)

The Ninth Meeting of the Fifth Board	15 August 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	15 August 2008 16 August 2008
Extraordinary Board Meeting of the Fifth Board	8 October 2008	Websites of cninfo, The Stock Exchange of Hong Kong Limited and the Company Securities Times	9 October 2008
The Tenth Meeting of the Fifth Board	23 October 2008	The Third Quarterly Report of the Company was considered and approved	
Extraordinary Board Meeting of the Fifth Board	24 October 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	24 October 2008 25 October 2008
Extraordinary Board Meeting of the Fifth Board	20 November 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	20 November 2008 21 November 2008
Extraordinary Board Meeting of the Fifth Board	27 November 2008	Website of The Stock Exchange of Hong Kong Limited Securities Times, the websites of cninfo and the Company	27 November 2008 28 November 2008

Note: For details of the meeting and resolutions of the Board Meetings held during the year, please refer to the relevant announcements as disclosed on the designated media by the Company.

Section IV Routine work of the Board of Directors (continued)

2. Implementation of resolutions passed at the general meetings by the Board

The Board of the Company implemented all the resolutions diligently and paid dividends to the holders of A Shares and H Shares on a timely basis in accordance with the profit distribution proposal approved at the general meeting. The general mandate granted at the general meetings to the Directors to exercise powers to repurchase part of H Shares was not exercised during the reporting period.

3. Fulfilment of duties of the Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors fulfilled their duties diligently in accordance with the "Code of Practice of Audit Committee" of the Company and the relevant regulations prescribed by CSRC and Shenzhen Stock Exchange. Their principal activities are set out as follows:

(1) The Audit Committee of the Board of Directors reviewed the "2008 Audit Plan" as prepared by the Company's registered accountants for annual audit, Deloitte Touche Tohmatsu (Hong Kong Certified Public Accountant) and Deloitte Touche Tohmatsu CPA Ltd. (the PRC Certified Public Accountant) and agreed to the respective audit plan and arrangements.

(2) Before the registered accountants for annual audit commenced site audit, the Audit Committee of the Board of Directors reviewed the 2008 financial statements prepared by the Company and issued written opinion. The Audit Committee of the Board of Directors considered that the financial statements of the Company was prepared in accordance with the PRC Corporate Accounting Standards, that the accounting policies were appropriately applied and accounting estimations were made reasonably, and that the financial statements were in compliance with the Corporate Accounting Standards, the Corporate Accounting System and the relevant regulatory requirements required by the Ministry of Finance. The entities included for accounts consolidation and the content of the financial statements of the Company were complete and the basis of consolidation was accurate. The financial statements of the Company were true, accurate and complete and no material mistakes or omissions were identified. Therefore, the Audit Committee of the Board of Directors agreed that the financial statements prepared by the Company be submitted to the registered accountants for annual audit.

(3) After the registered accountants for annual audit commenced site audit, the Audit Committee of the Board of Directors communicated and interacted with the registered accountants for annual audit many times and issued two letters to urge them to submit the audit report by the agreed deadline.

(4) After the registered accountants for annual audit issued preliminary audit opinions, the Audit Committee of the Board of Directors reviewed the 2008 financial statements of the Company again and issued written opinion. The Audit Committee of the Board of Directors considered that the preliminary audit results were in compliance with the requirements of corporate accounting standards. The state of affairs and the operating results of the Company for 2008 were fairly disclosed with respect to significant aspects.

(5) The Audit Committee of the Board of Directors considered that Deloitte Touche Tohmatsu (Hong Kong certified public accountants) and Deloitte Touche Tohmatsu CPA Ltd. (the PRC certified public accountants) have complied with their code of practice of being independent, objective and fair in providing audit services to the Company and have performed their duties to complete the audit of the financial report of the Company for 2008.

(6) On 30 March 2009, a meeting was convened by the Audit Committee of the Board of Directors. The conclusion report for the 2008 audit of the financial report of the Company carried out by the registered accountants and the recommendation to reappoint the registered accountants for 2009 were considered and approved at the meeting.

4. Fulfilment of duties of the Personnel Nomination and Remuneration Committee

The Personnel Nomination and Remuneration Committee reviewed the remuneration of the Directors, Supervisors and senior management of the Company for the Year 2008 and considered the remuneration standard and the evaluation of the said personnel who received remuneration from the Company were in compliance with the relevant regulations.

During the reporting period, the Company did not have share incentive scheme.

Section V Profit distribution proposal for the year

In 2008, the Company realised a net profit of RMB70,165,884 under PRC Corporate Accounting Standards and Systems, 10% of which amounting to RMB7,016,588 will be appropriated to the statutory surplus reserve in accordance with the articles of association of the Company. The distributable profit accrued for the year was RMB63,149,296. With the addition of the undistributed profit of RMB19,292,911 at the beginning of the year and the substraction of the final dividends for 2007 of RMB6,038,000 paid in 2008 from the distributable profit accrued for the year, the actual distributable profit for shareholders was RMB76,404,207.

In view of the profit of the Company for 2008 and taking full consideration of shareholders' interest and the long-term development of the Company, the recommended proposal for distribution of profit for 2008 is as follows:

Calculated on the basis of 603,800,000 shares of the Company in issue, the Company will pay a cash dividend of RMB0.10 (tax inclusive) for every 10 Shares to all shareholders, which amounts to a total of RMB6,038,000. The Company's balance of the undistributed profit of RMB70,366,207 will be carried forward to the following year.

Cash dividends for the previous three years of the Company:

Unit: RMB

	Amount of cash dividends (tax inclusive)	Net profit attributable to owners of the parent company in the consolidated statement	Percentage of net profit attributable to owners of the parent company in the consolidated statement
2007	6,038,000.00	162,206,513.23	3.72%
2006	48,304,000.00	189,095,795.64	25.54%
2005	30,190,000.00	151,971,836.00	19.87%

Section VI Other reporting items

1. Directors' and Supervisors' interest in contracts

No contracts of significance (except service contracts) in relation to the Group's business to which the Company, its subsidiaries or its jointly controlled entities was a party and in which a Director or Supervisor of the Company had a material interest or is substantially interested, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the reporting period.

2. Directors' and Supervisors' Service Contracts

None of the Directors or Supervisors has entered into a service contract with the Company (or any of its subsidiaries) which is not determinable within one year without payment of compensation, other than statutory compensation.

Section VI Other reporting items (continued)

3. Specific explanation and independent opinions by the Independent Non-executive Directors regarding external guarantees of the Company

Pursuant to the provisions of the "Notice regarding the Regulations of Certain Issues on the Movements of Funds Between Listed Companies and Related Parties and External Guarantees of Listed Companies" (CSRC [2003] No. 56) and "Notice regarding the Regulation of Certain Issues on External Guarantees of Listed Companies" (CSRC [2005] No. 120) issued by the China Securities Regulatory Committee, we, as Independent Non-executive Directors of the Company, have reviewed the circumstances of the external guarantees for the year 2008, and declared those external guarantees of the Company are compliance with provisions of laws, regulations and the Articles of Association. For the year ended 31 December 2008, the Company had not provided any guarantees, either for the current period or on accumulative basis, to any controlling shareholder, other related parties of the Company with less than 50% shareholding, any non-legal person entities or individuals.

4. Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to shareholders for reason of their holding of the Company's securities.

5. Purchase, Sale or Redemption of Shares

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

6. Pre-emptive Rights

There is no such provisions in the Articles of Association of the Company and the PRC Laws requiring to grant any pre-emptive rights for new shares to its existing shareholders according to their respective shareholding proportions.

7. Management Contract

There were no contracts concerning the management or administration of the whole or substantial part of the business of the Company were entered into or existed during the reporting period.

8. Currency and Interest Rate Risk

As the Group's revenue and expenses are mainly denominated in Renminbi, the Group does not expect that its business operating activities will incur material currency risk.

For its financing activities, for the financial year ended 31 December 2008, the Group's short-term borrowings amounted to RMB 552,290,000 , of which borrowings of US$13,000,000 (equivalent to RMB88,850,000) were in the U.S. dollar, while the remaining balances were in Renminbi. The interest rates were in the range from between 3.89 % to 7.47 % per annum. The management considers that the Group did not have any material interest rate risk.

Details of the Group's financial risks and management are set out in Note IX to the financial statements prepared in accordance with the PRC Corporate Accounting Standards.

9. Connected transactions

Details of connected transactions are set out in Chapter IX "Significant Events" of this report.

10. Subsequent events

Details of subsequent events are set out in the notes to the financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

11. Reserves

During the reporting period, significant changes in the amount of reserves of the Group and the Company and the details are set out in the notes to the financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

Chapter VIII Supervisors' Report

1. Meetings and Resolutions of the Supervisory Committee

During the reporting period, the Supervisory Committee held 4 meetings. The details are as follows:

Meeting	Summary of matters resolved	Date of meeting	Newspapers and media on which the resolutions were published	Date of announcement
The Fourth Meeting of the Fifth Supervisory Committee	1. The 2007 Supervisors' Report of the Company was considered and approved; 2. The 2007 Financial Report of the Company was considered and approved; 3. The 2007 Annual Report of the Company and its Summary were considered and approved. The 2007 Annual Report of the Company and its Summary were true, accurate and complete in reflecting the operating results and financial status of the Company. There were no false record, misleading statements or material omissions. 4. The 2007 Evaluation Report on Self-examination of Internal Control of the Company was considered and approved.	22 April 2008	Securities Times, cninfo the websites of cninfo, The Stock Exchange of Hong Kong Limited and the Company	23 April 2008
The Fifth Meeting of the Fifth Supervisory Committee	The 2008 First Quarterly Report of the Company was considered.	24 April 2008		
The Sixth Meeting of the Fifth Supervisory Committee	The 2008 Interim Report of the Company was considered.	15 August 2008		
The Seventh Meeting of the Fifth Supervisory Committee	The 2008 Third Quarterly Report of the Company was considered.	23 October 2008		

2. Opinion of the Supervisory Committee on the lawful operation of the Company

In accordance with the relevant laws and regulations of the State, the Supervisory Committee conducted its diligent monitoring of the procedures for convening the general meetings and the Board meetings of the Company and passing of the resolutions thereat, the implementation by the Board of the resolutions passed at the general meetings, the discharge of duties by the senior management of the Company, and the internal management system of the Company. The Supervisory Committee is of the opinion that the Board conducted itself in a regulated manner in accordance with the Company Law, the Securities Law, the Articles of Association of the Company, and the relevant laws and regulations. The Board members worked diligently and responsibly, and made decisions in a scientific and rational manner. Every management system of the Company became more sound and was realistically operated. The Supervisors were not aware of the Directors and senior management of the Company performing their duties in contravention of the laws of the State, rules and regulations or the Articles of Association of the Company or in prejudice against the interests of the Company.

3. Opinion of the Supervisory Committee on the financial status of the Company

The Supervisory Committee made a diligent review on the profit distribution proposal of the Company for 2008 to be submitted by the Board of the Company for approval at the general meeting and the relevant audit materials in respect of the auditors' report for 2008 prepared by the domestic and international auditors with unqualified audit opinion. The Supervisory Committee considers that the auditors' report of the Company for 2008 reflects the financial status and operating results of the Company in an objective way.

4. Opinion of the Supervisory Committee on the use of proceeds by the Company in investment projects

During the reporting period, the Company utilised the balance of the proceeds amounting to RMB752,000 for supplementing working capital, which was in compliance with the undertaken use of proceeds.

5. Opinion of the Supervisory Committee on the acquisition and disposal of assets

The Supervisory Committee was of the opinion that the prices for the acquisition and disposal of assets by the Company were reasonable and there were not any events of insider dealings, or activities which prejudiced the interests of certain shareholders or resulted in a loss of assets.

6. Opinion of the Supervisory Committee on connected transactions

During the reporting period, every connected transaction of the Company was disclosed in accordance with the relevant disclosure requirements, and the transaction prices were settled according to the relevant agreements governing the transactions. Nothing was found detrimental to the interests of the Company.

Chapter IX Significant Events

1. **The Company was not involved in any material litigation or arbitration during the year, and there is no material litigation or arbitration occurred during the previous period but subsisting during the reporting period.**

2. **There were no events related to bankruptcy or restructuring of the Company during the reporting period.**

3. **Acquisition, disposal of assets and capital contributions during the reporting period**

3.1 Acquisition of assets

Unit: RMB'000

Counterparty of the transaction or ultimate controller	Assets acquired	Date of acquisition	Price of acquisition	Net profit attributable to the Company from the date of acquisition to the end of the year	Net profit attributable to the Company from the beginning of the year to the end of the year (applicable to combination of enterprises under the same controller)	Whether it was a connected transaction (If yes, explanation should be provided for the basis of pricing)	Explanation on pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all rights and obligations concerned were completely transferred	Connected relationship
Beijing Hengsheng Investment Company Limited	20% equity interest in Langfang Hengsheng Realty Group Company Limited	3 December 2008	68,000	0	–	No	–	Yes	Yes	No connected relationship
Individual	7% equity interest in Qingdao Textile Machinery Joint Stock Limited Company	18 December 2008	7,802	0	–	Yes	Based on the carrying amount of net asset value attributable to the acquired equity interest concerned	Yes	Yes	Senior Management of a subsidiary of the Company
Huangshi Jingwei Textile Machinery Company Limited	25% equity interest in Huangshi Jingwei Machinery Company Limited	24 December 2008	7,500	0	–	No	–	Yes	Yes	No connected relationship

3. Acquisition, disposal of assets and capital contributions during the reporting period (continued)

3.2 Disposal of assets

Unit: RMB'000

Counterparty of the transaction	Assets disposed	Date of disposal	Price of disposal	Net profit attributable to the Company from the beginning of the year to the date of disposal	Gain/Loss from disposal	Whether it was a connected transaction (If yes, explanation should be provided for the basis of pricing)	Explanation on pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all rights and obligations concerned were completely transferred	Connected relationship
Anhui Huamao Textile Company Limited	25% equity interest in Anhui Huamao Jingwei New Type Textile Company Limited	5 December 2008	13,117	387	0	No	–	Yes	Yes	No connected relationship
Zhaodong Hualong Machinery Manufacturing Company Limited	63.08% equity interest in Beijing Ximen Information Technology Company Limited	30 September 2008	5,374	(1,793)	724	No	–	Yes	Yes	No connected relationship
Beijing Shidai Yangguang Joint Investment Company Limited	10% equity interest in Beijing Chenyu Taihe Property Development Company Limited	27 March 2008	38,000	0	31,047	No	–	Yes	Yes	No connected relationship

The extent of connection between the above acquisitions and disposals of assets and the Company's business was relatively small. No material impact will be posed on the sustainability of business and stability of the management of the Company.

4. The Company did not have any share incentive scheme during the reporting period.

5. Connected transactions and continuing connected transactions

(1) Connected transactions arising from the course of normal operations

To ensure the normal and smooth flow of production and operation of the Company, on 21 December 2007, the Company (for itself and on behalf of its subsidiaries from time to time) and China Textile Machinery (Group) Company Limited ("**CTMC Group**", for itself and on behalf of its associates and members from time to time, excluding the members of the Group) entered into the new Composite Services Agreement to regulate the goods and services supplied to each other between the Company and CTMC Group during the three years from 1 January 2008 to 31 December 2010, which include: (i) the supply of finished products, raw materials, components and parts, and the provision of processing, final processing 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 if the price of the relevant services provided is subject to any price control of the State, based on the price stipulated by the State;

② where there is no applicable price stipulated by the State, based on the market price or actual cost plus a reasonable profit (the increasing rate of which should not exceed the rate of increase in the household consumer index in the preceding year of the relevant region where the service provider is located), whichever is the lower.

The relevant details have been set out in the announcements of the Company published on Securities Times, the websites of cninfo (http://www.cninfo.com.cn) and the Company (www.jwgf.com) on 22 December 2007 and 11 January 2008, and the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) on 21 December 2007 and 10 January 2008.

Continuing connected transactions of the Group for the year were effected in accordance with the aforesaid Composite Services Agreement. The continuing connected transactions as contemplated under the Composite Services Agreement were as follows:

Unit: RMB'000

Connected persons	Sales of goods and provision of labour services to the connected persons		Purchase of goods and acceptance of labour services from the connected persons	
	Transaction Amount	Proportion to similar transaction amount %	Transaction Amount	Proportion to similar transaction amount %
Companies controlled by the ultimate parent company	49,424	6.29	–	–
Companies controlled by the same parent company	159,029	20.25	522,648	98.17
Associates of the Group	576,976	73.46	9,752	1.83
Total	785,429	100.00	532,400	100.00

Of such sum, the connected transactions arising from sales of finished goods, raw materials, parts and charge of processing fees from the Company to the companies controlled by the same parent company and companies controlled by the ultimate parent company amounted to RMB208,453,000 during the reporting period.

5. Connected transactions and continuing connected transactions (continued)

(1) Connected transactions arising from the course of normal operations (continued)

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions undertaken by the Group for the year, 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 terms no more favourable or less favourable than terms available to or from independent third parties;

③ in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of all shareholders of the Company as a whole.

Such transactions were conducted in the ordinary course of the Company's operations. As the relevant connected persons had many years of business cooperation with the Company and had matching production and processing capacity, these transactions allowed the orderly and smooth operations of the Company. Such transactions had their necessity and continuity in the Company's operations. Such connected transactions however would not affect the Company's independence.

(2) In addition to the continuing connected transactions contemplated under the Composite Services Agreement, the following set out the connected transactions of the Group carried out in accordance with the Listing Rules of Shenzhen Stock Exchange and the Listing Rules of The Stock Exchange of Hong Kong Limited during the reporting period:

① Acquisition of 33.45% interest ("Sale Interest") in Wuxi Jingwei Textile Technology Testing Company Limited ("Wuxi Jingwei"), a subsidiary of the Company

On 24 October 2008, Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing Jingwei"), a subsidiary of the Company, (as purchaser) entered into an agreement in respect of the sale and purchase of Sale Interest with China Textile Machinery (Group) Company Limited (as vendor), the controlling Shareholder and the promoter of the Company. As the Sale Interest is a state-owned asset, its transfer is subject to the process of open tender on an approved equity exchange pursuant to the relevant PRC laws and regulations. Following the signing of the Acquisition Agreement, the Group intended to submit an application to acquire and bid for the Sale Interest. The Consideration for the Acquisition will be not more than RMB26,003,330. The final Consideration will be confirmed on the date of successful bidding. As at the end of the reporting period, the transaction of the aforesaid acquisition was not completed.

② Acquisition of an aggregate of 7% interest in Qingdao Textile Machinery Joint Stock Limited Company ("Qingdao Textile")

On 20 November 2008, Beijing Jingwei (as purchaser) entered into agreements in respect of the sale and purchase of 5% and 2% interest in Qingdao Textile with Mr. Ji Xin and Mr. Liu Yuan Yi ("Mr. Liu") (both being senior management staff of a subsidiary of the Company) (as vendor) respectively. The consideration for acquisition of 5% and 2% interest in Qingdao Textile were RMB 5,572,876.46 and RMB2,229,150.58 respectively. At the end of the reporting period, the aforesaid acquisitions were completed.

③ Disposal of 0.3373% interest in Qingdao Hongda Textile Machinery Company Limited ("Qingdao Hongda")

On 20 November 2008, the Company (as purchaser) entered into an agreement with Mr. Liu (as vendor) in respect of the sale and purchase of 0.3373% interest in Qingdao Hongda. The consideration for the disposal of interest was RMB1,125,856.24. At the end of the reporting period, the aforesaid disposal was completed.

5. **Connected transactions and continuing connected transactions (continued)**

(3) **During the Reporting Period, the Company did not have connected transactions arising from joint external investment with connected persons.**

(4) **In the year under review, there was no appropriation of non-operating capital occurred between the controlling shareholder of the Company and its affiliated companies and the Company, nor was there any appropriation of the non-operating balances as at 31 December 2008.**

The Company confirmed that the disclosure of the aforesaid connected transactions in 2008 were in compliance with the disclosure requirements under Chapter 14A of the Listing Rules of The Stock Exchange of Hong Kong Limited. Details of the connected transactions and the continuing connected transactions of the Company are set out in the notes to financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

6. **Material Contracts and Execution**

(1) During the reporting period, there were no significant events such as escrow, contracting and lease.

(2) Except as set out below, the Company had no other significant guarantees during the reporting period:

Unit: RMB'000

External guarantee made by the Company (excluding guarantees to subsidiaries)						
Name of guaranteed party	**Date**	**Guaranteed amount**	**Type of guarantee**	**Period of guarantee**	**Discharged or not**	**Whether in favour of any related party**
Beijing Hualian Group Investment Holdings Limited	10/10/2007	150,000	Joint liability	10/10/2007-9/10/2008	Yes	No
Beijing Hualian Group Investment Holdings Limited	10/10/2008	100,000	Joint liability	10/10/2008-9/10/2009	No	No
Total actual guaranteed amount during the reporting period			250,000			
Total actual guaranteed balance at the end of the reporting period			100,000			
Guarantees in favour of subsidiaries made by the Company						
Total actual guaranteed amount to subsidiaries during the reporting period			210,000			
Total actual guaranteed balance to subsidiaries at the end of the reporting period			112,000			
Total guarantees made by the Company (including the guarantees to subsidiaries)						
Total guaranteed amount			212,000			
Proportion of total guaranteed amount to net assets of the Company			7.44%			
Of which:						
Guaranteed amount provided to shareholders, parties which have beneficial control and other related parties			0			
Guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70%			0			
Total guaranteed amount in excess of 50% of net asset value			0			
Aggregate guaranteed amount of the above three items			0			
Statement on the contingent joint liability in connection with unexpired guarantees			Nil			

Decision-making procedure for the aforesaid guarantee:	Within the scope as permitted by the Articles of Association, external guarantees of the Company are subject to approval by more than two-thirds of the members of the Board.

(3) There were no entrusted management of cash and assets of the Company during the reporting period.

7. **Performance of Commitments**

Commitments by the Company or shareholders with more than 5% of shareholding during or up to the reporting period

Commitment	Content	Performance status
Commitment on share segregation reform	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

8. Sale and acquisition of shares of other listed companies

Name of shares	Number of shares held at the beginning of the period (share)	Number of shares acquired during the reporting period (share)	Number of shares sold during the reporting period (share)	Number of shares held at the end of the period (share)	Amount of capital utilised (RMB)	Gain generated from investment (RMB)
South Locomotive and Rolling Stock (listed on Shanghai Stock Exchange)	0	284,000	284,000	0	619,120	473,437.66
China Coal (listed on Shanghai Stock Exchange)	0	105,000	105,000	0	1,767,150	525,735.81

Pursuant to the resolution of the 18th meeting of the fourth Board of the Company held on 28 June 2007, the Company may subscribe for new A shares in the primary market with its self-owned funds without prescribed use of not more than RMB500,000,000. During the reporting period, the Company subscribed for some newly-offered shares with an initial investment cost of RMB18,873,933.77. At the end of the reporting period, all subscribed stocks were sold, which generated an investment gain of RMB1,428,705.32.

9. Appointment of the Auditors by the Company during the reporting period

Deloitte Touche Tohmatsu CPA Ltd. (the PRC Certified Public Accountants) and Deloitte Touche Tohmatsu (Hong Kong Certified Public Accountants) were engaged by the Company as the PRC and international auditors respectively for the reporting period. Details of which were as follows:

Accounting Firm	2008 Audit fee *(RMB'000)*	Year of audit
Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu	3,960	2

In the First Extraordinary General Meeting of 2007 held on 15 August 2007, the shareholders of the Company approved the appointment of Deloitte Touche Tohmatsu CPA Ltd. and Deloitte Touche Tohmatsu as the PRC auditors and the international auditors of the Company, respectively.

10. The effect of the unified income tax and the changes in income tax policy

The Company was registered as a foreign investment enterprise in the Beijing Economic and Technological Development Zone. In accordance with the Advanced Technology Enterprise Certificate No. GR200811000616 jointly issued by Beijing Municipal Science & Technology Commission, Finance Bureau of Beijing, Beijing Municipal Administration of State Taxation and Beijing Local Taxation Bureau, the Company is entitled to the enterprise income tax rate of 15% from 2008 to 2010 by virtue of the Law of the People's Republic of China on Enterprise Income Tax promulgated on 16 March 2007. The Company is not entitled to any other tax concessionary treatment. The Company is not aware of any effects of changes in the State's enterprise income tax policy in 2009 on the Company.

11. Impact of staff quarters on the Company's results

There was no material adverse effect on the results of the Company for provision of staff quarters. Since 2000, the Company has implemented staff quarters policy in accordance with the relevant policies of the State and local governments.

12. Reception of Research and visits of the Company

During the reporting period, the Company received the interviews and research by investors and investment institutions by the principles of openness, fairness and impartiality in strict accordance with the Disclosure Guidelines of Fair Information of the Listed Companies on the Shenzhen Stock Exchange. During the reception process, the Company did not disclose, release or divulge any undisclosed material information of the Company on any private, premature basis or selectively to any specific persons, and protect the impartiality of corporate information disclosure and legal interests of investors. Details are as follows:

Time of reception	Place of reception	Means of reception	Subject of reception	Key content of discussion and information provided
18 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
16 January 2008	Conference room of the Company	On-site research	China International Fund Management Company Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
17 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
22 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
20 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
26 September 2008	Conference room of the Company	On-site research	Norinchukin Bank	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
26 September 2008	Conference room of the Company	On-site research	Mitsubishi UFJ Securities Company Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company

13. Performance of corporate social responsibility during the reporting period

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

14. Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of the report, there was sufficient public float of shares.

Chapter X Report of the Auditor – The PRC

Audit Report

De Shi Bao (Shen) Zi (09) No.P0279

TO THE SHAREHOLDERS OF JINGWEI TEXTILE MACHINERY COMPANY LIMITED:

We have audited the accompanying financial statements of Jingwei Textile Machinery Company Limited ("Jingwei Company"), which comprise the company and consolidated balance sheets as at 31 December 2008, and the company and consolidated income statements, the company and consolidated statements of changes in shareholder's equity and the company and consolidated cash flow statements for the year then ended, and notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements in accordance with Accounting Standards for Business Enterprises. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Certified Public Accountants Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. AUDIT OPINION

In our opinion, the financial statements of Jingwei Company have been prepared in accordance with Accounting Standards for Business Enterprises, and present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2008, and the company's and consolidated results of operations and cash flows for the year then ended.

Deloitte Touche Tohmatsu CPA Ltd.

Shanghai, China

CPA

Xie Jiayang

Tong Chuanjiang

30 March 2009

Chapter XI Accounts Prepared in Accordance with the PRC Corporate Accounting Standards

Company and Consolidated Balance Sheets

As at 31 December 2008

ASSETS	Note	CONSOLIDATED 31 DECEMBER 2008 *RMB*	CONSOLIDATED 31 DECEMBER 2007 *RMB*	THE COMPANY 31 DECEMBER 2008 *RMB*	THE COMPANY 31 DECEMBER 2007 *RMB*
Current Assets:					
Currency funds	VII1/XIII1	734,709,610.55	644,299,072.76	520,541,620.90	346,496,831.65
Held-for-trading financial assets		–	4,945,000.00	–	4,945,000.00
Notes receivable	VII2/XIII2	700,808,734.31	1,229,251,866.76	531,795,935.08	855,372,838.89
Accounts receivable	VII3/XIII3	373,786,068.90	427,383,317.15	300,736,711.69	271,395,916.13
Advances to suppliers	VII4/XIII4	252,402,482.82	199,851,701.79	117,826,257.98	65,732,191.90
Dividends receivable	XIII5	–	–	82,077,333.36	4,592,565.36
Other receivables	VII5/XIII6	40,194,559.58	71,219,437.33	395,410,307.34	270,125,342.69
Entrusted loan	VII6/XIII8	180,468,750.00	67,000,000.00	253,468,750.00	140,000,000.00
Inventories	VII7/XIII7	1,774,348,127.58	2,000,725,629.58	367,086,467.21	582,892,617.69
Other current assets	VII8	–	10,905,852.80	–	–
Total current assets		4,056,718,333.74	4,655,581,878.17	2,568,943,383.56	2,541,553,304.31
Non-current Assets					
Long-term equity investments	VII9/XIII9	218,784,388.70	158,358,681.56	1,042,207,642.48	978,193,188.06
Fixed assets	VII10/XIII10	1,285,796,536.67	1,183,387,283.80	462,869,108.51	455,894,718.51
Construction in progress	VII11/XIII11	64,941,018.14	66,265,074.38	10,050,061.00	24,482,170.64
Construction materials	VII12/XIII12	11,452,986.82	5,747,744.14	1,894,760.76	2,183,513.50
Intangible assets	VII13/XIII13	281,579,729.60	278,679,832.64	88,146,783.20	88,835,741.61
Goodwill		2,258,412.00	2,258,412.00	–	–
Deferred tax assets	VII14/XIII14	30,045,046.91	35,731,341.25	17,630,074.35	20,934,582.84
Long-term receivables	VII15/XIII15	23,091,163.33	–	139,554,379.34	77,136,576.10
Other non-current assets	XII16	35,909,090.91	–	–	–
Total non-current assets		1,953,858,373.08	1,730,428,369.77	1,762,352,809.64	1,647,660,491.26
TOTAL ASSETS		6,010,576,706.82	6,386,010,247.94	4,331,296,193.20	4,189,213,795.57

Company and Consolidated Balance Sheets (continued)

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	Note	CONSOLIDATED		THE COMPANY	
		31 DECEMBER 2008 *RMB*	31 DECEMBER 2007 *RMB*	31 DECEMBER 2008 *RMB*	31 DECEMBER 2007 *RMB*
Current Liabilities					
Short-term borrowings	VII19/XIII17	552,290,149.36	414,160,740.86	359,910,076.73	309,387,040.86
Notes payable	VII20/XIII18	181,266,484.88	275,884,343.86	106,456,585.72	150,538,550.85
Accounts payable	VII21/XIII19	893,709,192.58	1,244,290,600.73	547,624,799.95	866,238,934.99
Advances from customers	VII22/XIII20	306,361,370.12	559,362,234.52	261,296,454.34	231,296,764.90
Employee benefits payables	VII23/XIII21	54,182,419.84	97,252,093.55	16,361,377.71	35,666,171.20
Tax payable	VII24/XIII22	(4,999,832.80)	7,135,761.47	15,626,395.84	147,115.40
Dividends payable	VII25/XIII23	23,045,263.75	26,680,224.29	17,610,739.56	15,654,279.76
Other payables	VII26/XIII24	181,144,553.75	265,097,339.62	153,083,602.68	142,652,204.65
Long-term borrowings due within one year	VII28/XIII26	87,000,000.00	105,000,000.00	55,000,000.00	5,000,000.00
Long-term payables due within one year	VII29/XIII26	6,770,787.27	8,680,000.00	3,872,036.20	5,720,000.00
Other current liabilities	VII27/XIII25	4,425,393.46	6,470,000.00	4,425,393.46	6,470,000.00
Total current liabilities		2,285,195,782.21	3,010,013,338.90	1,541,267,462.19	1,768,771,062.61
Non-current Liabilities					
Long-term borrowings	VII28/XIII26	473,091,163.32	150,000,000.00	373,091,163.32	100,000,000.00
Long-term payables	VII29/XIII27	95,116,594.82	146,902,676.51	71,190,356.89	103,893,696.59
Special payables	VII30/XIII29	39,946,787.45	–	39,946,787.45	–
Provisions		–	900,000.00	–	–
Other non-current liabilities	VII31/XIII28	45,344,707.61	20,179,820.81	20,330,000.00	–
Total non-current liabilities		653,499,253.20	317,982,497.32	504,558,307.66	203,893,696.59
TOTAL LIABILITIES		2,938,695,035.41	3,327,995,836.22	2,045,825,769.85	1,972,664,759.20
Shareholders' Equity					
Share capital	VII32	603,800,000.00	603,800,000.00	603,800,000.00	603,800,000.00
Capital reserve	VII33/XIII30	1,253,404,487.37	1,249,865,032.48	1,244,713,617.49	1,239,920,114.95
Surplus reserve	VII34/XIII31	562,405,127.51	547,577,606.05	360,552,598.75	353,536,010.31
Unappropriated profits	VII35/XIII32	434,150,573.02	429,160,582.78	76,404,207.11	19,292,911.11
Translation differences arising on translation of financial statements denominated in foreign currencies		(2,878,374.23)	(2,487,256.36)	–	–
Total shareholders' equity attributable to equity holders of the parent		2,850,881,813.67	2,827,915,964.95	2,285,470,423.35	2,216,549,036.37
Minority interests	VII36	220,999,857.74	230,098,446.77	–	–
Total Shareholders' Equity		3,071,881,671.41	3,058,014,411.72	2,285,470,423.35	2,216,549,036.37
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,010,576,706.82	6,386,010,247.94	4,331,296,193.20	4,189,213,795.57

The accompanying notes form a part of these financial statements.

The financial statements from page 62 to page 158 are signed by the following people in charge:

Yao Yuming, person in charge of company

Mao Faqing, person in charge of accounting function

Mao Faqing, person in charge of accounting department

Company and Consolidated Income Statements

For the year ended 31 December 2008	Note	CONSOLIDATED 2008 *RMB*	CONSOLIDATED 2007 *RMB*	THE COMPANY 2008 *RMB*	THE COMPANY 2007 *RMB*
Operating income	VII37/XIII33	3,707,895,439.97	5,432,661,954.93	2,500,925,440.99	3,502,374,411.42
Less: Operating costs	VII38/XIII34	3,263,869,062.00	4,707,684,646.90	2,408,445,031.81	3,298,741,840.62
Business taxes and levies	VII39/XIII35	26,345,147.77	10,267,941.91	1,595,291.81	2,437,264.86
Selling and distribution expenses		129,851,919.36	147,676,251.36	54,394,024.58	69,432,541.34
Administrative expenses		344,699,517.06	465,054,537.17	110,536,726.73	185,478,343.72
Financial expenses	VII40/XIII36	20,715,853.17	22,035,348.18	3,072,793.99	2,382,857.55
Impairment loss in respect of assets	VII41/XIII37	(5,661,047.00)	12,330,310.14	(2,877,484.35)	10,309,770.33
Add: Gains from changes in fair values		–	1,945,000.00	–	1,945,000.00
Investment income	VII42/XIII38	53,086,828.95	117,485,653.65	122,882,396.48	121,965,397.95
Including: Income from investment in associates and jointly controlled entities		(306,183.86)	21,582,278.17	(330,504.64)	20,825,232.17
Operating profit		(18,838,183.44)	187,043,572.92	48,641,452.90	57,502,190.95
Add: Non-operating income	VII43/XIII39	75,273,941.84	19,540,980.66	25,442,844.14	3,729,755.70
Less: Non-operating expenses	VII44/XIII40	6,039,509.44	4,464,826.36	2,211,574.19	403,286.84
Including: Loss from disposal of non-current assets		2,579,843.95	2,250,016.31	–	385,920.92
Total profit		50,396,248.96	202,119,727.22	71,872,722.85	60,828,659.81
Less: Income tax expenses	VII45/XIII41	22,624,027.41	26,513,374.16	1,706,838.41	10,371,014.01
Net profit		27,772,221.55	175,606,353.06	70,165,884.44	50,457,645.80
Net profit attributable to shareholders of the parents		25,855,511.70	162,206,513.23	70,165,884.44	50,457,645.80
Profits and losses attributable to minority interests		1,916,709.85	13,399,839.83	–	–
Including: Net profit of the party being absorbed before the combination date in a business combination involving entities under common control		–	–	–	–
Earnings per share					
(I) Basic earnings per share	VII47	0.04	0.27	0.12	0.08
(II) Diluted earnings per share	VII47	N/A	N/A	N/A	N/A

The accompanying notes form part of these financial statements.

Company and Consolidated cash flow statements

For the year ended 31 December 2008	Notes	CONSOLIDATED 2008 *RMB*	CONSOLIDATED 2007 *RMB*	THE COMPANY 2008 *RMB*	THE COMPANY 2007 *RMB*
Cash flow from operating activities					
Cash receipts from sale of goods and the rendering of services		4,919,970,757.02	6,770,448,886.00	3,209,609,709.24	4,218,058,896.57
Receipts of tax refunds		1,612,623.39	2,027,649.99	–	–
Other cash receipts relating to operating activities	VII51/XIII45	87,419,379.94	34,212,136.40	66,570,732.68	12,670,383.48
Sub-total of cash inflows from operating activities		5,009,002,760.35	6,806,688,672.39	3,276,180,441.92	4,230,729,280.05
Cash payments for goods purchased and services received		4,118,746,974.79	5,481,547,918.09	2,929,752,422.75	3,849,320,438.07
Cash payments to and on behalf of employees		499,330,958.70	584,138,184.11	180,958,558.56	193,858,755.50
Payments of all types of taxes		135,840,954.99	333,724,937.98	32,967,923.56	107,926,083.64
Other cash payments relating to operating activities	VII51/XIII45	214,565,061.81	284,352,729.14	47,426,622.98	89,627,260.74
Sub-total of cash outflows from operating activities		4,968,483,950.29	6,683,763,769.32	3,191,105,527.85	4,240,732,537.95
Net cash flows from operating activities		40,518,810.06	122,924,903.07	85,074,914.07	(10,003,257.90)
Cash flows from investing activities					
Cash receipts from disposals of investments		85,320,125.38	316,444,488.77	27,607,227.57	304,155,697.41
Cash receipts from returns on investments		20,381,949.30	19,988,101.32	44,756,914.66	53,399,459.59
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets		42,135,990.18	4,098,456.35	26,744,340.43	1,368,871.82
Net cash received from disposals of a subsidiary and other business units		428,100.45	–	–	–
Sub-total of cash inflows from investing activities		148,266,165.31	340,531,046.44	99,108,482.66	358,924,028.82
Cash payments to acquire fixed assets, intangible assets and other long-term assets		291,289,279.34	201,041,725.17	103,559,096.00	103,726,987.50
Cash payments to acquire investments		189,777,245.69	63,461,122.98	259,528,997.88	165,491,122.98
Net cash payments for purchase of subsidiaries and other business units		–	71,201,900.34	–	–
Sub-total of cash outflows from investing activities		481,066,525.03	335,704,748.49	363,088,093.88	269,218,110.48
Net cash flows from investing activities		(332,800,359.72)	4,826,297.95	(263,979,611.22)	89,705,918.34
Cash flows from financing activities					
Cash receipts from borrowings		982,290,149.36	220,940,620.31	689,910,076.73	209,235,048.22
Sub-total of cash inflows from financing activities		982,290,149.36	220,940,620.31	689,910,076.73	209,235,048.22

Company and Consolidated cash flow statements (continued)

For the year ended 31 December 2008	Note	CONSOLIDATED 2008 *RMB*	CONSOLIDATED 2007 *RMB*	THE COMPANY 2008 *RMB*	THE COMPANY 2007 *RMB*
Cash repayments of amounts borrowed		571,594,070.22	504,548,931.35	304,971,312.31	433,598,931.35
Cash payments for interest expenses and distribution of dividends or profits		66,480,505.48	90,640,475.96	41,263,161.74	69,062,193.05
Including: cash payments to minority shareholders for distribution of dividends or profits		4,024,877.79	1,853,220.69	–	–
Other cash payments relating to financing activities	VII52/XIII46	5,114,650.61	10,966,605.43	–	1,378,282.49
Sub-total of cash outflows from financing activities		643,189,226.31	606,156,012.74	346,234,474.05	504,039,406.89
Net cash flows from financing activities		339,100,923.05	(385,215,392.43)	343,675,602.68	(294,804,358.67)
Effect of foreign exchange rate changes on cash and cash equivalents		145,812.68	(776,492.31)	5,333.45	(738,876.41)
Net increase (decrease) in cash and cash equivalents		46,965,186.07	(258,240,683.72)	164,776,238.98	(215,840,574.64)
Add: Opening balance of cash and cash equivalents	VII49/XIII43	637,468,328.04	895,709,011.76	345,952,877.32	561,793,451.96
Closing balance of cash and cash equivalents	VII49/XIII43	684,433,514.11	637,468,328.04	510,729,116.30	345,952,877.32

The accompanying notes form a part of these financial statements.

Company and Consolidated Statements of Changes in Shareholders' Equity

For the year ended 31 December 2008

	Consolidated								The Company				
	Share Capital *RMB*	Capital Reserve *RMB*	Surplus Reserve *RMB*	Unappropriated Profit *RMB*	Translation differences arising on translation of financial statements denominated in foreign currencies *RMB*	Attributable to equity holders of the parents *RMB*	Minority Interest *RMB*	Total Shareholders' Equity *RMB*	Share Capital *RMB*	Capital Reserve *RMB*	Surplus Reserve *RMB*	Unappropriated Profit *RMB*	Total Shareholders' Equity *RMB*
I. Balance at 31 December 2006	603,800,000.00	1,272,515,653.49	532,083,768.00	413,377,881.18	(2,115,368.48)	2,819,661,934.19	183,317,433.00	3,002,979,367.19	603,800,000.00	1,272,515,653.49	405,968,883.42	539,492,765.39	2,821,777,302.30
1. Changes in accounting policies	–	(22,650,621.01)	(8,262,597.35)	(74,363,376.23)	–	(105,276,594.59)	(21,942,137.21)	(127,218,731.80)	–	(32,595,538.54)	(57,478,637.32)	(517,307,735.87)	(607,381,911.73)
II. Balance at 1 January 2007	603,800,000.00	1,249,865,032.48	523,821,170.65	339,014,504.95	(2,115,368.48)	2,714,385,339.60	161,375,295.79	2,875,760,635.39	603,800,000.00	1,239,920,114.95	348,490,246.10	22,185,029.52	2,214,395,390.57
III. Changes for the year													
(I) Net profit	–	–	–	162,206,513.23	–	162,206,513.23	13,399,839.83	175,606,353.06	–	–	–	50,457,645.80	50,457,645.80
(II) Acquisition of non wholly-owned subsidiaries	–	–	–	–	–	–	57,176,531.84	57,176,531.84	–	–	–	–	–
(III) Exchange differences arising on translation of foreign operations	–	–	–	–	(371,887.88)	(371,887.88)	–	(371,887.88)	–	–	–	–	–
Sub-total of (I), (II) and (III)	–	–	–	162,206,513.23	(371,887.88)	161,834,625.35	70,576,371.67	232,410,997.02	–	–	–	50,457,645.80	50,457,645.80
(IV) Profit distribution													
1. Transfer to surplus reserve	–	–	23,756,435.40	(23,756,435.40)	–	–	–	–	–	–	5,045,764.21	(5,045,764.21)	–
2. Distribution to shareholders	–	–	–	(48,304,000.00)	–	(48,304,000.00)	(1,853,220.69)	(50,157,220.69)	–	–	–	(48,304,000.00)	(48,304,000.00)
IV. Balance at 31 December 2007	603,800,000.00	1,249,865,032.48	547,577,606.05	429,160,582.78	(2,487,256.36)	2,827,915,964.95	230,098,446.77	3,058,014,411.72	603,800,000.00	1,239,920,114.95	353,536,010.31	19,292,911.11	2,216,549,036.37

Company and Consolidated Statements of Changes in Shareholders' Equity (continued)

	Consolidated								The Company				
	Share Capital RMB	Capital Reserve RMB	Surplus Reserve RMB	Unappropriated Profit RMB	Translation differences arising on translation of financial statements denominated in foreign currencies RMB	Attributable to equity holders of the parents RMB	Minority Interest RMB	Total Shareholders' Equity RMB	Share Capital RMB	Capital Reserve RMB	Surplus Reserve RMB	Unappropriated Profit RMB	Total Shareholders' Equity RMB
I. Balance at 1 January 2008	603,800,000.00	1,249,865,032.48	547,577,606.05	429,160,582.78	(2,487,256.36)	2,827,915,964.95	230,098,446.77	3,058,014,411.72	603,800,000.00	1,239,920,114.95	353,536,010.31	19,292,911.11	2,216,549,036.37
II. Changes for the year	–	3,539,454.89	14,827,521.46	4,989,990.24	(391,117.87)	22,965,848.72	(9,098,589.03)	13,867,259.69	–	4,793,502.54	7,016,588.44	57,111,296.00	68,921,386.98
(I) Net profit	–	–	–	25,855,511.70	–	25,855,511.70	1,916,709.85	27,772,221.55	–	–	–	70,165,884.44	70,165,884.44
(II) Gains and losses directly recognised in shareholders' equity	–	–	–	–	(391,117.87)	(391,117.87)	–	(391,117.87)	–	–	–	–	–
– Exchange differences arising on translation of foreign operations	–	–	–	–	(391,117.87)	(391,117.87)	–	(391,117.87)	–	–	–	–	–
(III) Partial disposal of interest in a subsidiary				–	–	–	1,081,350.43	1,081,350.43	–	–	–	–	–
(IV) Disposal of subsidiaries	–	–	–	–	–	–	(2,841,138.23)	(2,841,138.23)	–	–	–	–	–
(V) Acquisition of minority interests	–	3,539,454.89	–	–	–	3,539,454.89	(5,230,633.29)	(1,691,178.40)	–	4,793,502.54	–	–	4,793,502.54
Sub-total of (I) to (V)	–	3,539,454.89	–	25,855,511.70	(391,117.87)	29,003,848.72	(5,073,711.24)	23,930,137.48	–	4,793,502.54	–	70,165,884.44	74,959,386.98
(VI) Profit distribution	–	–	14,827,521.46	(20,865,521.46)	–	(6,038,000.00)	(4,024,877.79)	(10,062,877.79)	–	–	7,016,588.44	(13,054,588.44)	(6,038,000.00)
1. Transfer to surplus reserve	–	–	14,827,521.46	(14,827,521.46)	–	–	–	–	–	–	7,016,588.44	(7,016,588.44)	–
2. Distribution to shareholders	–	–	–	(6,038,000.00)	–	(6,038,000.00)	(4,024,877.79)	(10,062,877.79)	–	–	–	(6,038,000.00)	(6,038,000.00)
III. Balance at 31 December 2008	603,800,000.00	1,253,404,487.37	562,405,127.51	434,150,573.02	(2,878,374.23)	2,850,881,813.67	220,999,857.74	3,071,881,671.41	603,800,000.00	1,244,713,617.49	360,552,598.75	76,404,207.11	2,285,470,423.35

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2008

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

I. GENERAL

Jingwei Textile Machinery Company Limited (the "Company") is established on 15 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% of the Company's shares are widely held. 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. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company have been prepared in accordance with the new Chinese Auditing Standards ("new CASs"), and present truly and completely, the Company's and Consolidated financial position as of 31 December 2008, and the Company's and Consolidated results of operations and cash flows for the year then ended.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates are determined in accordance with the new CASs.

Accounting year

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

Functional currency

Given the fact that RMB is the main currency of the place where the Company and domestic subsidiaries are mainly operated, the Company and domestic subsidiaries take RMB as their functional currency. Given the fact that HKD is the main currency of the place where Hong Kong Huaming Company Limited, the overseas subsidiary of the Company, is mainly operated, Hong Kong Huaming Company Limited takes HKD as its functional currency. The Group takes RMB as the currency for the preparation of the financial statements.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group has adopted the historical cost as the principle of measurements of the financial statements. Where assets are impaired, provision for asset impairment are made in accordance with relevant requirements.

Cash equivalents

Cash equivalents are short-term, highly liquidated investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Notes to the Financial Statements
For the year ended 31 December 2008

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Translation of transactions denominated in foreign currencies

On initial recognition, foreign currency transactions are translated by applying the spot exchange rate at the dates of the transaction.

At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period, except for: (1) exchange differences arising from specific-purpose borrowings in foreign currencies that are eligible fro capitalisation, which are capitalised during the capitalisation period and included in the cost of related assets; and (2) exchange differences arising from hedging instruments for foreign currency risk, which are treated under hedge accounting.

Foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences between the translated amount and the original amount of functional currency are accounted for as changes in fair value (including changes in foreign exchange rates) and included in profit or loss for the period or shareholders' equity.

Where the preparation of consolidated financial statements involves a foreign operation, for foreign currency monetary items that substantially constitute a net investment in the foreign operation, exchange differences arising from changes in foreign exchange rates are included in "translation differences arising on translation of financial statements denominated in foreign currencies" of owner's equity, and is recognised in profit or loss for the period in which the foreign operation is disposed of.

Fair value method for financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. For financial instruments with an active market, the Group adopts the quoted prices in the active market to determine their prices. The quoted prices in an active market shall mean regularly accessible prices from exchanges, dealers, industry associations and pricing service providers, and represent prices of fair transactions actually occurred in the market. For financial instruments without an active market, the Group adopts valuation techniques to determine the fair price, with reference to prices of recent market transactions between knowledgeable and willing parties, current fair values of other financial instruments of de facto similarities, discount of cash flow and option pricing model, among others.

Classification and measurement of financial assets

A regular way selling and purchasing of financial assets is recognized using trade date accounting. Financial assets are recognized initially as financial assets, held to maturity investments, loans and receivables and available for sale financial assets at fair value, with changes recorded into profit and loss of current period. Financial assets are measured initially at fair value. For financial assets at fair value and with changes recorded into profit and loss of current period, related transaction fee shall be recorded directly into profit and loss of the current period, for other financial assets, related transaction fee shall be recorded into the initial recognized amount.

Depending on the nature and the purpose of holding, financial assets are classified at initial recognition. The Group's financial assets are mainly held-for-trading financial assets and loans and receivables.

Financial assets measured at fair value through profit and loss for the current period

Financial assets measured at fair value through profit and loss for the current period are classified as held-for-trading financial assets by the Group.

A financial asset is classified as held for trading if: (1) it has been acquired principally for the purpose of selling in the near future; or (2) it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (3) it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured.

Held-for-trading financial assets are subsequently measured at fair value, with gains or losses arising from changes in fair value as well as dividends and interest income related to such financial assets recognised in profit or loss for the current period.

Notes to the Financial Statements
For the year ended 31 December 2008

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Recognition and measurement of financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and accounts receivable by the Group shall include notes receivable, trade receivables, dividends receivable and other receivables.

Loans and receivables are subsequently measured at amortised cost effective interest method. Gains or losses arising from derecognition, impairment or amortisation are recognised in profit or loss for the current period.

Impairment of financial assets

The Group assesses the carrying amount of financial assets, other than those at fair value through profit or loss, at each balance sheet date. Provisions for impairment should be made when there is objective evidence of impairment on the financial assets.

Objective evidence supporting impairment on financial assets mainly include the followings: (1) Issuers or debtors are under severe financial difficulties; (2) Any breach of terms of contract by debtors, such as a breach of contract or let the payment falls overdue in the settlement of interest or principal; (3) The Group gives way to those under financial difficulty accounting on economic or legal reasons; (4) Debtors may go into liquidation or conduct other financial reorganization; (5) Transaction of the financial assets ceases in the active market as the issuer encounters great financial difficulties; (6) Any reduction in cash flow of certain assets among a group of financial assets cannot be identified, while it is discovered that the expected future cash flow of the financial assets has been reduced and can be measured since initial recognition after an overall evaluation based on disclosed information, including the repayment capability of the debtor of the group of financial assets gradually deteriorates, economic situation of the country or region where the debtor is staying may cause payment of the group of financial assets impossible; (7) Significant and adverse changes have taken place in the technological, market, economic or legal environments in which the debtor operates, making investors of equity instruments difficult to recover the investment cost; (8) Substantial or non-temporary reduction of the fair value of investment on equity instruments; and (9) Other objective evidence which shows impairment on financial assets.

The Group conducts independent impairment tests for financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, an independent impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk features so as to carry out an impairment test. For financial assets not impaired upon independent tests (including financial assets with or without significant single amounts) shall be re-tested in a combination of financial assets with similar credit risk features. Financial assets impaired upon independent tests shall not be re-tested in a combination of financial assets with similar credit risk features.

Impairment of loans and receivables

The carrying amount of financial assets carried at cost or amortised cost is reduced to the present value of estimated future cash flows, with the reduced amount recognised as impairment losses and charged to profit or loss for the current period. If, after the recognition of impairment losses, the carrying amount of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements
For the year ended 31 December 2008

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Derecognition of financial assets

In case any of the following conditions is satisfied, the financial asset shall be derecognized: (1) The contract right to recover the cash flow of the financial asset has terminated; (2) The financial asset has been transferred, along with substantially all the risk and return arising from the ownership of the financial asset, to the transferee; (3) The financial asset has been transferred, without assigning or maintaining substantially all the risk and return arising from the ownership of the financial asset, to the transferee, however the control on the same financial asset has been given up.

Inventories

Inventories of the Group mainly include raw materials, work-in-progress, finished goods, and etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

Upon delivery of inventories, the weighted average method is used to assign the actual cost of inventories.

The perpetual inventory system is adopted for stock count.

Provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised. For large quantity and low value items of inventories, provision may be made based on categories of inventories. For items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicable evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis. For other inventories, the excess of cost over the net realisable value is generally recognised as provision for decline in value of inventories on an item-by-item basis.

After provision for decline in value of inventories has been made, if the circumstances that previously caused inventories to be written down no longer exist which results in the net realisable value being higher than the carrying amount, the amount of the write-down is reversed in profit or loss for the current period; the reversal is limited to the amount originally provided for the decline in value of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purpose of inventories being held and effect of post balance sheet events.

Long-term equity investment

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the absorbing party's share of the carrying amount of the shareholders' equity of the party being absorbed at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

Where the Group does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value cannot be reliably measured, a long-term equity investment is accounted for using the cost method. Where the Group can exercise joint control or significant influence over the investee, a long-term equity investment is accounted for using the equity method. Where the Group does not have control, joint control or significant influence over the investee and the fair value of the long-term equity investment can be reliably measured, the investment is accounted for as an available-for-sale financial asset.

A long-term equity investment where the Group can exercise control over the investee is accounted for using the cost method.

Control refers to the right to decide on the financial and operating policies of a company and to obtain profit from operating earnings of such company. Joint control refers to the joint control over certain economic activities as agreed under a contract, which only exists by mutual consent of the investing parties when the right of control of significant financial and operating decisions relevant to such economic activities has to be shared. Major impact refers to the power to participate in the decision-making process of the financial and operating policies of a company, but cannot control or jointly control with other parties the formulation of these policies.

Notes to the Financial Statements
For the year ended 31 December 2008

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Long-term equity investment (continued)

A long-term equity investment accounted for using the cost method

Under the cost method, a long-term equity investment is measured at initial investment cost. Investment income recognised is limited to the amount distributed to it out of accumulated net profits of the investee arising after the investment was made. Any cash dividends or distributions received in excess of this amount is treated as return of initial investment cost to reduce the carrying amount of the investment.

A long-term equity investment accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, investment income or loss represents the Group's share of the net profits or losses made by the investee for the current period. The Group recognises its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. For any changes in shareholder's equity other than net profits or losses in the investee, the Group adjusts the carrying amount of the long-term equity investment and include the corresponding adjustment in shareholders' equity.

The Group's share of net losses of the investee is recognised to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed is provided for and charged to the profit or loss as investment loss for the period. Where the investee records profits in subsequent periods, the Group resumes recognising its share of profits after setting off profits against the unrecognised share of losses.

Acquisition of minority interests

For acquisition of minority interests in subsidiaries took place before 7 August 2008, the difference between the addition of cost of long-term equity investment due to acquisition of minority interests and the share of the fair value of identifiable net assets in the subsidiary on the transaction date owned in proportion to the newly obtained equity shall be presented as goodwill in the consolidated balance sheet. The difference between the additional cost of long-term equity investment due to acquisition of minority interests and the share of the subsidiary's identifiable net assets continuously calculated by new share percentage since acquisition date or combination date shall be presented as goodwill and capital premium in the capital reserve shall be adjusted. For excess of capital premium, retained profit shall be adjusted.

For acquisition of minority interests in subsidiaries took place on or after 7 August 2008, in the preparation of the consolidated financial statements, the difference between the additional cost of long-term equity investment due to acquisition of minority interests and the share of the subsidiary's identifiable net assets continuously calculated by new share percentage since acquisition date or combination date shall be adjusted to the capital reserve. For excess of capital reserve, retained profit shall be adjusted.

The above changes in the accounting policies during the period did not have impact on the Company and consolidated financial position and operating results for the period.

Disposal of a long-term equity investment

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, any changes in the owners' equity of the investee (other than net profits or losses) included in the shareholders' equity of the Group, is transferred to profit or loss for the current period on a pro-rata basis according to the proportion disposed of.

Notes to the Financial Statements
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(Prepared in accordance with the PRC Corporate Accounting Standards)
(All amounts are stated in Rmb Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Fixed assets and depreciation

Fixed assets are tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and have useful lives more than one accounting year.

A fixed asset is initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered. Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they are brought to working condition for the intended uses, using the straight-line method. The useful lives, estimated net residual values rates and annual depreciation rates of each class of fixed assets are as follows:

Classes	Useful lives	Estimated net residual values rates	Annual depreciation rates
Buildings	9 to 50 years	5%	1.9% to 10.56%
Machinery and equipment	7 to 22 years	5%	4.32% to 13.57%
Motor vehicles	9 to 14 years	5%	6.79% to 10.56%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Subsequent expenditure incurred on a fixed asset is included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to the Group and the relevant cost can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditure that fails to meet the capitalisation criteria is charged to profit or loss when incurred.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used is accounted for as a change in an accounting estimate.

When a fixed asset is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

Construction in progress

Cost of construction in progress is determined as the expenditure actually incurred for the construction, comprising all expenditure incurred for construction projects, capitalised borrowing costs incurred on a specific borrowing for the construction before it has reached working condition for its intended use, and other related expenses. Construction in progress is reclassified as fixed assets when it has reached working condition for its intended use.

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group.

An intangible asset is initiably measured at cost. The expenditure incurred on an intangible asset is recognised as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow to the Group; and the cost of the asset can be measured reliably. Other expenditure on an intangible asset that fail to meet the recognition criteria is charged to profit or loss when incurred.

Land-use right acquired is normally recognised as an intangible asset. Self-constructed buildings, related land-use right and the buildings are separately accounted for as an intangible asset and fixed asset. For buildings purchased, the purchase consideration is allocated among the buildings and land-use right on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration is recognised in full as fixed assets.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life when the asset is available for use. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at least at each financial year-end. A change in the useful life or the amortisation method used is accounted for as a change in an accounting estimate.

Notes to the Financial Statements
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(Prepared in accordance with the PRC Corporate Accounting Standards)
(All amounts are stated in Rmb Yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Research and development ("R&D") expenditure

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognised in profit and loss in the period in which it is incurred.

Expenditure on the development phase is recognised as an intangible asset only when the Group can demonstrate all of the following below. Otherwise, it is charged to profit or loss:

(1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
(2) Its intention to complete the intangible asset and use or sell it;
(3) How the intangible asset will generate economic benefits. Among other things, the Group can demonstrate the existence of a market of the output of the intangible asset or the intangible asset itself or, if it to be used internally, the usefulness of the intangible asset;
(4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
(5) Its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

If the expenditure on the research phase and on the development phase cannot be identified, the expenditure incurred should be recognised in full in profit or loss for the current period.

Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, fixed assets, construction in progress, construction materials and intangible assets may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. If the recoverable amount of an asset is less than its carrying amount, the difference is recognised as an impairment loss and charged to profit or loss for the current period.

Goodwill arising in a business combination are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, goodwill is considered together with the related asset group or sets of assets groups. Namely, the carrying amount of goodwill, from the acquisition date, is allocated on a reasonable basis to each related asset group. When the recoverable amount of an asset group or a set of asset groups is less than its carrying amount, an impairment loss is recognised accordingly. The amount of impairment loss first reduces the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduces the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

The revocable amount of an assets is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale.

Once an impairment loss on the above assets is recognised, it is not reversed in a subsequent period.

Financial liabilities

At initial recognition, financial liabilities are classified either as "financial liabilities at fair value through profit or loss" or "other financial liabilities". The financial liabilities of the Group are mainly other financial liabilities, which include payables, loans and debenture payables.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognized in profit or loss for the period.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Employee benefits

In the accounting period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

Expenditure related to payments for employees' social welfare system established by the State, including pensions, medical insurance, housing funds and other social welfare contributions, is included in the cost of related assets or profit or loss for the period in which they are incurred.

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and at the same time the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision is recognised for the compensation arising from termination of employment relationship with employees, with a corresponding charge to the profit or loss for the current period.

An internal retirement plan is accounted for using the same principles as described above. Salaries and social insurance contributions to be paid to the internally retired employees by the Group during the period from the date when the employee ceases to provide services to the normal retirement date, are recognised in profit or loss for the period when the recognition criteria for provisions are met (termination benefits).

Actuarial evaluation on the defined retirement welfare plan will be conducted on each balance sheet date to estimate the welfare cost by estimated accumulative welfare unit method. 10% of the amount by which the actuarial profit and loss exceed the higher of present value of defined welfare liabilities and planned asset fair value shall be recognized immediately as profits and losses for the current period. The cost for past service are recognized upon receipt of the welfare by employees, otherwise, such cost for past service shall be amortized with equal installments by straight-line method within the period before the employee's planned welfare become vested.

The retirement welfare cost recognized in the balance sheet is calculated as the present value of the beneficiary's obligation.

Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount presented in the balance sheet when the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; and the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Revenue recognition

Revenue from the sale 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.

As for the sales of completed properties, upon the satisfactory quality inspections, fulfillment of delivery conditions agreed in the sales contracts and execution of the obligations agreed in the sales contracts, the realization of the sales revenue is recognized when the benefits associated with the sold completed properties will flow to the enterprises.

Interest income

The amount of interest income is determined according to the length of time for which the Group's monetary funds are used by others and the effective interest rate.

Government grants

Government grants are the transfer of monetary assets or non-monetary assets form the Government to the Group at no consideration, excluding capital contribution from the Government as an owner of the Group to the Group. Government grants are classified into government grants related to assets and government grants related to income. A government grant is recognised when the Group complies with the conditions attaching to the grant and when the Group is able to receive the grant.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the current period.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Government grants (continued)

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the current period; if there is no related deferred income, the repayment is recognised immediately in profit or loss for the current period.

Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, capitalisation of such borrowing costs can commence only when all of the following conditions are satisfied: (1) expenditures for the asset are being incurred; (2) borrowing costs are being incurred; and (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The amount of other borrowing costs incurred is recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above that amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences related to specific-purpose borrowings denominated in foreign currency are capitalised in full. Exchange differences related to general-purpose borrowings denominated in foreign currency are recognised in profit or loss for the current period.

Qualifying assets are assets (e.g. fixed assets and inventories) that necessarily take a substantial period of time for acquisition, construction or production to become ready for their intended use or sale.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Income Taxes

Current income taxes

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to the paid (or recovered) according to the requirements of tax laws. Taxable profits, which are the basis for calculating the current tax expenses, are determined after adjusting the accounting profits before tax for the year in accordance with relevant requirements of tax laws.

Deferred tax assets and deferred tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, or the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, are recognised as deferred tax assets and deferred tax liabilities using the balance sheet liability method.

Deferred tax liabilities are not recognised for taxable temporary differences related to (1) the initial recognition of goodwill; and (2) the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, the Group does not recognise the corresponding deferred tax liability. Except for the temporary differences above, the Group recognises deferred tax liabilities for all other temporary differences.

Deferred tax assets are not recognised for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, for deductible temporary differences associated with investments in subsidiaries, associated and joint ventures, if it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilised, the Group does not recognise the corresponding deferred tax asset. Except for the deductible temporary differences above, the Group recognises deferred tax assets for all other deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Income Taxes (continued)

Deferred tax assets and deferred tax liabilities (continued)

The Group recognises a deferred tax asset for the carryforward of unused deductible losses and tax credits to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, the Group reviews the carrying amount of any deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to the utilised, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Income tax expenses

Tax expense comprised current tax expense and deferred tax expense.

Current tax expense (current tax income) and deferred tax expense (deferred tax income) are included in profit or loss for the current period, except for current tax and deferred tax related to transactions or events that are directly in owners' equity, which are recognised directly in owners' equity; deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Business combination

A business combination is a transaction or event that brings together two or more separate enterprises into one reporting entity. Business combinations are classified into business combinations involving enterprises under common control and business combination not involving enterprises under common control.

The Group recognises assets and liabilities obtained through a business combination at the combination date or acquisition date. A combination date or acquisition date is the date on which the absorbing party or acquirer effectively obtains control of the party being absorbed or acquired i.e. the date on which the net assets or control over production and production and operational decisions of the party being absorbed or acquired are transferred to the Group.

A business combination involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. The party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed.

Assets and liabilities that are obtained by the absorbing party in a business combination are measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is adjusted to share premium in capital reserve. If the share premium in capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Costs incurred by the absorbing party that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree.

For a business combination not involving enterprises under common control, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree, as well as costs incurred by the acquirer that are directly attributable to the business combination. For a business combination achieved in stages that involves multiple exchange transactions, the cost of combination is the aggregate of the costs of individual transactions. When a business combination contract provides for an adjustment to the cost of combination contingent on a future event, the acquirer includes the amount of that adjustment in the cost of the combination if it is expected on the acquisition date that the occurrence of the future event is probable and the amount affecting the cost of combination can be measured reliably.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Business combination (continued)

A business combination not involving enterprises under common control and goodwill

The acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, which are acquired in a business combination not involving enterprises under common control, are measured at their fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is accounted for as follows: firstly, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; then, if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Recording of operating leases by the Group as lessee

Lease payments under an operating lease are recognised on a straight-line basis over the lease term. Initial direct costs are charged to profit or loss for the current period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

Recording of operating leases by the Group as lessor

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Significant initial direct costs ate capitalised when incurred and charged to profit or loss for the corresponding period according to the same basis for rental income recognition. Other insignificant initial direct costs are charged to profit or loss for the period in which they are incurred. Contingent rents are credited to profit or loss in the period in which they actually arise.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

Preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

The dates on which the Group obtains or loses control of its subsidiaries are considered as the acquisition date and the date of disposal. For a subsidiary already disposed of, its operating results and cash flows before the date of disposal are appropriately included in the consolidated income statement and the consolidated cash flow statement; for a subsidiary disposed of during the current period, no adjustments are made to the opening balance of the consolidated balance sheet. Where a subsidiary has been acquired through a business combination not involving enterprises under common control, the subsidiary's operating results and cash flows after the acquisition date are appropriately included in the consolidated income statement and the consolidated cash flow statement, and no adjustments are made to the opening balance and comparative figures of the consolidated financial statements. Where a subsidiary has been acquired through a business combination involving enterprises under common control, the subsidiary's operating results and cash flows from the beginning of the reporting period to the combination date are appropriately included in the consolidated income statement and the consolidated cash flow statement, and adjustments are made to the comparative figures of the consolidated financial statement accordingly.

Major accounting policies and accounting periods adopted by the subsidiary(ies) are defined according to the standardised accounting policies and accounting periods established by the Company.

All significant intragroup accounts and transactions between the Company and its subsidiaries or between subsidiaries are eliminated on consolidation.

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented in the consolidated income statement below the "net profit" line item as "minority interests". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, when the minority shareholders have a binding obligation under a statute or an agreement and are able to make an additional investment to cover the loss, the excess amount is allocated against minority interests; otherwise the excess amount is allocated against shareholders' equity attributable to the parent. If the subsidiary subsequently reports profits, such profits is allocated to shareholders' equity attributable to the parent until the minority shareholders share of losses previously absorbed by the parent have been recovered.

Translation of financial statements denominated in foreign currency

The financial statements of a foreign operation are translated into RMB using the following methods: all asset and liability items on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for unappropriated profits are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the amount of profit distribution are translated at the spot exchange rates at the dates of the transactions the opening balance of unappropriated profits is the closing balance of unappropriated profits for the prior year being translated into RMB; the closing balance of unappropriated profits is calculated and presented based on the translated amounts of various items related to profit distribution; differences between the aggregate of asset and liability items and shareholders' equity items are presented separately as "translation differences arising on the translation of financial statements denominated in foreign currencies" under owners' equity items in the balance sheet.

When a foreign operation is disposed of, the cumulative amount of the translation differences relating to translation of the financial statements of that foreign operation presented under shareholders' equity in the balance sheet is transferred, either in full or partly according to the portion disposed of, to profit or loss in the period in which the disposal occurs.

Cash flows arising from transactions in a foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate at the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately as "effect of foreign exchange rate changes on cash and cash equivalents" in the cash flow statement.

The opening balance and the actual amounts of the prior year are presented based on the translated amounts in the prior year's financial statements.

Related Parties

If a party has the power to control, jointly control or exercise significant influence over another party, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control, joint control or significant influence from the same party.

Notes to the Financial Statements
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(All amounts are stated in Rmb Yuan unless otherwise stated)

IV. BASIS OF DETERMINING SIGNIFICANT ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainly of the operating activities. These judgements, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group regularly reviews the aforesaid judgment, estimation and assumption on the basis of continuous operation. Where the changes in accounting estimation only impact the current period, the impact shall be recognized during the current period; where such changes impact both the current and future period, the impact shall be confirmed during the current or future period when such changes occur.

Critical assumptions and in the application of accounting estimates and uncertainties

The Group used the following critical assumptions and judgments in the application of accounting estimates, which had significant impact on the amount recognized in the financial statements:

Provision for bad debt

The Group recognizes provision for bad debts according to the recoverability of receivables. When there is sign showing that a receivable item can not be collected, provision for bad debts needs to be recognized. Recognition of bad debts shall use judgment and estimation. If the result of new estimation differs form current estimation, such difference will impact the book value of receivables for the corresponding period.

Provision for inventory impairment

Provision for inventory impairment is recognized according to net realizable value of the inventory. Provision for inventory impairment needs to be recognized when there is sign showing that the net realizable value is lower than cost. Recognition of net realizable value involves judgment and estimation. If the result of new estimation differs form current estimation, such difference will impact the book value of inventory impairment for the corresponding period.

Useful life of fixed assets and estimated net residual value

The Group determines the useful life of fixed assets and estimated net residual value of fixed asset on a reasonable basis. Such estimates are based on experience on actual useful life and residual of fixed asset of similar nature and function, and may have major change due to technology revolution and competitors' response to the severe business environment. As described in Note III to the financial statements, the Group will review the useful life, estimated net residual value of fixed assets at least at every year end. When the new estimated useful life and net residual value is less than the previous estimates, the Group will raise depreciation rate and set off or write off the obsolete fixed assets.

Recognition of deferred tax asset

As at 31 December 2008, the Group recognized deferred tax asset at RMB30,045,046.91. The realization of deferred tax asset is mainly determined by future actual earnings and actual tax rate in future utilization year of temporary difference. If the actual future earnings is less than estimates, or the actual tax rate is lower than estimates, the recognized deferred income tax asset shall be written back, and be presented as profits and losses for the current period. Moreover, as at 31 December 2008, because it is not possible to identify whether the related deductible tax liability can be written back in the foreseeable future, the Group has not recognized the deductible tax liability of RMB124,603,421.41 as deferred tax asset. If in the future the actual earnings accrued is more than estimates, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized, and record the adjustment into profits and losses for the current period. At the same time, when calculating the deferred tax asset, the Group needs to estimate applicable tax rate during the process of repossession of relevant assets or repayment of relevant liabilities. Where such estimated tax rate differs from actual rate, such difference will impact the income tax cost and deferred income tax asset during the period when such judgment was made.

Actuarial Evaluation on Employees' Retirement Welfare

The Group made actuarial evaluation on the liabilities and expenses arising from welfares plan provided by the Group as follows:

(1) Supplementary pension benefit for retired and resigned personnel and families of the deceased;
(2) Reimbursement for medical treatment or welfare from commercial insurance for retired personnel after retirement;
(3) The off-post payroll of early retired personnel during the early retirement period.

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IV. BASIS OF DETERMINING SIGNIFICANT ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (CONTINUED)

Actuarial Evaluation on Employees' Retirement Welfare (continued)

Such welfare and liability amount is calculated according to various assumptions, including discount rate, expenses increase rate and other factors during the retirement period. The difference between actual result and assumptions shall be treated according to the above-mentioned accounting policy of the current year. Although the management believes such assumptions are true, changes in actual experience and assumptions will impact related fees and liability balance of employees' retirement welfare expenses of the Group.

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V. TAXATION

Value Added Tax

Value added tax ("VAT") on sales is calculated at 17% on revenue according to the relevant requirements of tax laws and paid after deducting input VAT on purchases.

Income taxes

The Company and some of its subsidiaries were granted the Advanced Technology Enterprise Certificates jointly by the four government authorities including the provincial (municipal) Science & Technology Office (Commission), Finance Department (Bureau), national and local taxation bureaus. Pursuant to the People's Republic of China on Enterprise Income Tax promulgated on 16 March 2007 and the requirements of the relevant policies, the enterprise income tax rate of 15% became effective since 1 January 2008.

Pursuant to the approval document No. GR200811000616 jointly issued by four government authorities including Beijing Municipal Administration of State Taxation, the Company is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2008.

Pursuant to the approval document No. GR200811000221 jointly issued by four government authorities including Beijing Municipal Administration of State Taxation, Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Technology"), a subsidiary of Beijing Jingwei Textile Machinery Company is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2008.

Pursuant to the approval document No. GR200812000351 jointly issued by four government authorities including National Taxation Bureau of Tianjin Municipal Tianjin Hongda Textile Machinery Company Limited ("Tianjin Hongda"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2008.

Pursuant to the approval document No. GR200837100066 jointly issued by four government authorities including National Taxation Bureau of Qingdao Municipal, Shandong, Qingdao Hongda Textile Machinery Company Limited (Qingdao Hongda), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2008.

Pursuant to the approval document No. GR200821000083 jointly issued by four government authorities including National Taxation Bureau of Liaoning province, Shenyang Hongda Textile Machinery Company Limited ("Shenyang Hongda"), a subsidiary of the Company is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% for 2008.

Pursuant to the approval document No. GR200831000239 jointly issued by four government authorities including National Taxation Bureau of Shanghai Municipal, Shanghai Jingwei Dongxing Blooming–Carding Machinery Company Limited ("Shanghai Dongxing"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2008.

Tianjin Jingwei New Type Textile Machinery Company Limited ("Tianjin Jingwei"), a subsidiary of the Company, is qualified as a foreign investment production enterprise, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2006 to 2010. In 2008, it enjoys a preferential income tax rate of 12.5%.

Changde Textile Machinery Company Limited ("Changde Textile Machinery"), a subsidiary of the Company, is qualified as a foreign investment production enterprise, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2004 to 2008. In 2008, it enjoys a preferential income tax rate of 12.5%.

Wuxi Hongda Textile Machinery and Special Parts Company Limited ("Wuxi Special Parts"), a subsidiary of the Company, is qualified as a foreign investment production enterprise, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2005 to 2009. In 2008, it enjoys a preferential income tax rate of 12.5%.

Yichang Jingwei Textile Machinery Company Limited ("Yichang Jingwei"), a subsidiary of the Company, is qualified as a foreign investment production enterprise, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2007 to 2011. In 2008, it is exempt from income tax.

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V. TAXATION (CONTINUED)

Income taxes (continued)

Shanghai WSP Mould and Injection Plastic Limited ("Shanghai WSP"), a subsidiary of the company, is qualified as a Sino-foreign joint venture, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2005 to 2009. In 2008, it enjoys a preferential income tax rate of 12.5%.

Shanghai Chuangan Trade Company Limited ("Shanghai Chuangan"), a subsidiary of the company is an enterprise registered in Shanghai Pudong New Zone, and enjoys transitional rate of 18% applicable for 2008 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39).

Shenyang Hongda Huaming Textile Machinery Company Limited ("Shenyang Hongda Huaming"), a subsidiary of the company, qualifies as a foreign investment production enterprise established in a Science and Technology Development zone, and enjoys transitional rate of 18% applicable for 2008 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39). In accordance with the approval of State Taxation Bureau of Shenyang Municipal Economic and Technological Development Zone, Shenyang Hongda Textile Machinery Company Limited enjoys two years exemption from income taxes followed by three year of 50% tax reduction as a foreign investment production enterprise during the preferential income tax from 2006 to 2010. In 2008, the company enjoys preferential tax rate of 9%.

Hong Kong Huaming Company Limited, a subsidiary of the Company, is registered in Hong Kong which is subject to 16.5% income tax rate.

All other subsidiaries are subjected to 25% income tax rate.

Other taxation

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

Business tax is charged at 5%.

City construction tax rate is charged at 7%.

Educational Surtax is charged at 3%.

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VI. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Name	Place of incorporation	Nature of business	Business scope	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 from the beginning to the end of this year							
Subsidiaries newly acquired during this year through a business combination involving enterprises under common control							
Qingdao Hongda Textile Machinery Company Limited	China	Production & Sales (P&S)	Textile & Machinery (T&M)	114,000,000	111,335,820	97.663	97.663
Tianjin Hongda	China	P&S	T&M	78,500,000	76,930,000	98	98
Zhengzhou Hongda New Textile Machinery Company Limited	China	P&S	T&M	74,500,000	73,010,000	98	98
Shenyang Hongda	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 and Testing Company Limited	China	Tech R&D	T&M	49,530,000	32,960,000	66.55	66.55
Shanxi Jingwei Heli Machinery Manufacturing Company Limited *(Note 1)*	China	P&S	T&M	100,000,000	30,000,000	30	71.43
Wuxi Textile Technology Testing Company Limited	China	P&S	Carding products	1,000,000	1,000,000	100	100
Subsidiaries newly acquired during this year through a business combination involving enterprises not under common control							
Xianyang Jingwei Machinery Manufacturing Company Limited	China	P&S	T&M	75,079,600	75,079,600	100	100
Wuxi Special Parts *(Note 2)*	China	P&S	T&M	20,000,000	7,000,000	35	80
Tai Yuan Jingwei Electrical Company Limited	China	P&S	T&M	5,000,000	5,000,000	100	100
Investing in newly established subsidiaries							
Tianjin Jingwei	China	P&S	T&M	16,000,000	16,000,000	100	100
Hong Kong Huaming Company Limited	HKSAR	Import & Export	T&M	HK$62,400,000	HK$62,400,000	100	100
Beijing Jingpeng Investment Management Company Limited	China	Investment Management	Sales/ Consultation	100,000,000	100,000,000	100	100
Beijing New Technology	China	P&S	T&M	100,000,000	100,000,000	100	100
Shanghai Weixin Machinery and Electrical Limited	China	P&S	T&M	16,000,000	16,000,000	100	100
Shanghai Chuangan	China	Sales	T&M	2,000,000	1,800,000	90	90
Yichang Jingwei	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	China	P&S	T&M	40,000,000	40,000,000	100	100
Shanghai Dongxing	China	P&S	T&M	50,000,000	42,863,533	95.948	95.948
Kunshan Jingwei Machinery Manufacturing 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
Shanghai WSP *(Note 3)*	China	P&S	T&M	5,256,800	2,628,410.50	50	100
Beijing Bohong Real Estate Development Company Limited	China	D&S	Property	100,000,000	65,000,000	65	65
Subsidiary disposed of during the year							
Beijing Ximen Information Technology Company Limited *(Note 4)*	China	D&S	Software	12,000,000	7,569,600	63.08	63.08

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VI. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1: The shareholding that the Group has in Jingwei Heli Machinery Manufacturing Company Limited ("Jingwei Heli") directly and via its subsidiaries is less than 50%. But pursuant to the Articles of Association of Jingwei Heli, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is included into the consolidated financial statement.

Note 2: The shareholding that the Group has in Wuxi Special Parts is less than 50%. But the Company has obtained the voting trust of two directors, with a term commencing from 1 January 2006 to 30 May 2009 where one of the directors has extended the term to 31 December 2010, the Company has actual control over this company. Therefore, the company is incorporated into the consolidated financial statements.

Note 3: The shareholding that the Group has in Shanghai WSP directly or via its subsidiaries is less than 50%. In year 2007, the Company has obtained the voting trust of two natural person shareholder, with a term commencing from 1 January 2007 to 31 December 2011. Upon authorization, the Company exercises full control over the voting rights in the BOD of Shanghai WSP and subsequently has the actual control over the company. Therefore, the company is incorporated into the consolidated financial statements.

Note 4: As Beijing New Technology of the Company sold its 63% equity interest in Beijing Ximen Information Technology Company Limited on 30 September 2008(the "date of sale"), therefore, Beijing Ximen Information Technology Company Limited is not incorporated into the consolidated balance sheet since the date of sale. Please refer to note VII 53 for details of the financial position as at the beginning of the year and on the date of sale and the operating results and cash flow from the beginning of the year to the date of sale of Ximen Information Technology Company Limited.

Notes to the Financial Statements
For the year ended 31 December 2008

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	2008			2007		
	Foreign currency	Exchange rate	RMB equivalent	Foreign currency	Exchange rate	RMB equivalent
Cash						
RMB	–	–	1,061,057.54	–	–	797,301.26
HKD	31,850.00	0.8819	28,088.52	16,680.00	0.9364	15,619.15
USD	466.00	6.8346	3,184.92	3,407.84	7.3046	24,892.91
EURO	13,973.30	9.6590	134,968.10	24,370.50	10.6669	259,957.69
Yen	70,150.00	0.0757	5,310.36	–	–	–
Pound	1,050.00	9.8798	10,373.79	1,050.00	14.5807	15,309.74
Swiss Franc	57.00	6.4625	368.36	–	–	–
Mark	–	–	–	50.00	3.9306	196.53
Bank deposit						
RMB	–	–	662,229,224.52	–	–	616,730,718.83
HKD	15,029,308.25	0.8819	13,254,346.95	14,290,228.67	0.9364	13,381,370.13
USD	83,679.89	6.8346	571,918.58	351,656.57	7.3046	2,568,710.58
EURO	251,584.94	9.6590	2,430,058.94	19,869.51	10.6669	211,946.10
Swiss Franc	540,909.58	6.4625	3,495,628.16	533,853.23	6.4855	3,462,305.12
Other currency funds						
RMB	–	–	51,446,455.63	–	–	6,830,744.72
HKD	43,798.82	0.8819	38,626.18	–	–	–
Total			734,709,610.55			644,299,072.76

At 31 December 2008, other currency funds mainly included deposits pledged to banks for bills of RMB44,963,989.29 (2007: RMB6,830,744.72) and deposits pledged to banks for letter of credit of RMB5,312,107.15 (2007: nil).

2. Notes receivable

	2008	2007
	RMB	*RMB*
Bank guaranteed bills	610,430,918.32	1,167,611,382.58
Commercial bills	90,377,815.99	61,640,484.18
Total	700,808,734.31	1,229,251,866.76

At at 31 December 2008, the Group has pledged RMB16,000,000.00 notes receivable. Unexpired bills with the right of recourse that have been endorsed amounted to RMB276,574,672.43 (2007: RMB552,001,382.58). Discounted unexpired bills amounted to RMB136,446,636.50 (2007: RMB134,648,700.00). See note VII 19.

Notes receivable as at 31 December 2008 did not include shareholders holding 5% (inclusive) or above of the Company shares.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable

The aging analysis of accounts receivable is as follows:

	2008				2007			
	Amount *RMB*	Proportion *%*	Provision for bad debt *RMB*	Carrying amount *RMB*	Amount *RMB*	Proportion *%*	Provision for bad debt *RMB*	Carrying amount *RMB*
Within 1 year	290,973,313.23	58	(151,649.61)	290,821,663.62	343,058,221.14	58	–	343,058,221.14
More than 1 year but not exceeding 2 years	78,283,437.41	16	(5,210,087.75)	73,073,349.66	79,147,172.76	13	(9,081,991.87)	70,065,180.89
More than 2 years but not exceeding 3 years	15,661,732.76	3	(9,543,681.65)	6,118,051.11	20,258,919.76	4	(12,173,623.79)	8,085,295.97
More than 3 years	118,547,599.62	23	(114,774,595.11)	3,773,004.51	149,370,730.95	25	(143,196,111.80)	6,174,619.15
Total	503,466,083.02	100	(129,680,014.12)	373,786,068.90	591,835,044.61	100	(164,451,727.46)	427,383,317.15

Disclosure of accounts receivable by client categories is as follows:

	2008				2007			
	Amount *RMB*	Proportion *%*	Provision for bad debt *RMB*	Carrying amount *RMB*	Amount *RMB*	Proportion *%*	Provision for bad debt *RMB*	Carrying Book value *RMB*
Individually significant accounts	208,889,598.57	41	–	208,889,598.57	145,506,930.85	25	(149,148.00)	145,357,782.85
Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics	114,774,595.12	23	(114,774,595.12)	–	143,196,111.80	24	(143,196,111.80)	–
Other insignificant accounts	179,801,889.33	36	(14,905,419.00)	164,896,470.33	303,132,001.96	51	(21,106,467.66)	282,025,534.30
Total	503,466,083.02	100	(129,680,014.12)	373,786,068.90	591,835,044.61	100	(164,451,727.46)	427,383,317.15

Changes in the bad debt provision for uncollectible accounts receivable are as follows:

	2008 *RMB*	2007 *RMB*
Balance at beginning of year	164,451,727.46	197,384,700.60
Additions	1,750,898.61	5,194,655.02
Reversals	(23,451,881.22)	(18,943,876.12)
Written-off	(13,070,730.73)	(19,183,752.04)
Balance at end of year	129,680,014.12	164,451,727.46

Top five outstanding amounts as at the end of the year are as follows:

Total of top five outstanding amounts *RMB*	Aging	Proportion of the outstanding amount to the accounts receivable *%*
193,375,433.67	1 to 3 years	38

For receivables from shareholders holding 5% and above equity interest in the category of accounts receivable, please refer to note VIII (4)(b).

Please refer to note IX for details of accounts receivable in foreign currencies, which forms part of the accounts receivable.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable (continued)

Accounts receivable past due but not provided for impairments are as follows:

Aging	**2008** *RMB*	**2007** *RMB*
More than 1 year but not exceeding 2 years	73,073,349.66	70,065,180.89
More than 2 year but not exceeding 3 years	6,118,051.11	8,085,295.97
More than 3 years	3,733,004.51	6,174,619.15
Total	82,924,405.28	84,325,096.01

4. Advances to suppliers

The aging analysis of advances to suppliers is as follows:

	2008		**2007**	
	Amount *RMB*	**Proportion** *%*	**Amount** *RMB*	**Proportion** *%*
Within 1 year	243,310,728.56	96	197,399,657.03	98
More than 1 year but not exceeding 2 years	7,852,714.44	3	1,239,851.29	1
More than 2 year but not exceeding 3 years	341,669.80	–	185,411.00	–
More than 3 years	897,370.02	1	1,026,782.47	1
Total	252,402,482.82	100	199,851,701.79	100

Disclosure of advances to suppliers by client categories is as follows:

	2008 *RMB*	**2007** *RMB*
Individually significant payments	105,734,126.17	60,867,519.60
Other insignificant payments	146,668,356.65	138,984,182.19
Total	252,402,482.82	199,851,701.79

Advances to suppliers do not include advances to shareholders holding 5% (inclusive) or above equity interest of the Company.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables

The aging analysis of other receivables is as follows:

	2008				2007			
	Amount	Proportion	Provision for bad debt	Carrying amount	Amount	Proportion	Provision for bad debt	Carrying amount
	RMB	*%*	*RMB*	*RMB*	*RMB*	*%*	*RMB*	*RMB*
More than 1 year but not exceeding 2 years	32,580,790.40	61	–	32,580,790.40	53,227,859.74	61	(2,000,000.00)	51,227,859.74
More than 2 year but not exceeding 3 years	6,113,124.18	11	(25,912.40)	6,087,211.78	13,264,389.74	15	(21,866.62)	13,242,523.12
Within 2 to 3 years	1,003,411.51	2	(385,530.26)	617,881.25	2,128,986.71	3	(1,017,825.80)	1,111,160.91
More than 3 years	13,671,360.98	26	(12,762,684.83)	908,676.15	18,639,535.18	21	(13,001,641.62)	5,637,893.56
Total	53,368,687.07	100	(13,174,127.49)	40,194,559.58	87,260,771.37	100	(16,041,334.04)	71,219,437.33

Disclosure of other receivables by categories is as follows:

	2008				2007			
	Amount	Proportion	Provision for bad debt	Carrying amount	Amount	Proportion	Provision for bad debt	Carrying amount
	RMB	*%*	*RMB*	*RMB*	*RMB*	*%*	*RMB*	*RMB*
Individually significant receivables	–	–	–	–	35,680,117.15	41	–	35,680,117.15
Individually insignificant receivables but with significant risks after being grouped with similar credit risk characteristics	12,762,684.83	24	(12,762,684.83)	–	7,001,641.62	8	(7,001,641.62)	–
Other insignificant receivables	40,606,002.24	76	(411,442.66)	40,194,559.58	44,579,012.60	51	(9,039,692.42)	35,539,320.18
Total	53,368,687.07	100	(13,174,127.49)	40,194,559.58	87,260,771.37	100	(16,041,334.04)	71,219,437.33

Charges in the bad debt provision for uncollectible other receivables are as follows:

	2008	2007
	RMB	*RMB*
Balance at beginning of the year	16,041,334.04	12,852,494.00
Additions	4,046,967.74	4,761,123.07
Reversals	(6,336,601.90)	(713,777.43)
Written-off	(577,572.39)	(858,505.60)
Balance at end of the year	13,174,127.49	16,041,334.04

Top five outstanding amounts are as follows:

Total of top five outstanding amounts	Aging	Proportion of the outstanding amounts to the total of other receivables
RMB		*%*
10,777,657.16	Within 1 to 3 years	20

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

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Entrusted loan

	2008 *RMB*	2007 *RMB*
To related parties	130,468,750.00	67,000,000.00
To third parties	50,000,000.00	–
	180,468,750.00	67,000,000.00

Details of the loans are as follows:

Borrowers	Interest rate p.a.	Maturity date	Current interest *RMB*	Cumulative interests receivable or received *RMB*	Balance at year end *RMB*
Third parties					
Langfang Hengsheng Property Development (Group) Company Limited	9.486%	30 December 2009	12,994.52	12,994.52	50,000,000.00
Related parties					
Anhui Huamao Jingwei New Type Textile Company Limited	6.66%	31 August 2009	204,361.64	204,361.64	28,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	7.47%	31 August 2009	619,089.04	619,089.04	25,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	5.31%	31 August 2009	827,820.00	827,820.00	14,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	6.66%	31 May 2009	15,874.52	15,874.52	3,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	7.20%	31 August 2009	361,685.96	361,685.96	6,718,750.00
Anhui Huamao Jingwei New Type Textile Company Limited	2.50%	25 May 2009	1,343,750.00	1,343,750.00	53,750,000.00
Total			3,385,575.68	3,385,575.68	180,468,750.00

Note: Anhui Huamao Jingwei New Type Textile Company Limited changed from a jointly controlled entity of the Group to an associate of the Group. See note VII 9.

7. Inventories

	2008 *RMB*	2007 *RMB*
Raw materials	403,889,787.39	386,117,115.94
Work-in-progress	361,945,404.95	413,931,260.78
Finished goods	632,518,519.40	785,428,594.97
Properties under development	454,204,228.40	479,604,788.03
	1,852,557,940.14	2,065,081,759.72
Less: provision for the decline in value of inventories	(78,209,812.56)	(64,356,130.14)
Total	1,774,348,127.58	2,000,725,629.58

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

Properties under development are as follows:

Project name	Inception of construction	Expected completion time	Estimated total investment *RMB*	2007 *RMB*	2008 *RMB*
Huayuanguanjuncheng	2004	Completed in stages from 2005 to 2010	1,100,000,000.00	479,604,788.03	454,204,228.40

The above properties under development as at 31 December 2008 included the cost of the unsold completed properties of the No. 2 Building completed on 31 December 2008 of RMB281,753,707.90. Capitalised borrowing costs included was RMB15,952,833.99 (2007: RMB9,839,183.66). The capitalisation rate used to determine the rate capitalised amount of borrowing costs was 7.87%.

The properties under development of RMB454,204,228.40 as at 31 December 2008 (2007: RMB192,610,000.00) were pledged for the long-term bank borrowings of RMB100,000,000.00 (2007: RMB100,000,000.00). Please refer to note VII 28 for details.

Changes in write-down of inventories are as follows:

	31 December 2007 *RMB*	Additions *RMB*	Reversals *RMB*	Written off *RMB*	31 December 2008 *RMB*
Provision for decline in value of inventories:					
Raw materials	8,031,087.00	9,404,520.93	(2,528,254.45)	–	14,907,353.48
Work-in-progress	27,784,655.20	5,033,533.06	(9,656,461.20)	(78,064.50)	23,083,662.56
Finished goods	28,540,387.94	21,197,892.72	(5,898,596.09)	(3,620,888.05)	40,218,796.52
Total	64,356,130.14	35,635,946.71	(18,083,311.74)	(3,698,952.55)	78,209,812.56

8. Other current assets

	2008 *RMB*	2007 *RMB*
Prepaid business tax	–	9,442,424.17
Prepaid city construction tax	–	85,075.35
Prepaid land appreciation tax	–	1,378,353.28
Total	–	10,905,852.80

Prepaid tax of RMB10,905,852.80 as at 31 December 2007 was contributed to the respective prepaid tax for the amounts for purchase of real estate to be received by Beijing Bohong Property Development Company Limited, a subsidiary of the Company. Beijing Bohong Property Development Company Limited has recognised the respective sales income and included the respective tax in profit and loss of the current period.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investment

(1) Details of long-term equity investments are stated as follows:

Name of Investee	Initial investments RMB	Opening balance RMB	Additions RMB	Share of results RMB	Cash dividends RMB	Disposal RMB	Other decreases RMB	Closing balance RMB
Using the equity method								
China Textile Machinery and Technology Import and Export Corporation ("China Texma Tech")	30,000,000.00	46,368,108.52	–	1,693,602.12	(2,500,000.00)	–	–	45,561,710.64
Hongda Research Company Ltd	20,000,000.00	25,331,243.50	–	2,406.47	–	–	–	25,333,649.97
Zhengzhou Hongda Non-woven Fabric Company Ltd	17,000,000.00	13,442,684.96	–	(2,413,236.94)	–	–	–	11,029,448.02
Anhui Huamao Jingwei New Type Textile Company Ltd (Note 6)	24,500,000.00	25,444,214.71	–	477,869.55	–	(13,116,944.62)	–	12,805,139.64
Huangshi Jingwei Textile Machinery Company Limited (Note 7)	7,500,000.00	–	7,500,000.00	–	–	–	–	7,500,000.00
Shenyang Jingxing Textile Machinery Company Ltd	1,000,000.00	784,138.00	–	(66,825.06)	–	–	–	717,312.94
Qingdao Jinyi Pressing and Casting Company Ltd	300,000.00	1,057,000.00	–	–	–	–	–	1,057,000.00
	100,300,000.00	112,427,389.69	7,500,000.00	(306,183.86)	(2,500,000.00)	(13,116,944.62)	–	104,004,261.21
Using the cost method								
Langfang Hengsheng Property Development Group Company Ltd (Note 4)	68,000,000.00	–	68,000,000.00	–	–	–	–	68,000,000.00
Hongda Investment Company Ltd	24,866,602.17	24,866,602.17	–	–	–	–	–	24,866,602.17
Shenyang Textile Machinery Manufacturing Company Ltd	–	1,200,000.00	–	–	–	–	–	1,200,000.00
Qingdao Qingfeng Forging Company (Note 1)	–	5,000,000.00	–	–	–	–	–	5,000,000.00
Qingdao Textile Machinery Manufacturing Company Ltd	–	8,000,000.00	7,802,027.04	–	–	–	–	15,802,027.04
Jingbao Integrated Factory (Note 2)	–	1,898,550.55	–	–	–	–	–	1,898,550.55
Jiangsu Hongyuan Textile Machinery Company Ltd	–	1,422,652.84	–	–	–	–	–	1,422,652.84
BSI Management Systems Certification Company Limited (Note 3)	1,450,293.56	1,450,293.56	–	–	–	–	–	1,450,293.56
Beijing Chenyutaihe Property Development Company Ltd (Note 5)	5,820,542.81	6,953,191.42	–	–	–	(6,953,191.42)	–	–
Others	1,463,256.33	1,463,256.33	–	–	–	–	(336,371.13)	1,126,885.20
	101,600,694.87	52,254,546.87	75,802,027.04	–	–	(6,953,191.42)	(336,371.13)	120,767,011.36
Total	201,900,694.87	164,681,936.56	83,302,027.04	(306,183.86)	(2,500,000.00)	(20,070,136.04)	(336,371.13)	224,771,272.57
Less: provision for impairment loss		(6,323,255.00)						(5,986,883.87)
Net amount of long-term equity investments		158,358,681.56						218,784,388.70

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments (Continued)

(1) Details of long-term equity investments are stated as follows: (Continued)

Note (1): Qingdao Hongda Textile Machinery Company Limited ("Qingdao Hongda"), a subsidiary of the Company, 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"), a subsidiary of the Company, 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 and had no material impact on the investee company, therefore, the investment in Jingbao Integrated Factory has always been accounted for by cost method.

Note (3): Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Technology"), a subsidiary of the Company, holds 25% equity interest of BSI Management Systems Certification Company Limited. As the cooperation agreement entered into between Beijing New Technology and BSI Management Systems Certification Company Limited expressively 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 Company Limited has always been accounted for by cost method.

Note (4): The Company acquired 20% equity interest of Langfang Hengsheng Property Development Group Company Limited in December 2008. As the Company does not have material impact on the company and does not take part in its operation and management, it is accounted for by cost method.

Note (5): Beijing Jingpeng Investment Management Company Limited, a subsidiary of the Company, transferred the 10% of equity interest it held in Beijing Chenyu Taihe Property Development Company Limited to a third party at a consideration of RMB38,000,000.00 in March 2008.

Note (6): The Company transferred 25% of equity interest it held in its associate Anhui Huamao New Textile Tech Company Limited to the associate at a consideration of RMB13,116,567.40 in December 2008.

Note (7): During the year, the Company invested RMB7,500,000.00 in Huangshi Jingwei Textile Machinery Company Limited in cash, representing a shareholding of 25%.

Changes in provision for impairment loss for long-term equity investments:

Name of Investee	Opening balance *RMB*	Written-off *RMB*	Closing balance *RMB*
Qingdao Qingfeng Forging Company	5,000,000.00	–	5,000,000.00
Others	1,323,255.00	(336,371.13)	986,883.87
Total	6,323,255.00	(336,371.13)	5,986,883.87

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investment (Continued)

(2) List of jointly controlled entity and associate companies and their major financial information

Name of investee	Place of registration	Nature of business	Registered capital *RMB*	Proportion of ownership interest held by the entity *RMB*	Proportion of voting power held by the entity *RMB*	Investee's total assets at year end *RMB*	Investee's total liabilities at year end *RMB*	Investee's total operating income for current year *RMB*	Investee's net profit for the current year *RMB*
Associate company									
Anhui Huamao Jingwei New Type Textile Company Limited	Anhui	Production & sales (P&S) Textile	3,200,000.00	31.25	31.25	12,418,434.59	10,144,580.92	706,170.45	(213,840.21)
Shenyang Jingxing Textile Machinery Company Limited	Laoning	Research and development and Production and sales of textile machinery	50,000,000.00	25	25	427,098,214.08	375,814,255.91	235,898,182.68	364,583.40
Hongda Research Company Limited	Beijing	sales of textile machinery products	50,000,000.00	40	40	102,470,237.57	37,700,288.26	41,183,535.12	6,016.19
Zhengzhou Hongda Non-woven Fabric Company Limited	Henan	Production and sales of textile	40,000,000.00	23.74	23.74	57,537,181.07	10,970,785.39	63,929,005.11	(10,055,153.93)
China Textile Machinery and Technology Import and Export Company Limited	Beijing	Import and export of textile machinery	120,000,000.00	25	25	593,054,970.15	400,053,199.72	1,273,243,273.35	6,211,847.37
Qingdao Jinyi Pressing and Casting Company Ltd	Shandong	Production and sales of components of textile machinery	3,850,000.00	27	27	12,274,513.09	5,612,062.22	6,662,450.87	(208,537.69)
Huangshi Jingwei Textile Machinery Company Limited	Hubei	Production and sales of textile printing and dyeing machinery equipment and related services	30,000,000.00	25	25	212,279,194.26	183,598,338.06	–	856.20

(3) For long-term equity investments held by the Group on 31 December 2008, the investees' ability to transfer funds to the Group is not restricted.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Fixed Assets

Changes in fixed assets in the current year are as follows:

	Buildings *RMB*	Machinery and equipment *RMB*	Motor vehicle *RMB*	Total *RMB*
Cost				
At 1 January 2008	738,729,000.67	1,708,398,135.79	104,344,351.88	2,551,471,488.34
Acquisitions	48,073,318.98	25,143,992.10	32,926,040.26	106,143,351.34
Transferred from construction in progress	107,641,447.32	48,715,346.82	2,555,157.69	158,911,951.83
Eliminated on disposal of a subsidiary	(1,008,884.00)	(308,372.80)	(951,213.22)	(2,268,470.02)
Disposals (Note 1)	(1,194,477.75)	(143,916,064.61)	(12,524,413.09)	(157,634,955.45)
At 31 December 2008	892,240,405.22	1,638,033,037.30	126,349,923.52	2,656,623,366.04
Accumulated depreciation				
At 1 January 2008	(253,890,650.44)	(1,027,639,707.09)	(48,356,413.60)	(1,329,886,771.13)
Provided for the year	(12,847,021.43)	(92,470,626.50)	(14,766,493.74)	(120,084,141.67)
Eliminated on disposal of a subsidiary	159,264.00	150,749.82	386,402.45	696,416.27
Eliminated on disposals	392,616.39	102,123,135.32	7,782,064.41	110,297,816.12
At 31 December 2008	(266,185,791.48)	(1,017,836,448.45)	(54,954,440.48)	(1,338,976,680.41)
Provision for impairment				
At 1 January 2008	(1,237,918.44)	(36,959,514.97)	–	(38,197,433.41)
Additions	–	(776,934.80)	–	(776,934.80)
Written-off	–	7,124,219.25	–	7,124,219.25
At 31 December 2008	(1,237,918.44)	(30,612,230.52)	–	(31,850,148.96)
Net book value				
At 1 January 2008	483,600,431.79	643,798,913.73	55,987,938.28	1,183,387,283.80
At 31 December 2008	624,816,695.30	589,584,358.33	71,395,483.04	1,285,796,536.67
Including:				
Net book value of fixed assets leased out under operating lease				
At 1 January 2008	–	37,023,870.04	3,456,558.77	40,480,428.81
At 31 December 2008	–	35,424,310.78	2,810,172.84	38,234,483.62
Net book value of temporarily idle fixed assets				
At 1 January 2008	2,162,948.24	570,490.62	125,273.12	2,858,711.98
At 31 December 2008	12,762,863.73	–	–	12,762,863.73

As at 31 December 2008, buildings with a net book value of RMB203,784,148.87 (2007: RMB106,857,053.49) is not given certificates of property right.

Note (1): The decrease in fixed assets and accumulated depreciation was mainly due to the obsolescent fixed assets amounted to RMB44,570,283.00 which were fully provided for impairment of Shenyang Hongda Huaming, a subsidiary of the Company while the rest was due to disposal of fixed assets.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress

Project name	1 January 2008 *RMB*	Additions *RMB*	Complete and transfer to fixed assets *RMB*	31 December 2008 *RMB*	Capital source	Budget *RMB*	Proportion of construction investment in budget *%*
Construction of basement car park	–	8,172,895.00	–	8,172,895.00	Company's own funds	37,667	22
Phase I, New Plant Area Project of Wuxi Hongda Textile Machinery and Special Parts	–	23,255,651.85	–	23,255,651.85	Company's own funds	60,000	39
Yuci assembly workshop project	12,406,053.80	4,919,023.01	(16,875,176.81)	449,900.00	Company's own funds	18,000	96
Qingdao Laoshan winding machine industrial park project	33,190,000.00	–	(33,190,000.00)	–	Company's own funds	33,190	100
Machinery to be installed	12,454,170.00	96,828,598.96	(98,925,024.32)	10,357,744.64	Company's own funds	148,975	73
New plant in Tianjin industry zone	3,210,546.90	9,439,607.57	(63,000.00)	12,587,154.47	Company's own funds	276,000	5
Others	5,004,303.68	14,972,119.20	(9,858,750.70)	10,117,672.18	Company's own funds		
	66,265,074.38	157,587,895.59	(158,911,951.83)	64,941,018.14			
Including: capitalization of borrowing expenses	–	–	–	–			
Less: Provision for impairment	–			–			
Carrying amount of construction in progress	66,265,074.38			64,941,018.14			

12. Construction materials

	2008 *RMB*	2007 *RMB*
Equipment specialized for construction	9,163,298.10	5,747,744.14
Deposits paid for acquisition of plant and equipment	2,289,688.72	–
Total	11,452,986.82	5,747,744.14

13. Intangible Assets

	Land use right *RMB*	Patents *RMB*	Software *RMB*	Total *RMB*
Estimated useful life	50 years	10 years	5 years	
Cost				
At 1 January 2008	304,485,283.70	21,453,627.93	12,474,353.13	338,413,264.76
Additions	8,721,344.76	–	3,131,446.36	11,852,791.12
Disposals	–	–	(2,274,996.00)	(2,274,996.00)
At 31 December 2008	313,206,628.46	21,453,627.93	13,330,803.49	347,991,059.88
Accumulated amortization				
1 January 2008	(35,992,339.93)	(16,024,254.61)	(7,716,837.58)	(59,733,432.12)
Provided for the year	(6,367,908.02)	(1,145,863.66)	(1,439,122.48)	(8,952,894.16)
Eliminated on disposals	–	–	2,274,996.00	2,274,996.00
At 31 December 2008	(42,360,247.95)	(17,170,118.27)	(6,880,964.06)	(66,411,330.28)
Net book value				
1 January 2008	268,492,943.77	5,429,373.32	4,757,515.55	278,679,832.64
At 31 December 2008	270,846,380.51	4,283,509.66	6,449,839.43	281,579,729.60
Remaining years for amortization	36.6 to 49.8 years	4.5 to 6.3 years	0.8 to 4.92 years	

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Intangible Assets (Continued)

Research and development expenses

As the Group could not accurately separate the expenses incurred during research and development phases, all the research and development expenses incurred are included in current profit and loss.

	Cumulative amount for the year *RMB*	Cumulative amount for previous year *RMB*
Research and development expenses	85,661,112.52	85,425,070.31

14. Deferred tax assets

	Deductible (taxable) temporary differences and deductible losses		Deferred tax assets (liabilities)	
	2008 *RMB*	2007 *RMB*	2008 *RMB*	2007 *RMB*
Provision for impairment loss of assets	161,221,476.31	181,314,066.09	24,829,954.85	28,621,017.26
Retirement benefits	6,814,234.97	3,759,127.48	1,459,920.85	1,112,836.56
Deductible losses	–	12,078,140.00	–	1,811,721.00
Offset of unrealized profits of inventory	12,193,796.59	12,310,799.86	1,753,468.37	2,320,383.38
Bonus provided for but not issued	6,000,000.00	18,700,000.00	900,000.00	2,805,000.00
Deferred income	5,000,000.00	–	750,000.00	–
Others	8,521,278.14	3,930,000.00	1,153,049.79	589,500.00
Change in fair value of held-for-trading financial assets	–	(1,945,000.00)	–	(291,750.00)
Differences arising form different depreciation period	–	(2,906,800.00)	–	(436,020.00)
Adjustment in fair value on business combinations	(5,342,317.40)	(5,342,317.40)	(801,346.95)	(801,346.95)
Total	194,408,468.61	221,898,016.03	30,045,046.91	35,731,341.25

Deferred tax assets are not recognised for the following deductible temporary differences and deductible losses:

	2008 *RMB*	2007 *RMB*
Deductible losses	124,603,421.41	68,242,542.08
Deductible temporary differences	97,679,510.69	107,694,932.74
Total	222,282,932.10	175,937,474.82

15. Long-term receivables

	2008 *RMB*	2007 *RMB*
Sales of goods by instalment	23,091,163.33	–

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Long-term receivables (Continued)

Long-term accounts receivable amounted RMB30,000,000 was factored to obtain bank advances pursuant to an agreement with a bank entered into by the Group. According to the factoring agreement, if the counterparty fails to repay the accounts receivable duly, the Group shall unconditionally repurchase the accounts receivable. As at 31 December 2008, the counterparty has repaid RMB5,000,000. The factored accounts receivable and the amount received from the factoring of accounts receivable of the Group were reflected in the accounts receivable and long-term borrowing at the year-end respectively, as the risks and rewards associated with the accounts receivable had not been fully transferred.

16. Other non-current assets

	2008 *RMB*	**2007** *RMB*
Right of rent collection	25,909,090.91	–
Prepayments for property	10,000,000.00	–
Total	35,909,090.91	–

Note: As at 31 December 2008, the right of rent collection amounted to RMB25,909,090.91, which contributed to the right of a subsidiary of the Company Beijing New Technology acquired from a third party in June 2008 to collect the fixed monthly rent for the coming 44 to 48 months from its tenants. The third party provided joint liability guarantee irrevocably for the repayment of its tenants and was agreed to be entitled to the right of repurchasing the lease contract on 30 June 2009.

17. Provision for impairment loss of assets

	1 January 2008 *RMB*	**Provided for the year** *RMB*	**Reduction** **Reversals** *RMB*	**Written-off** *RMB*	**31 December 2008** *RMB*
Bad debt provision	180,493,061.50	5,797,866.35	(29,788,483.12)	(13,648,303.12)	142,854,141.61
Provision for decline in value of inventories	64,356,130.14	35,635,946.71	(18,083,311.74)	(3,698,952.55)	78,209,812.56
Provision for impairment loss of long-term equity investment	6,323,255.00	–	–	(336,371.13)	5,986,883.87
Provision for impairment loss of fixed assets	38,197,433.41	776,934.80	–	(7,124,219.25)	31,850,148.96
Total	289,369,880.05	42,210,747.86	(47,871,794.86)	(24,807,846.05)	258,900,987.00

18. Assets with restrictions on ownership

	1 January 2008 *RMB*	**Addition** *RMB*	**31 December 2008** *RMB*
Inventories	192,610,000.00	261,594,228.40	454,204,228.40

Beijing Bohong Property Development Company Limited, a subsidiary of the Company, has obtained a long-term loan of RMB 100 million with the mortgage being the construction area of No. 1 and No. 2 buildings in No. 36 courtyard, Datun Road, Chaoyang District, Beijing, and the amortised land use right.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Short-term borrowings

Category	2008 *RMB*	2007 *RMB*
Guarantee loans	100,000,000.00	–
Credit loans		
– Bank borrowings	298,849,800.70	257,512,040.86
Including: US dollar borrowings	88,849,800.73	157,512,040.86
– Other loans	16,993,712.16	22,000,000.00
Notes financing	136,446,636.50	134,648,700.00
Total	552,290,149.36	414,160,740.86

There is no overdue loans in the short-term loans in the Group as of 31 December 2008.

As at 31 December 2008, the balance of borrowings of the Group included borrowings of RMB16,993,712.16 (2007: RMB22,000,000.00) from the Group's ultimate holding parent company China Hengtian Group Company on 29 May 2008 at an interest rate of 8.964% per annum (2007: non-interest bearing).

As at 31 December 2008, the balance of the bank borrowings of the Group included US dollar borrowings of US$13,000,000.00 (2007: US$21,563,404.00) at an exchange rate of 6.8346 (2007: 7.3046), which is equivalent to RMB88,849,800.73 (2007: RMB157,512,040.86).

Guaranteed loans refer to the loans that are secured when the Group's holding parent company CTMC guarantees with joint liability for repayment.

20. Notes payable

Category	2008 *RMB*	2007 *RMB*
Bank acceptance	146,503,132.74	261,856,859.85
Commercial bills under acceptance	34,763,352.14	14,027,484.01
Total	181,266,484.88	275,884,343.86

There is no payables for shareholders holding over 5% (inclusive) of the equity interest in notes payables as at 31 December 2008.

21. Accounts payable

For payables to shareholders holding over 5% (inclusive) of the equity interests, with voting power or to related parties please refer to note VIII (4)(b).

22. Advances from customers

Advances from shareholders holding over 5% (inclusive) of the equity interest, with voting power or to related parties please refer to note VIII (4)(b).

The aging of advances from customers for subsidiary engaged in property development within this Group is as follows:

Aging	2008 *RMB*	 *%*	2007 *RMB*	 *%*
Within 1 year	1,747,281.00	100	210,773,266.00	100

The abovementioned advance receipts are related to Huayuanguanjuncheng. The project is expected to be completed by stages before 2010. The relevant advances for No. 2 Building which was completed, examined and accepted during the year were written off in the year.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Employee benefits payable

	1 January 2008 *RMB*	Accruals *RMB*	Payments *RMB*	31 December 2008 *RMB*
Wages or salaries, bonus, allowance and subsidies	47,721,164.32	311,059,423.68	(339,895,025.11)	18,885,562.89
Staff welfare	4,142,770.67	16,437,716.05	(20,580,486.72)	–
Social security contributions	11,241,927.56	88,634,021.38	(95,083,403.79)	4,792,545.15
Including:				
Premiums or contributions on medical insurance	2,127,192.34	23,520,853.97	(24,267,696.28)	1,380,350.03
Basic provision insurance	7,831,185.83	55,440,230.44	(60,208,223.30)	3,063,192.97
Unemployment insurance	1,043,137.28	5,205,419.83	(6,006,834.48)	241,722.63
Work injury insurance	212,695.39	2,369,656.18	(2,522,910.39)	59,441.18
Maternity insurance	27,716.72	2,097,860.96	(2,077,739.34)	47,838.34
Housing funds	5,981,701.75	19,565,047.45	(19,926,747.84)	5,620,001.36
Union running costs and employee education costs	20,175,914.24	7,577,924.59	(10,593,613.87)	17,160,224.96
Compensation to employees for termination of employment relationship	5,568,043.80	190,031.49	(217,067.58)	5,541,007.71
Others	2,420,571.21	1,060,099.77	(1,297,593.21)	2,183,077.77
Total	97,252,093.55	444,524,264.41	(487,593,938.12)	54,182,419.84

24. Taxation payable

Category of taxes	2008 *RMB*	2007 *RMB*
VAT	(16,469,281.37)	(1,806,940.34)
Business tax	1,620,236.38	–
Income tax	4,166,832.11	7,687,357.82
Urban land use tax	3,907,845.10	–
Others	1,774,534.98	1,255,343.99
Total	(4,999,832.80)	7,135,761.47

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Dividends payable

Investor	2008 *RMB*	2007 *RMB*
CTMC	17,607,600.00	15,651,200.00
Changde Textile Machinery Plant	1,150,783.00	–
Wuxi Special Parts natural person shareholder	2,893,642.79	5,493,642.79
Shenyang Textile Machinery Plant Company Limited	205,886.00	–
Beijing Huayuan Jingdu Property Development Company	–	2,510,605.07
Beijing Huayuan Yatai High-tech Company Limited	–	2,781,429.08
Others	1,187,351.96	243,347.35
	23,045,263.75	26,680,224.29

26. Other payables

For payables to shareholders holding over 5% (inclusive) of the equity interest in the category of other payables, please refer to note VIII (4)(b).

27. Other current liabilities

	2008 *RMB*	2007 *RMB*
Accrued audit fee	3,000,000.00	3,330,000.00
Accrued exhibition fee	1,000,000.00	1,850,000.00
Others	425,393.46	1,290,000.00
Total	4,425,393.46	6,470,000.00

28. Long-term borrowings

Category	2008 *RMB*	2007 *RMB*
Credit loans	355,000,000.00	55,000,000.00
Collateral loans	100,000,000.00	100,000,000.00
Pledge loans	82,000,000.00	100,000,000.00
Factoring financing loans	23,091,163.32	–
Total	560,091,163.32	255,000,000.00
Less: long-term borrowings within one year	87,000,000.00	105,000,000.00
Including: Collateral loan	–	100,000,000.00
Long-term borrowings due after one year	473,091,163.32	150,000,000.00
Including: loans payable in default	–	–

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Long-term borrowings (continued)

Maturity of long-term loans with maturity within one year is as follows:

Category	2008 *RMB*	2007 *RMB*
More than 1 year but not exceeding 2 years	70,000,000.00	100,000,000.00
More than 2 years but not exceeding 3 years	403,091,163.32	50,000,000.00
Total	473,091,163.32	150,000,000.00

The interest rates for the above loans range from 6.24% to 8.316%.

Credit loans include the borrowing of RMB5,000,000.00 (2007: RMB5,000,000.00) from the original China Textile General Association that has already past due. As the China Textile General Association has performed reorganization and the restructured organization has not urged the Group to repay the loan, therefore, the Group has not repaid such borrowing.

The factoring financing refers to the bank borrowings in relation to accounts receivable factoring. Please refer to note VII.15 for details.

For the categories of collateral assets for collateral loan and the amount, please refer to Appendix VII.18.

Pledge loans refer to loans that are secured when the Group's holding parent company CTMC guarantees with joint liability for repayment.

29. Long-term payables

	2008 *RMB*	2007 *RMB*
Early retired staff welfare	7,234,380.33	8,972,676.51
Retired persons welfare	94,653,001.76	146,610,000.00
Total	101,887,382.09	155,582,676.51
Less: Long-term payables due within one year	6,770,787.27	8,680,000.00
Long-term payables due after one year	95,116,594.82	146,902,676.51

In 2008, benefits of retiring staff provided for amounted to RMB44,130,000.00. It is reversed mainly due to the decision of the management of the Company to adjust the existing policies of retirement benefits during the year. This is due to the lowering of the payment standard for benefits retiring staff and ceasing payment for benefits of some retired staff.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Special payables

	2008 *RMB*	2007 *RMB*
VAT rebate	39,946,787.45	–
Total	39,946,787.45	–

This special payable is a tax rebate, which amounts to RMB39,946,787.45, provided for the import of key components of automatic winding machines according to the relevant regulations of the "Circular of the Ministry of Finance, the National Development and Reform Commission, the General Customs Administration and the State Administration of Taxation on Import Taxes Policies Related to Implementing the 'Certain Opinions of the State Council on Speeding up and Rejuvenating the Equipment Manufacturing Industry'" (Cai Guan Shui No. 11 (2007)). As required by the relevant documents, such tax rebate will be transferred and used to increase the State capital, thus, the Group included such tax rebate in special payables on a temporary basis with a view to transferring such amount to the State capital in the future.

31. Other non-current liabilities

Deferred income

	2008 *RMB*	2007 *RMB*
Assets-related government grant		
– Land purchase money infund (Note 1)	10,242,857.56	10,315,063.00
– Support funds	5,000,000.00	8,520,000.00
– National Debt Plan	27,653,048.65	–
Earnings-related government grant		
– Textile special fund from the Ministry of Finance	478,801.40	1,344,757.81
– Financial subsidy	1,970,000.00	–
Total	45,344,707.61	20,179,820.81

Note (1): Wuxi Special Parts, a subsidiary of the Group obtained the land purchase money refund of RMB10,315,063.00 in 2006 and was amortized during the term of use of the land years.

Please refer to note VII.46 for details of the abovementioned deferred income.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Share capital

Changes in the Company share capital are as follows:

2008

	1 January 2008 *(shares)*	Additions/ Reversals (shares) *(shares)*	31 December 2008 *(shares)*
I. Restricted tradable shares			
1. State-owned shares	195,640,000	–	195,640,000
2. Other domestic shares held			
Including: Domestic natural person shares	21,404	(5,351)	16,053
Total restricted tradable shares	195,661,404	(5,351)	195,656,053
II. Tradable shares			
1. Ordinary shares denominated in RMB	227,338,596	5,351	227,343,947
2. Foreign capital shares listed overseas	180,800,000	–	180,800,000
Total tradable shares	408,138,596	5,351	408,143,947
III. Total shares	603,800,000	–	603,800,000

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

2007

	1 January 2008 *(shares)*	Increase/ Decrease during the period *(shares)*	31 December 2008 *(shares)*
I. Restricted Tradable shares			
1. State-owned shares	204,255,248	(8,615,248)	195,640,000
2. Other domestic shares held			
Including: Domestic natural person shares	27,680	(6,276)	21,404
Total restricted trable shares	204,282,928	(8,621,524)	195,661,404
II. Tradable shares			
1. Ordinary shares denominated in RMB	218,717,072	8,621,524	227,338,596
2. Foreign capital shares listed overseas	180,800,000	–	180,800,000
Total tradable shares	399,517,072	8,621,524	408,138,596
III. Total shares	603,800,000	–	603,800,000

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Capital reserve

2008

	1 January 2008 *RMB*	Increase/ Decrease during the year *RMB*	31 December 2008 *RMB*
Share Premium			
Capital invested by investors	1,244,363,180.48	–	1,244,363,180.48
Difference arising from business combination involving enterprises under the common control	5,501,852.00	–	5,501,852.00
Difference arising from acquisition of minority interests	–	3,539,454.89	3,539,454.89
Total	1,249,865,032.48	3,539,454.89	1,253,404,487.37

The increase in capital reserve for the year was mainly due to the acquisition of minority interests. Of which, the Company was transferred from its 66.55% interested subsidiary Wuxi Jingwei Textile Technology Testing Company Limited 98% of equity interest in Wuxi Textile Machinery Sales Services Company Limited it held for free, which resulted in the increase of RMB1,636,149.58 in capital reserve. As a result of the discounted acquisition of minority interest in the Company's subsidiary Beijing New Technology by the Company, the capital reserve increased by RMB1,903,305.31.

2007

	1 January 2007 and 31 December 2007 *RMB*
Capital invested by investors	1,244,363,180.48
Difference arising from business combination involving enterprises under the common control	5,501,852.00
Total	1,249,865,032.48

34. Surplus reserve

	Statutory surplus reserve *RMB*	Discretionary surplus reserve *RMB*	Total *RMB*
2007			
Balance at beginning of the year	346,058,124.49	177,763,046.16	523,821,170.65
Accruals	23,756,435.40	–	23,756,435.40
Balance at end of the year	369,814,559.89	177,763,046.16	547,577,606.05
2008			
Balance at beginning of the year	369,814,559.89	177,763,046.16	547,577,606.05
Accruals	14,827,521.46	–	14, 827,521.46
Balance at end of the year	384,642,081.35	177,763,046.16	562,405,127.51

The statutory reserves can be used for making up losses of the Company, enlarge productive operation or increases share capital.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Unappropriated Profit

		2008 *RMB*	2007 *RMB*
Unappropriated profit at beginning of the year		429,160,582.78	339,014,504.95
Add: Net profit of the year		25,855,511.70	162,206,513.23
Less: Appropriation to statutory surplus reserve	(1)	(14,827,521.46)	(23,756,435.40)
Profit available for distribution to shareholders		440,188,573.02	477,464,582.78
Less: Appropriation of unappropriated profit to discretionary surplus reserve		–	–
Dividends payable – last year's/prior year's cash dividends approved by shareholders' meeting	(2)	(6,038,000.00)	(48,304,000.00)
Unappropriated profit at end of the year		434,150,573.02	429,160,582.78
Including: Cash dividend distributed after the balance sheet date	(3)	6,038,000.00	6,038,000.00

(1) Appropriation of statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve.

(2) Cash dividends approved by shareholders' meeting during the year

In 2007, on the basis of 603,800,000 issued shares (with the par value of RMB1 per share), dividends of RMB6,038,000 for every 10 shares were distributed to all the shareholders.

(3) Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 30 March 2009, on the basis of 603,800,000 issued shares (with the par value of RMB1 per share), dividends of RMB6,038,000 for every 10 shares will be distributed to all the shareholders. The above proposal regarding dividends distribution is yet to be approved by shareholders' meeting.

36. Minority Interests

	2008 *RMB*	2007 *RMB*
Changde Textile Machinery	8,777,768.31	11,041,007.10
Wuxi Special Parts	40,093,029.47	36,667,558.92
Wuxi Jingwei Textile S&T Test Company Ltd	16,464,484.56	20,074,016.86
Jingwei Heli	77,980,187.94	81,957,127.04
Beijing Bohong Property Development Company Limited	56,489,747.40	52,742,654.21
Others (below RMB10 million)	21,194,640.06	27,616,082.64
Total	220,999,857.74	230,098,446.77

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Operating income

	2008 *RMB*	2007 *RMB*
Principal operating activities	3,173,895,645.33	4,806,039,577.76
Textile machinery	2,861,328,304.33	4,806,039,577.76
Property development	312,567,341.00	–
Other operating activities	533,999,794.64	626,622,377.17
Operating leases	8,853,622.32	9,999,268.61
Sales of raw materials, parts and components	471,797,026.99	564,285,804.29
Others	53,349,145.33	52,337,304.27
Total	3,707,895,439.97	5,432,661,954.93

The aggregate amount of operating income from the top five customers was RMB772,885,624.71 (2007: RMB900,811,708.63), which accounts for 21% (2007: 16%) of the total operating income.

38. Operating cost

	2008 *RMB*	2007 *RMB*
Principal operating activities	2,809,575,665.42	4,111,971,306.74
Textile machinery	2,561,774,586.49	4,111,971,306.74
Property development	247,801,078.93	–
Other operating activities	454,293,396.58	595,713,340.16
Operating leases	6,999,990.10	7,302,990.27
Sales of raw materials, parts and components	414,355,673.15	553,896,818.06
Others	32,937,733.33	34,513,531.83
	3,263,869,062.00	4,707,684,646.90

39. Sales taxes and levies

Taxes	2008 *RMB*	2007 *RMB*
Business tax	15,711,842.10	764,551.89
City construction tax	5,152,878.38	6,638,040.78
Education surcharge tax	2,025,555.66	2,435,870.11
Land appreciation tax	3,125,673.41	–
Others	329,198.22	429,479.13
Total	26,345,147.77	10,267,941.91

40. Financial expenses

	2008 *RMB*	2007 *RMB*
Interest expense	57,897,317.75	53,633,519.34
Less: Capitalized interest expenses	(16,812,003.60)	(9,839,183.66)
Less: interest income	(10,052,325.38)	(13,808,808.29)
Exchange differences	(11,470,377.92)	(10,107,655.24)
Others	1,153,242.32	2,157,476.03
Total	20,715,853.17	22,035,348.18

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Asset impairment

	2008 *RMB*	2007 *RMB*
Bad debt losses	(23,990,616.77)	(9,701,875.46)
Written-down of inventories	17,552,634.97	22,032,185.60
Impairment on fixed assets	776,934.80	–
Total	(5,661,047.00)	12,330,310.14

42. Investment income

	2008 *RMB*	2007 *RMB*
Long-term equity investment income	32,626,018.62	44,644,241.23
Including: Dividend from investment carried at cost	1,161,610.68	7,210,250.73
Losses/gains recognised under equity method	(306,183.86)	21,582,278.17
Gain on disposal of long-term equity investments (Note 1)	31,770,591.80	15,851,712.33
Interest income from entrusted loans and other non-current assets	19,032,105.01	9,535,514.30
Gain on held-for-trading financial assets	1,428,705.32	63,377,856.97
Others	–	(71,958.85)
Total	53,086,828.95	117,485,653.65

Note 1: Please refer to note VII.9

43. Non-operating income

	2008 *RMB*	2007 *RMB*
Gains on disposal of fixed assets	4,502,914.05	2,439,246.07
Penalty income	3,405,469.07	139,042.01
Government grants	47,886,560.87	11,875,298.18
Waiver of trade and other payables	14,878,094.73	1,151,500.33
Others	4,600,903.12	3,935,894.07
Total	75,273,941.84	19,540,980.66

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Non-operating expenses

	2008 *RMB*	2007 *RMB*
Losses on disposal of fixed assets	2,579,843.95	2,242,087.77
Losses on disposal of intangible assets	–	7,928.54
Penalty expenses	1,172,635.17	279,308.29
Donation expenses	600,000.00	–
Others	1,687,030.32	1,935,501.76
Total	6,039,509.44	4,464,826.36

45. Income tax

	2008 *RMB*	2007 *RMB*
Current tax expense	16,937,733.07	29,562,703.94
Deferred tax expense	5,686,294.34	(3,049,329.78)
	22,624,027.41	26,513,374.16

Reconciliation of income tax expenses to the accounting profit is as follows:

	2008 *RMB*	2007 *RMB*
Accounting profit/loss	50,396,248.96	202,119,727.22
Income tax expenses calculated at 15% (2007: 15%)	7,559,437.34	30,317,959.08
Effect of expenses that are not deductible for tax purposes	5,614,035.52	5,314,004.48
Effect of unrecognized deductible losses and deductible temporary differences for tax purposes	13,422,737.58	10,829,543.42
Effect of non-taxable income	(2,039,773.73)	(11,016,537.21)
Additional deduction on research and development expenses	(3,543,007.59)	(1,871,968.71)
Tax deduction on purchase of domestically produced equipment	–	(6,461,392.96)
Effect of using previously unrecognized deductible temporary differences in previous years	(4,701,782.70)	–
Changes in opening balances of deferred tax assets/liabilities due to the adjustment in tax rate	–	280,342.96
Refund of income tax paid in previous years	(1,597,670.08)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	7,910,051.07	(878,576.90)
Income tax expenses	22,624,027.41	26,513,374.16

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Government grants

		2008 *RMB*	2007 *RMB*
Received government grants related to assets			
National Debt Investment Plan	Note(1)	28,860,000.00	–
Support fund	Note(4)	1,000,000.00	10,812,406.00
Received government grants related to income			
National Technology Support Program	Note (3)	8,850,000.00	–
Financial subsidies	Note (2)	12,000,000.00	–
Torch Development Fund	Note (5)	6,000,000.00	–
Research and development grant	Note (6)	10,890,822.00	–
VAT rebate	Note (7)	1,612,623.39	2,027,649.99
Textile special fund from the Ministry of Finance	Note (8)	1,080,000.00	8,900,000.00
Support fund for manufacturing projects	Note (9)	1,373,000.00	–
Other grants		1,385,002.28	–
Total		73,051,447.67	21,740,055.99
Government grants recognised in profit or loss for the period		47,886,560.87	11,875,298.18
Government grants recognised in deferred profit or loss		45,344,707.61	20,179,820.81

Note (1): Pursuant to the "Notice of the National Development and Reform Commission on the Issue of the Investment Plan 2007 with Special Fund (Government Bond) in the Central Government's Budget for Structural Adjustment of Key Industries (the Seventh Batch)" (Fa Gai Tou Zi No. 2472 [2007]), the Group received special grants amounting to RMB28,860,000.00 in 2008 for the "project in respect of the production line of a full set of highly efficient modern cotton weaving equipment" and the "project in respect of high speed intelligent air-jet weaving machines". These grants were specially used for purchasing equipment and constructing factories.

Note (2): Pursuant to the "Administrative Measures of the Beijing Municipal Bureau of Industrial Development on the Issue of the Second Batch of Industrial Development Fund in 2008" (Jing Gong Cu Fa No. 125 [2008]), the Group received a financial subsidy amounting to RMB12,000,000.00 in 2008 for the "project of industrialization of a full set of highly efficient modern cotton weaving equipment". The subsidy was specially used for project construction and repayment of interests from bank loans.

Note (3): Pursuant to the "Notice by the Ministry of Finance on the Issue of the Budget Target of the National Technology Support Programme 2008" (Cai Qi No. 121 [2008]), the Group received a special grant amounting to RMB8,850,000.00 in 2008 for the "project in respect of the fully automatic tube changing machine and the modern, automatic consecutive cotton weaving model production line". The grant was specially used for technological research and development.

Note (4): Pursuant to the "Notice on Financing the Projects of Major Technological Equipment and Highly Efficient Intelligent Roving Machines" of the Administrative Commission of Tianjin High-tech Industry Park, Tianjin Hongda, a subsidiary of the Company, received a grant of RMB1,000,000.00 from the Administrative Commission of Tianjin High-tech Industry Park for financing the projects of major technological equipment and highly efficient intelligent roving machines in 2008.

Note (5): Pursuant to the "Incentive Measures of the Administrative Commission of Tianjin High-tech Industry Park on Encouraging Investments in Tianjin Huayuan Industrial Park," the Administrative Commission of Tianjin High-tech Industry Park provided Tianjin Hongda, a subsidiary of the Company, RMB6,000,000.00 from the Torch Development Fund for its potential development and expansion.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Government grants (continued)

Note (6): Pursuant to the "Notice of Yichang City on the Appropriation of the First Batch of Fund for the Provincial Research and Development Projects in 2008", Yichang Jingwei Textile Machinery Company Limited, a subsidiary of the Company, received an R&D grant of RMB3,451,600.00 in 2008.

Pursuant to documents, such as the "Notice on the Issue of the Project Support Plan 2006 in Relation to the Use of Special Funds to Support Hi-tech Industrialized Projects in Laoshan" (Qing Lao Fa Gai Fa No. 7 (2007)) of the Development and Reform Bureau of Laoshan, Qingdao, and the "Notice in Relation to the Appropriation of Financial Subsidies of the Qingdao Technology Development Plan 2008" (Qing Cao Wen Zhi No. 76 (2008)) of the Qingdao Finance Bureau, the Qingdao Finance Bureau continued to provide Qingdao Hongda, a subsidiary of the Company, R&D grants amounting to RMB3,420,000.00 in 2008 for projects relating to the research and development of automatic winding machines.

Pursuant to the "Notice Concerning Fund Appropriation in Respect of the Industrial Project of the Shanxi Scientific and Technological Development Programme and the Shanxi Torch Project " and the "Notice on the issue of the Budget for Policy-guided Projects under the Applied Technology Research and Development Fund", the Yuci Branch of the Company received a government R&D grant of RMB1,480,000.00 in 2008.

Pursuant to the "Notice in relation to the Fund for Science and Technology Improvement in Hunan Province" and the "Notice of the Changde Science and Technology Bureau on Technology Support Fund", Changde Textile Machinery Company Limited, a subsidiary of the Company, received a government grant for science and technology of RMB1,525,222.00 in 2008.

Tianjin Hongda and Shenyang Hongda, subsidiaries of the Company, received a government grant for research and development of RMB774,000.00 and RMB240,000 respectively in 2008.

Note (7): VAT rebate represents a value-added tax rebate received by Jingwei Heli, a subsidiary of the Company. Pursuant to the "Notice of the State Administration of Taxation on Enhancing the Tax Preferential Policy Concerning the Employment of the Disabled" (Cai Shui No. 92 [2007]), Jingwei Heli, a subsidiary of the Company received a VAT rebate of RMB1,612,623.39 in 2008.

Note (8): Pursuant to the "Notice of the Ministry of Finance and the National Development and Reform Commission on the Provision of Special Funds to Central Units for Facilitating the Change of Ways for Foreign Trade Growth by the Textile Industry" (Cai Qi No. 419 [2006]), the Group received a special fund of RMB1,080,000 specialized for technology research and development in 2008.

Note (9): Pursuant to the "Notice in Relation to the Arrangement of Fund for the Industry Projects in 2008" (Lao Zheng Fa No. 85 (2008)) of the People's Government of Lao Shan, Qingdao, Qingdao Hongda, a subsidiary of the Company, received an industry project support fund of RMB 1,373,000.00 in 2008.

In respect of the government grants received during the year and stated in the opening balance, the Group recognized grant income of RMB47,886,560.87 and deferred income of RMB45,344,707.61 in 2008 according to the uses of transferred funds, progress on research projects and the actual costs incurred.

47. Earnings per share

	2008	**2007**
	RMB	*RMB*
Basic earnings per share ("EPS")	0.04	0.27

The EPS was calculated based on net profit or loss for the period attributable to shareholders of the parents and 603,800,000 shares at the year end.

The Company has no potential ordinary shares, and hence no diluted EPS is presented.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Net profit after deducting non-recurring profit or loss

	2008 *RMB*	2007 *RMB*
Net profit	27,772,221.55	175,606,353.06
Add/Less: Non-recurring profit or loss	(163,983,211.14)	(121,798,119.88)
– Profit or loss on disposal of non-current assets	(33,693,661.90)	(16,040,942.09)
– Government grants	(46,273,937.48)	(11,875,298.18)
– Profit or loss on entrusted loans	(15,830,302.10)	(9,535,514.30)
– Profit or loss on changes in fair values and disposal of financial assets	(4,630,508.23)	(63,377,856.97)
– Reversal of resignation benefit as a result of changes in benefit policies	(44,130,000.00)	–
– Other non-operating income and expenses	(19,424,801.43)	(3,011,626.36)
– Other non-recurring profit or loss	–	(17,956,881.98)
Tax effect of non-recurring profit or loss	18,906,048.54	7,178,630.87
Net profit (loss) after deducting non-recurring profit or loss	(117,304,941.05)	60,986,864.05
Including: Net profit (loss) after deducting non-recurring profit or loss attributable to the parent company	(113,583,767.60)	51,937,068.42
Net profit (loss) after deducting non-recurring profit or loss attributable to minority shareholders	(3,721,173.45)	9,049,795.63

49. Cash and cash equivalents

	2008 *RMB*	2007 *RMB*
Cash	684,433,514.11	637,468,328.04
Including: Cash on hand	1,243,351.60	1,113,277.26
Bank demand deposits	681,981,177.14	631,953,545.75
Other monetary funds that can be readily withdrawn on demand	1,208,985.37	4,401,505.03
Cash and cash equivalent balances	684,433,514.11	637,468,328.04
Restricted cash and cash equivalents of the Parent company and subsidiaries within the Group	50,276,096.44	6,830,744.72

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Supplementary information of the cash flow statement

	2008 *RMB*	2007 *RMB*
Reconciliation of net profit to cash flow from operating activities:		
Net profit	27,772,221.55	175,606,353.06
Add: Provision for asset impairment	(5,661,047.00)	12,330,310.14
Depreciation of fixed assets	120,084,141.67	100,162,510.81
Amortization of intangible assets	8,952,892.77	19,287,401.71
Losses on disposal of fixed assets, intangible assets and other long-term assets (less gains)	(1,923,070.10)	(189,229.76)
Losses on changes in fair values (less gains)	–	(1,945,000.00)
Financial expenses	46,426,939.83	33,686,680.44
Losses arising from investments (less gains)	(53,086,828.95)	(117,485,653.65)
Decrease in deferred tax assets (less increase)	6,414,064.34	(3,049,329.78)
Increase in deferred tax liabilities (less decrease)	(727,770.00)	–
Decrease in inventories	208,824,867.03	(323,048,418.16)
Decrease in operating receivables (less increase)	454,165,777.40	239,349,420.20
Increase in operating payables (less decrease)	(770,723,378.48)	(11,780,141.94)
Net cash flow from operating activities	40,518,810.06	122,924,903.07
Net changes in cash and cash equivalents closing balance of cash and cash equivalents	684,433,514.11	637,468,328.04
Less: Opening balance of cash and cash equivalent	637,468,328.04	895,709,011.76
Net increase in cash and cash equivalents	46,965,186.07	(258,240,683.72)

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Other cash flows related to operating activities

	2008 *RMB*	2007 *RMB*
Items		
Other cash received relating to operating activities		
Interest income	10,052,325.38	13,808,808.29
Government grants	71,438,824.28	19,712,406.00
Penalty income	3,405,469.07	139,042.01
Others	2,522,761.21	551,880.10
Subtotal	87,419,379.94	34,212,136.40
Items		
Other cash paid relating to operating activities		
Research and development expenses	45,435,212.52	54,321,435.73
Travelling expenses	25,728,514.33	35,778,937.28
Transportation and unloading expenses	24,846,306.07	29,786,880.07
Repair and maintenance expenses	14,042,511.55	28,109,316.47
Office expenses	14,332,190.92	22,387,501.54
Water, electricity and heat	12,036,026.17	16,127,121.99
Operating expenses	9,760,046.11	12,889,704.17
Business entertainment	7,762,711.62	12,668,648.75
Rent	8,954,921.63	10,391,944.34
Advertisement and promotion expenses	7,707,014.19	9,480,245.99
Sales services	8,167,793.91	9,231,267.35
Professional fees	12,145,091.49	9,081,926.89
Green Project and fire-fighting expenses	4,471,944.34	8,036,183.63
Exhibition expenses	5,961,170.09	7,708,747.96
Insurance expenses	3,582,258.11	3,991,515.17
Meeting expenses	3,807,603.98	3,850,248.30
Storage and inventory management fees	1,730,596.45	3,364,625.98
Entrusted consignment commission	972,747.87	1,840,558.70
Product maintenance expenses	1,399,619.68	1,159,727.47
Others	1,720,780.78	4,146,191.36
Subtotal	214,565,061.81	284,352,729.14

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Other cash flow related to financing activities

	2008 *RMB*	2007 *RMB*
Acceptance bill discount interest	5,114,650.61	10,966,605.43
Subtotal	5,114,650.61	10,966,605.43

53. Disposal of a subsidiary

The following subsidiary (for the detailed information of the subsidiary sold, please refer to Note VI) was disposed of by the Group during the year and therefore of was not included in the consolidated balance sheet as at 31 December 2008. The subsidiary's the operating results and cash flows prior to the date of disposal were reflected in the consolidated income statement and consolidated cash flows statement of 2008 respective by the financial position of the subsidiary as at the date of disposal and as on 31 December 2007 as well as its operating results for the period from 1 January 2008 to the date of disposal was as follows:

	Date of disposal *RMB*	31 December 2007 *RMB*
Beijing Ximen		
Current assets	8,355,321.48	10,120,104.94
Non-current assets	1,572,053.75	1,729,062.09
Current liability	(2,436,897.44)	(1,515,577.68)
Equity attributable to shareholders	(7,490,477.79)	(10,333,589.35)

	Period from 1 January 2008 to the date of disposal *RMB*
Beijing Ximen	
Operating income	835,806.23
Operating costs and expenses	3,959,898.94
Total profits (losses)	(2,843,111.56)
Net profit (loss)	(2,843,111.56)
Net cashflow from operating activities	(2,548,117.55)
Net cashflow from investment activities	–
Net cashflow from financing activities	–
Net increase in cash and cash equivalents	(2,548,117.55)

Cash flow related to disposal of the subsidiary during the year

	Amount *RMB*
Disposal price of subsidiary	5,373,500.00
Cash and cash equivalents received from disposal of the subsidiary	5,373,500.00
Less: cash and cash equivalents held by the subsidiary	4,945,399.55
Net cash inflow on disposal of subsidiary	428,100.45

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Segment reporting

(1) Primary reporting format business segment

Revenue, cost, profit and assets as well as liabilities of the business segments of the Group are mainly generated from manufacturing and sales of textile machinery. Other businesses of the Group include sales of raw materials and textile machinery parts and property development. The information of these business segments is as follows:

	Sales of machinery *RMB'000*	**Sales of raw materials, parts and components** *RMB'000*	**Property development** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
2008					
Operating income					
Revenue arising from external transactions	2,861,328	534,000	312,567	–	3,707,895
Revenue arising from Inter-segment transactions	–	738,480	–	(738,480)	–
Total operating income	2,861,328	1,272,480	312,567	(738,480)	3,707,895
Result					
Segment result	(266)	(311)	25,716	–	25,139
Unallocated income					102,303
Unallocated expenses					(77,046)
Total profit					50,396
Income tax					(22,624)
Net profit					27,772
Assets					
Segment assets	4,260,431	519,037	513,628	–	5,293,096
Unallocated assets					717,481
Total assets					6,010,577
Liabilities					
Segment liabilities	1,310,466	250,159	114,601	–	1,675,226
Unallocated liabilities					1,263,469
Total liabilities					2,938,695
Other information					
Addition of fixed assets	91,717	2,575	11,851	–	106,143
Addition of construction in progress	139,975	9,440	8,173	–	157,588
Depreciation of fixed assets	116,246	3,762	76	–	120,084
Amortization of intangible assets	8,310	603	40	–	8,953

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Segment reporting (continued)

(1) Primary reporting format business segment (continued)

	Sales of machinery *RMB'000*	Sales of raw materials, parts and components *RMB'000*	Property development *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
2007					
Operating income					
Revenue arising from external transactions	4,806,039	564,286	–		5,370,325
Revenue arising from Inter-segment elimination	–	1,002,786	–	(1,002,786)	–
Total operating income	4,806,039	1,567,072	–	(1,002,786)	5,370,325
Result					
Segment result	102,037	16,991	(10,400)	–	108,628
Unallocated income					143,420
Unallocated expenses					(49,929)
Total profit					202,119
Income tax					(26,513)
Net profit					175,606
Assets					
Segment assets	4,937,717	398,875	510,950	–	5,847,542
Unallocated assets					538,468
Total assets					6,386,010
Liabilities					
Segment liabilities	2,097,865	162,009	228,094	–	2,487,968
Unallocated liabilities					840,028
Total liabilities					3,327,996
Other information					
Addition of fixed assets	56,951	10,323	104	–	67,378
Addition of construction in progress	100,148	3,402	–	–	103,550
Depreciation of fixed assets	97,573	2,543	47	–	100,163
Amortization of intangible assets	18,424	843	20	–	19,287

(2) Secondary segment reporting format (the geographical segment is the secondary segment):

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 sales in these geographical regions is not significant enough to present an independent segment report.

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VIII. RELATED PARTIES AND TRANSACTIONS

(1) Related parties with controlling relationship

Company name	Place of registration	Nature of business	Registered capital	Proportion of voting power %	Proportion of shareholdings %
CTMC	Beijing	Manufacturing and trading of textile machinery	2,735,820,000.00	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.

(2) For detailed information of subsidiaries, please refer to note VI.

(3) Other related parties that have dealings 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	Company controlled by the ultimate controlling parent company
Hengtian Investment Company Limited	Company controlled by the ultimate controlling parent company
Beijing Hongda Industries Company Limited	Company controlled by the ultimate controlling parent company
Beijing Hongda Tiancheng Trade Company Limited	Company controlled by the ultimate controlling parent company
Sales and Technical Services Company of China National Textile Machinery Corporation	Company controlled by the same parent company
China Textile Machinery Industry Corporation Company Guangzhou Branch	Company controlled by the same parent company
Hongda Investment Company Limited	Company controlled by the same parent company
Jinlang Company Limited	Company controlled by the same parent company
Jingwei Machinery (Group) Company Limited	Company controlled by the same parent company
Jinzhong Jingwei Fibre Machinery Company Limited	Company controlled by the same parent company
Jingjin Joint Package Company Limited	Company controlled by the same parent company
Jingwei Machinery (Group) Packaging Company Limited	Company controlled by the same parent company
Jinzhong Jingwei Machanical and Electronic Equipment Company Limited	Company controlled by the same parent company
State-owned Yichang Textile Machinery Factory	Company controlled by the same parent company
Yichang Chinese Textile Industry and Trade Company Limited	Company controlled by the same parent company
Shenyang Textile Machinery Component Sales Company	Company controlled by the same parent company
Parts Plant of Shanying Company	Company controlled by the same parent company
Zhengzhou Textile Machinery Company Limited	Company controlled by the same parent company
Weinan Textile Machinery Plant	Company controlled by the same parent company
Weinan Textile Machinery Company Limited	Company controlled by the same parent company
Hengyang Textile Machinery Plant	Company controlled by the same parent company
Guangzhou Carding Machinery Plant	Company controlled by the same parent company
Shaoyang Textile Machinery Company Limited	Company controlled by the same parent company
Honglong Daily Machinery Plant	Company controlled by the same parent company
Changde Textile Machinery Plant	Company controlled by the same parent company
Tianjin Tianfangji Textile Parts Distributor Company Limited	Company controlled by the same parent company
Jingwei Machinery (Group) General Machinery Company Limited	Company controlled by the same parent company
Shandong Kaima Casting Company Limited	Company controlled by the same parent company
Qingdao Jinyi Pressing Company Limited	Associate
Shenyang Jingxing Textile Machinery Manufacturing Company Limited	Associate
China Texmatech Company Limited	Associate
Anhui Huamao Jingwei New Type Textile Company Limited	Associate
Hongda Research Institute Company Limited	Associate
Zhengzhou Hongda Non-novens Company Limited	Associate
Huangshi Jingwei Textile Machinery Company Limited	Associate
Qingdao Textile Machinery Jinhui Molds Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Luhuan Engineering Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Jinchangcheng Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Kelifeng Company	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
Tianjin Textile Machinery Plant	Company in which key personnel of subsidiaries has significant influence
Tianjintian Textile Machinery Steel Modification Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjintian Textile Machinery Heat Treatment Company Limited	Company in which key personnel of subsidiaries has significant influence
Shenyang Textile Machinery Manufacturing Company Ltd	Company in which key personnel of subsidiaries has significant influence
Shenyang Hongsheng Textile Machinery Company Limited	Company in which key personnel of subsidiaries has significant influence

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year

(a) Sales and purchases

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

	2008 *RMB*	**2007** *RMB*
Finished goods sold		
Associates	576,951,476.23	493,821,336.91
Jointly controlled entities	–	37,374.92
Companies controlled by the same parent company	10,909,864.36	29,780,849.40
Companies controlled by the ultimate controlling parent company	42,998,553.85	124,949,997.80
Total	630,859,894.44	648,589,559.03
Raw materials and parts sold		
Controlling Companies	–	813,312.62
Companies controlled by the same parent company	137,895,589.88	241,789,809.84
Associates	3,076,852.68	1,755,566.00
Companies in which key personnel of subsidiaries has significant influence	47,476,504.85	91,607,037.72
Companies controlled by the ultimate controlling parent company	6,424,950.10	–
Total	194,873,897.51	335,965,726.18
Processing charges		
Companies controlled by the same parent company	–	1,265,468.67
Companies in which key personnel of subsidiaries has significant influence	–	664,554.24
Total	–	1,930,022.91
Charges on provision of support services		
Controlling companies	–	2,900,000.00
Companies controlled by the same parent company	4,466,778.38	8,810,463.52
Total	4,466,778.38	11,710,463.52
Rental income received		
Companies controlled by the same parent company	5,756,928.60	7,146,637.00
Total	5,756,928.60	7,146,637.00

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(a) Sales and purchases (continued)

Goods purchased and charges from related parties by the Group are detailed as follows:

	2008 *RMB*	**2007** *RMB*
Tools and molds purchased		
Companies controlled by the same parent company	8,340,694.71	19,476,476.91
Associates		
Companies in which key personnel of subsidiaries has significant influence	–	12,685.33
Total	8,340,694.71	19,605,589.22
Molds purchased		
Companies controlled by the same parent company	26,005,884.61	60,291,339.21
Associates	18,690,713.67	42,655,080.00
Companies in which key personnel of subsidiaries has significant influence	50,892,478.65	60,501,264.00
Total	95,589,076.93	163,447,683.21
Energy purchased		
Companies controlled by the same parent company	1,693,342.82	2,438,400.00
Total	1,693,342.82	2,438,400.00
Packaging materials purchased		
Companies in which key personnel of subsidiaries has significant influence	25,197,625.49	39,451,208.00
Total	25,197,625.49	39,451,208.00
Raw materials and parts purchased		
Companies controlled by the same parent company	122,465,041.14	192,713,418.59
Associates	9,751,731.52	39,562,234.15
Companies in which key personnel of subsidiaries has significant influence	86,863,786.35	246,333,217.32
Total	219,080,559.01	478,608,870.06
Finished goods purchased		
Companies controlled by the same parent company	288,562,223.30	333,378,384.59
Companies in which key personnel of subsidiaries has significant influence	33,092,429.80	77,122,819.00
Total	321,654,653.10	410,501,203.59
Processing fees paid		
Companies controlled by the same parent company	39,423,510.23	42,871,314.84
Associates	141,886.30	–
Companies in which key personnel of subsidiaries has significant influence	124,984.66	944,484.59
Total	39,690,381.19	43,815,799.43

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(a) Sales and purchases (continued)

	2008 *RMB*	2007 *RMB*
Transportation services fees		
Companies controlled by the same parent company	4,714,472.66	394,531.70
Total	4,714,472.66	394,531.70
Repair and maintenance fees		
Companies controlled by the same parent company	19,785,748.35	22,812,720.10
Total	19,785,748.35	22,812,720.10
Other support fees		
Companies controlled by the same parent company	9,645,447.04	7,311,508.04
Total	9,645,447.04	7,311,508.04
Rental expenses		
Companies controlled by the same parent company	675,423.21	605,058.84
Companies in which key personnel of subsidiaries has significant influence	9,992,413.24	8,485,000.00
Total	10,667,836.45	9,090,058.84
Interest expense		
Companies controlled by the same parent company	1,336,541.00	1,480,114.75
Total	1,336,541.00	1,480,114.75

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(a) Sales and purchases (continued)

Goods sold to and purchased from related parties by the Company are detailed as follows:

	2008 *RMB*	2007 *RMB*
Sales		
Sales revenue		
Subsidiaries	138,946,423.27	93,958,003.55
Companies controlled by the same parent company	4,720,000.00	–
Associates	439,452,465.43	434,239,478.11
Companies controlled by the ultimate controlling parent company	27,627,387.17	–
Total	610,746,275.87	528,197,481.66
Other operating income		
Subsidiaries	373,905,631.18	177,409,218.50
Associates	24,029.06	2,900,000.00
Companies controlled by the same parent company	123,933,101.90	158,047,876.82
Total	497,862,762.14	338,357,095.32
Materials purchased		
Subsidiaries	204,247,854.06	694,921,234.78
Associates	9,751,731.52	–
Companies controlled by the same parent company	99,755,323.89	140,052,355.37
Total	313,754,909.47	834,973,590.15
Finished goods purchased		
Subsidiaries	767,139,786.20	1,489,282,929.02
Associates	–	32,035.00
Companies controlled by the same parent company	288,562,223.30	328,200,855.33
Total	1,055,702,009.50	1,817,515,819.35
Processing fees		
Companies controlled by the same parent company	27,935,787.59	17,780,965.93
Total	27,935,787.59	17,780,965.93
Transportation services fees		
Companies controlled by the same parent company	1,871,758.32	394,531.7
Total	1,871,758.32	394,531.7

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(a) Sales and purchases (continued)

	2008 *RMB*	2007 *RMB*
Repair and maintenance expense		
Companies controlled by the same parent company	18,609,703.53	22,812,720.10
Total	18,609,703.53	22,812,720.10
Other supporting services expense		
Companies controlled by the same parent company	4,170,664.12	7,311,508.04
Total	4,170,664.12	7,311,508.04
Rental expenses		
Companies controlled by the same parent company	423,423.21	605,058.84
Total	423,423.21	605,058.84

The above transactions are conducted using negotiated prices.

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(b) Balance due from/to related parties

Balances between the Group and related parties are detailed as follows:

Item name	Name of related parties	2008 Amount RMB	2008 Proportion %	2007 Amount RMB	2007 Proportion %
Accounts receivable	Controlling parent company	–	–	726,667.00	–
	Associates	55,045,643.66	14	45,843,622.48	–
	Companies controlled by the same parent company	91,437,225.51	24	95,525,264.77	33
	Jointly controlled entities	–	–	45,348,058.75	11
	Ultimate controlling parent company	63,998.00	–	63,998.00	–
	Companies controlled by the ultimate controlling parent company	15,514,164.90	4	10,542,501.02	3
	Companies in which key personnel of subsidiaries has significant influence	1,778,512.57	1	107,781.16	–
	Total	163,839,544.64	43	198,157,893.18	47
Notes receivable	Associates	23,235,562.98	3	–	
	Companies controlled by the same parent company	4,840,000.00	1	3,079,853.08	–
	Controlled by the ultimate controlling parent company	–	–	5,537,478.20	1
	Total	28,075,562.98	4	8,617,331.28	1
Prepayments	Associates	922,907.94	–	3,607,278.01	–
	Companies controlled by the same parent company	53,348,560.09	21	59,899,821.00	30
	Companies in which key personnel of subsidiaries has significant influence	41,677,963.24	17	21,978.35	–
	Total	95,949,431.27	38	63,529,077.36	30
Other receivables	Associates	5,599,811.91	14	–	–
	Total	5,599,811.91	14	–	–
Entrusted loan	Associates	130,468,750.00	72	–	–
	Jointly controlled entities	–	–	67,000,000.00	100
	Total	130,468,750.00	72	67,000,000.00	100
Accounts payable	Controlling parent company	6,301,379.63	1	6,301,379.63	1
	Associates	3,970,830.10	–	899,499.69	
	Companies controlled by the same parent company	77,216,463.12	8	46,252,025.57	7
	Companies in which key personnel of subsidiaries has significant influence	10,045,630.68	1	38,768,656.37	5
	Total	97,534,303.53	10	92,221,561.26	13

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(b) Balance due from/ to related parties (CONTINUED)

Item name	Name of related parties	2008 Amount RMB	2008 Proportion %	2007 Amount RMB	2007 Proportion %
Notes payable	Companies controlled by the ultimate controlling parent company	–	–	31,006,992.76	11
	Companies controlled by the same parent company	2,650,503.11	1	–	–
	Companies in which key personnel of subsidiaries has significant influence	2,720,000.00	1	–	–
	Total	5,370,503.11	2	31,006,992.76	11
Advance from customers	Controlling parent company	–	–	9,284,345.62	2
	Associates	1,772,262.31	–	2,313,479.33	–
	Companies controlled by the same parent company	3,419,351.05	1	132,567.34	1
	Jointly controlled entities	–	–	2,000.00	–
	Companies in which the ultimate controlling parent company has significant influence	61,150.75	–	1,047,128.90	–
	Total	5,252,764.11	1	12,779,521.19	3
Other payables	Controlling parent company	2,000,000.00	1	25,312,172.48	10
	Associates	–	–	19,532.51	–
	Companies controlled by the same parent company	31,921,340.34	19	24,959,427.51	9
	Companies in which key personnel of subsidiaries has significant influence	3,245,922.58	1	1,334,140.44	–
	Total	37,167,262.92	21	51,625,272.94	19
Dividend payable	Controlling parent company	17,607,600.00	76	15,651,200.00	99

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(b) Balance due from/ to related parties (CONTINUED)

Balances between the Company and related parties are detailed as follows:

Item name	Name of related parties	2008 Amount RMB	2008 Proportion %	2007 Amount RMB	2007 Proportion %
Accounts receivable	Subsidiaries	114,835,204.58	38	25,245,091.97	10
	Associates	32,111,582.91	11	34,999,151.64	13
	Companies controlled by the same parent company	63,678,170.84	21	62,900,766.62	23
	Jointly controlled entities	–	–	45,263,864.73	16
	Companies controlled by the ultimate controlling parent Company	12,522,632.80	4	–	–
	Total	223,147,591.13	74	168,408,874.96	62
Advance to suppliers	Subsidiaries	53,702,918.05	46	14,137,191.80	21
	Associates	728,268.48	–	–	–
	Companies controlled by the same parent company	45,528,651.24	39	34,999,151.64	53
	Companies in which key personnel of subsidiaries has significent influence	336.00	–	–	–
	Total	99,960,173.77	85	49,136,343.44	74
Other receivables	Subsidiaries	383,091,591.46	97	243,158,169.54	90
	Associates	5,599,811.91	1	–	–
	Total	388,691,403.37	98	243,158,169.54	90
Entrusted loan	Associates	73,000,000.00	36	73,000,000.00	52
	Jointly controlled entities	130,468,750.00	64	67,000,000.00	48
	Total	203,468,750.00	100	140,000,000.00	100
Dividends receivable	Subsidiaries	82,077,333.36	100	4,592,565.36	100

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(b) Balance due from/ to related parties (CONTINUED)

Item name	Name of related parties	2008 Amount	2008 Proportion	2007 Amount	2007 Proportion
		RMB	*%*	*RMB*	*%*
Long-term receivables	Subsidiaries	116,463,216.01	83	77,136,576.10	100
Accounts payable	Subsidiaries	267,127,805.22	48	98,479,586.73	31
	Associates	3,099,431.49	1	82,375.63	–
	Companies controlled by the same parent company	64,150,258.30	12	28,905,079.01	9
	Total	334,377,495.01	61	127,467,041.37	40
Notes payable	Subsidiaries	51,721,359.45	49	900,000.00	–
	Companies controlled by the same parent company	1,850,000.00	2	16,700,000.00	11
	Total	53,571,359.45	51	17,600,000.00	11
Advance from customers	Subsidiaries	58,416,733.71	22	33,101,397.61	14
	Controlling parent company	–	2,000,000.00	1	1
	Companies controlled by the same parent company	2,415,028.41	1	183,627.53	–
	Associates	94,306.10	–	1,801,719.00	–
	Companies controlled by the ultimate controlling parent company	57,203.90	–	–	–
	Total	60,983,272.12	23	37,086,744.14	15

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(b) Balance due from/ to related parties (CONTINUED)

Item name	Name of related parties	2008 Amount *RMB*	2008 Proportion *%*	2007 Amount *RMB*	2007 Proportion *%*
Other payables	Subsidiaries	130,174,584.99	85	109,933,042.16	77
	Controlling parent company	–	–	792,029.68	1
	Companies controlled by the same parent company	198,601.74	–	4,331,777.20	3
	Associates	–	–	19,532.51	–
	Total	130,373,186.73	85	115,076,381.55	81
Dividends payable	Controlling parent company	17,607,600.00	99	15,651,200.00	99
	Total	17,607,600.00	99	15,651,200.00	99

(c) Borrowings/loans

Borrowings/loans between the Group and related parties is detailed as follows:

	Amount incurred this year *RMB*	Balance at the end of this year *RMB*	Amount incurred previous year *RMB*	Balance at the end of previous year *RMB*
Borrowing from – Controlling parent company	(5,006,287.84)	16,993,712.16	22,000,000.00	22,000,000.00
Lent to– Jointly controlled entities	(67,000,000.00)	–	14,000,000.00	67,000,000.00
Lent to– Associates	130,468,750.00	130,468,750.00	(28,000,000.00)	–
Borrowing interest paid - controlling parent company	905,642.88		–	
Loan interest received – Jointly controlled entities	2,635,026.42		2,931,143.75	
– Associates	3,858,132.21		8,780,661.80	

Please refer to note VII.6 for details of the amounts lent to a jointly controlled entity and Associates and note VII.19 for details of the amounts borrowed from controlling companies.

Capital lending/borrowing between the Company and related parties is detailed as follows:

Save from the abovementioned amounts lent to the jointly controlled entity and Associates and loan interest received from the jointly controlled entity and Associates, the Company had extended a short-term loan to Beijing Bohong Real Estate Development Company Limited, a subsidiary of the Company during the year. The total amount incurred was RMB141,000,000.00. The outstanding balance is RMB141,000,000.00. During the year, total interest received by the Company in respect of such subsidiary's borrowing amounted to RMB7,620,171.03.

(d) Compensation for key management personnel

	2008 *RMB*	2007 *RMB*
Compensation for key management personnel	4,190,397.00	4,192,741.00

Key management personnel include directors, the general manager, the financial controller, deputy general managers in charge of different businesses and secretaries of Board of Directors.

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VIII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

(4) Significant transactions between the Company and related parties in the year (CONTINUED)

(e) Contingent liabilities related to guarantees to subsidiaries

	2008 *RMB*	**2007** *RMB*
Guarantees provided for banking facilities granted to subsidiaries	112,000,000.00	150,000,000.00
Total	112,000,000.00	150,000,000.00

As at 31 December 2008, the Company has provided guarantees for the consolidated facilities of RMB82,000,000.00 and RMB30,000,000.00 granted to Beijing New Technology and Beijing Jingpeng Investment Management Company Limited respectively.

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include entrusted loan, borrowings, other long-term assets, accounts receivable, accounts payable, details of which are illustrated in note VII. Risks associated with these instruments and policies the Group has adopted to mitigate these risks are presented as follows. The management of this Group has managed and monitored these exposures to ensure that all the above risks are well controlled.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve proper balance between risks and yields, minimise the adverse impacts of risks on the Group's operation performance, and maximise the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the industry's exposure to various risks, establish appropriate bottom line for risk tolerance, implement risk management, and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

1.1 Market risks

Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with US and HKD (should be adjusted according to the actual circumstances). Several of the Group's subsidiaries have purchases and sales denominated in US and HKD while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2008, the balance of the Group's assets and liabilities are both denominated in RMB except that balance of assets set out below is in USD and HKD. Currency risk arising from the foreign currency balance of assets and liabilities may have impact on Group's performance.

		2008 *Amount in original currency*	**2008** *RMB*	**2007** *Amount in original currency*	**2007** *RMB*
Cash and cash equivalents	USD	84,145.89	575,103.50	355,064.41	2,593,603.49
	HKD	15,104,957.07	13,321,061.65	14,306,908.67	13,396,989.28
	EURO	265,558.24	2,565,027.04	44,240.01	471,903.79
	Others	612,166.58	3,511,680.67	534,953.23	3,477,811.39
Accounts receivable	HKD	120,000.00	105,828.00	192,500.00	180,950.00
Other receivables	HKD	280,423.00	247,305.04	4,682,455.76	4,401,508.41
Accounts payable	EURO	–	–	(60,543.71)	(635,633.20)
Other payables	USD	–	–	(984,290.60)	(7,185,321.41)
	HKD	(1,499,178.75)	(1,322,125.74)	–	–
Short-term borrowings	USD	(13,000,000.00)	(88,849,800.73)	(21,563,404.00)	(157,512,040.86)
Foreign exchange exposure	USD	(12,915,854.11)	(88,274,697.23)	(22,192,630.19)	(162,103,758.78)
Foreign exchange exposure	HKD	14,006,201.32	12,352,068.95	19,181,864.43	17,979,447.69
Foreign exchange exposure	EURO	265,558.24	2,565,027.04	(16,303.70)	(163,729.41)

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IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Objectives and policies of risk management (continued)

1.1 Market risks (continued)

Foreign exchange risk (continued)

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposure. The Group currently does not take any measures to hedge foreign exchange risk exposure.

Interest rate risks – Risk of changes in cash flow

The risks of changes in cash flow of financial instruments due to changes in interest rates is closely related to floating rate loans and bank balances carrying interests at prevailing market rates.

Interest rate risks – Risk of changes in fair value

The risk from changes in fair value of financial instruments arising from changes in interest rates are closely related to fixed-rate time deposits and bank loans. The Group currently does not have an interest rate hedging policy. However, the management monitors the interest rate exposure regularly and will consider hedging significant interest rate exposure should the need arise.

1.2 Credit risks

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the amount of financial guarantees contract disclosed in Note "Other Non-current Liabilities".

The Group has concentration of credit risk, at each balance sheet date, for the debt amount and percentage of the main dealing companies please refer to Note VII.3 and Note VII.6.

In order to minimise the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Objectives and policies of risk management (continued)

1.3 Liquidity Risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies bank borrowings as a significant source of liquidity. As at 31 December 2008, the Group has available unutilised short-term bank loan facilities of approximately RMB805,205,126.28 (2007: RMB886,977,000.00).

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

	Within 1 year *RMB*	Within 1-5 years *RMB*	Over 5 years *RMB*	Total *RMB*
Notes receivable (Note)	700,808,734.31	–	–	700,808,734.31
Accounts receivable	373,786,068.90	–	–	373,786,068.90
Other receivables	40,194,559.58	–	–	40,194,559.58
Entrusted loans	189,161,195.83	–	–	189,161,195.83
Currency capital	734,709,610.55	–	–	734,709,610.55
Long-term receivables	8,735,868.28	16,264,131.72	–	25,000,000.00
Other long-term financial assets	14,585,424.00	33,463,560.00	–	48,048,984.00
Sub-total of financial assets	2,061,981,461.45	49,727,691.72	–	2,111,709,153.17
Short-term borrowings (Note)	560,811,271.88	–	–	560,811,271.88
Notes payable	181,266,484.88	–	–	181,266,484.88
Accounts payable	893,709,192.58	–	–	893,709,192.58
Other payables	181,144,553.75	–	–	181,144,553.75
Long-term borrowings due within one year	88,038,837.70	–	–	88,038,837.70
Payroll-related payables	54,182,419.84	–	–	54,182,419.84
Dividend payable	23,045,263.75	–	–	23,045,263.75
Other current liabilities	4,425,393.46	–	–	4,425,393.46
Long-term borrowings	–	517,786,297.57	–	517,786,297.57
Sub-total of financial liabilities	1,986,623,417.84	517,786,297.57	–	2,504,409,715.41
Net amount	75,358,043.61	(468,058,605.85)	–	(392,700,562.24)

(Note) Balance of RMB136,446,636.50 of the notes receivable and short-term borrowings from those set out above will offset each other on the due date of notes subsequent to the balance sheet date.

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IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Fair Value

Fair value of the financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

3. Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyse how the entity's profit and loss for the period and owners' equity would have been affected by changes in the relevant risk variables that were reasonably possible. As it is unlikely that risk variables will change in an isolated manner, and the interdependence between risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following items are based on the assumption that each risk variable has changes on a stand-alone basis.

Currency risk

The table below describes the Group's sensibility to 5% rise in the exchange rate of USD and HKD.

		2008		2007	
Item	**Change in exchange rate** *RMB*	**Effect on net profits** *RMB*	**Effect on Shareholders' equity** *RMB*	**Effect on net profits** *RMB*	**Effect on Shareholders' equity** *RMB*
USD	Weakens against RMB 5%	3,751,674.63	3,751,674.63	6,888,283.15	6,888,283.15
HKD	Weakens against RMB 5%	(524,962.93)	(524,962.93)	(764,126.55)	(764,126.55)

The possible reasonable changes in the exchange rates of USD and HKD have a relatively small effect on the profit and loss and equity for the current period.

Interest rate risk sensitivity analysis

The sensitivity analysis on interest rate risk is based on the following assumptions:

- Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments.
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period or equity:

		2008		2007	
Item	**Change in interest rate** RMB	**Effect on net profits** RMB	**Effect on Shareholders' equity** RMB	**Effect on net profits** RMB	**Effect on Shareholders' equity** RMB
Floating rate loans	Decrease 1%	3,825,000.00	3,825,000.00	2,613,852.35	2,613,852.35

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X. CONTINGENCIES

	2008 *RMB*	**2007** *RMB*
Guarantee for borrowings from a third party bank	100,000,000.00	150,000,000.00
Guarantee to banks for mortgage loans on behalf of residential property buyers	94,421,000.00	92,811,000.00
Total	194,421,000.00	242,811,000.00

At 10 October 2008, the Group provided an irrevocable guarantee for Beijing Hualian Group Investment Holding Company for a one-year bank loan amounted to RMB100,000,000.00 with joint liabilities.

At 31 December 2008, Beijing Bohong Property Development Company Limited, a subsidiary of the Company, provided a joint obligation guarantee to banks that provide mortgage loans in accordance with practices of the real estate industry for a secured loan amounted to RMB94,421,000.00 in respect of residential properties that have been sold but certificates of property rights were not obtained.

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XI. COMMITMENTS

(1) Capital commitments

	2008 *RMB*	2007 *RMB*
Contracted but not recognized in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	11,960,000.00	12,294,146.30
– Commitments in relation to external investment	26,003,330.00	–
Total	37,963,330.00	12,294,146.30

Note: In December 2008, the Company's subsidiary Beijing New Technology, a subsidiary of the Company and CTMC entered into the Assets and Equity Transaction Contract to acquire 33.45% equity interest in a subsidiary of the Company Wuxi Jingwei Textile Technology Testing Company Limited from CTMC. The respective transaction has not completed yet as at the end of 2008.

(2) Operating lease commitments

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

	2008 *RMB*	2007 *RMB*
Minimum lease payments under non-cancellable operating leases:		
The first year subsequent to the balance sheet date	2,986,966.75	10,331,318.29
The second year subsequent to the balance sheet date	2,306,010.41	1,888,700.00
The third year subsequent to the balance sheet date	28,200.00	1,836,900.00
Subsequent periods	89,300.00	300,000.00
Total	5,410,477.16	14,356,918.29

XII. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the resolution approved by the Board on 30 March 2009, on the basis of 603,800,000 shares in issue, a cash dividend of RMB0.1 (with tax) for every 10 shares was proposed to all shareholders for the year 2008 and the total amount of dividends paid would be RMB6,038,000.00. The above dividend distribution proposal is still pending for shareholders' approval.

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Currency funds

	2008			2007		
	Foreign currency	Exchange Rate	RMB equivalent	Foreign currency	Exchange Rate	RMB equivalent
Cash						
RMB	–	–	285,665.44	–	–	181,576.75
HKD	31,850.00	0.8819	28,088.52	16,680.00	0.9364	15,619.15
USD	466.00	6.8346	3,184.92	3,407.84	7.3046	24,892.90
EURO	13,973.30	9.6590	134,968.10	24,370.50	10.6669	259,957.69
Pound	1,050.00	9.8789	10,372.85	1,050.00	14.5807	15,309.74
CHF	57.00	6.4625	368.36	–	–	–
JPY	70,150.00	0.0757	5,310.36	–	–	–
DEM	50.00	3.9306	196.53			
Bank Deposit						
RMB	–	–	509,028,221.78	–	–	345,030,487.45
HKD	20,929.65	0.8819	18,457.86	20,827.73	0.9364	19,503.09
USD	3,179.94	6.8346	21,733.62	55,490.24	7.3046	405,334.02
Other currency funds						
RMB			11,005,249.09			543,954.33
Total			520,541,620.90			346,496,831.65

At 31 December 2008, other currency funds mainly included deposits pledged to banks for bills of RMB9,812,504.60.

2. Notes receivable

	2008 *RMB*	2007 *RMB*
Bank guaranteed bills	473,325,659.08	801,491,641.14
Commercial bills	58,470,276.00	53,881,197.75
Total	531,795,935.08	855,372,838.89

At 31 December 2008, the Company has pledged RMB16,000,000.00 notes receivable. Unexpired bills with the right of recourse that have been endorsed amounted to RMB309,610,785.19 (2007: RMB551,701,382.58). Discounted unexpired bills amounted to RMB61,060,276.03 (2007: RMB51,875,000.00). See note XIII 17.

Notes receivable as at 31 December 2008 did not include shareholders holding 5% (inclusive) or above equity interest in the Company.

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable

The aging analysis of accounts receivable is as follows:

	2008				2007			
	Amount *RMB*	Proportion *%*	Provision for bad debts *RMB*	Carrying amount *RMB*	Amount *RMB*	Proportion *%*	Provision for bad debts *RMB*	Carrying amount *RMB*
Within one year	222,370,769.45	66	–	222,370,769.45	205,809,466.15	64	–	205,809,466.15
More than 1 year but not exceeding 2 years	46,130,058.52	14	(2,679,678.24)	43,450,380.28	62,854,756.95	20	(5,594,320.21)	57,260,436.74
More than 2 year but not exceeding 3 years	31,840,968.61	9	(3,649,146.17)	28,191,822.44	7,926,972.83	2	(5,444,931.64)	2,482,041.19
More than 3 years	35,497,322.93	11	(28,773,583.41)	6,723,739.52	44,403,601.98	14	(38,559,629.93)	5,843,972.05
Total	335,839,119.51	100	(35,102,407.82)	300,736,711.69	320,994,797.91	100	(49,598,881.78)	271,395,916.13

Disclosure of accounts receivable by client categories is as follows::

	2008				2007			
	Amount *RMB*	Proportion *%*	Provision for bad debts *RMB*	Carrying amount *RMB*	Amount *RMB*	Proportion *%*	Provision for bad debts *RMB*	Carrying amount *RMB*
Individually significant accounts	122,010,555.39	36	–	122,010,555.39	22,506,600.00	7	–	22,506,600.00
Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics	28,773,583.41	9	(28,773,583.41)	–	38,559,629.93	12	(38,559,629.93)	–
Other insignificant accounts	185,054,980.71	55	(6,328,824.41)	178,726,156.30	259,928,567.98	81	(11,039,251.85)	248,889,316.13
Total	335,839,119.51	100	(35,102,407.82)	300,736,711.69	320,994,797.91	100	(49,598,881.78)	271,395,916.13

Changes in the bad debt provision for uncollectible accounts receivable are as follows:

	2008 *RMB*	2007 *RMB*
Balance at beginning of year	49,598,881.78	69,557,405.87
Addition	321,043.11	3,465,206.89
Reversed	(12,485,759.22)	(12,400,165.40)
Written-off	(2,331,757.85)	(11,023,565.58)
Balance at end of the year	35,102,407.82	49,598,881.78

Top five outstanding amounts as at the end of the year are as follows:

Total top five outstanding amounts *RMB*	Aging	Proportion of the outstanding amount to the accounts receivable *%*
246,212,990.56	within 1 to 3 years	73

Accounts receivable do not include receivables from shareholders holding 5% (inclusive) or above equity interest in the Company.

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable (continued)

Accounts receivable past due but not provided for impairments are as follows:

Aging	**2008** *RMB*	**2007** *RMB*
More than 1 year but not exceeding 2 years	43,450,380.28	57,260,436.74
More than 2 years but not exceeding 3 years	28,191,822.44	2,482,041.19
More than 3 years	6,723,739.52	5,843,972.06
Total	78,365,942.24	65,586,449.99

4. Advances to suppliers

The aging analysis of advances to suppliers is as follows:

	2008 Amount *RMB*	**Proportion** *%*	**2007 Amount** *RMB*	**Proportion** *%*
Within one year	117,608,825.37	100	60,099,769.07	91
More than 1year but not exceeding 2 years	76,202.50	–	911,052.89	1
More than 2 years but not exceeding 3 years	48,534.50	–	9,803.00	–
More than 3 years	92,695.61	–	4,711,566.94	8
Total	117,826,257.98	100	65,732,191.90	100

Disclosure of advances to suppliers by client categories is as follows:

	2008 *RMB*	**2007** *RMB*
Individually significant payments	59,759,922.45	–
Other insignificant payments	58,066,335.53	65,732,191.90
Total	117,826,257.98	65,732,191.90

Advances to suppliers do not include advances to shareholders with 5% (inclusive) or above equity interest in the Company.

5. Dividend receivable

	2008 *RMB*	**2007** *RMB*
Within one year	78,884,768.00	3,658,115.36
More than 1 year but not exceeding 2 years	2,258,115.36	934.450.00
More than 2 years but not exceeding 3 years	934,450.00	–
Total	82,077,333.36	4,592,565.36

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. Other Receivables

The aging analysis of other receivables is as follows:

	2008				2007			
	Amount *RMB*	Proportion *%*	Provision for bad debt *RMB*	Carrying amount *RMB*	Amount *RMB*	Proportion *%*	Provision for bad debt *RMB*	Carrying amount *RMB*
Within 1 year	389,761,498.04	98	–	389,761,498.04	235,171,142.34	86	(2,000,000.00)	233,171,142.34
More than 1 year but not exceeding 2 years	5,055,385.24	1	(12,683.90)	5,042,701.34	13,427,351.17	5	(21,866.62)	13,405,484.55
More than 2 years but not exceeding 3 years	397,009.84	–	(4,298.88)	392,710.96	11,288,399.53	4	(17,825.80)	11,270,573.73
More than 3 years	945,974.36	1	(732,577.36)	213,397.00	13,155,485.65	5	(877,343.58)	12,278,142.07
Total	396,159,867.48	100	(749,560.14)	395,410,307.34	273,042,378.69	100	(2,917,036.00)	270,125,342.69

Disclosure of other receivables by categories is as follows:

	2008				2007			
	Amount *RMB*	Proportion *%*	Provision for bad debt *RMB*	Carrying amount *RMB*	Amount *RMB*	Proportion *%*	Provision for bad debt *RMB*	Carrying amount *RMB*
Individually significant receivables	301,721,817.68	76	–	301,721,817.68	–	–	–	–
Other insignificant receivables	93,705,472.44	24	(16,982.78)	93,688,489.66	272,165,035.11	100	(2,039,692.42)	270,125,342.69
Individually insignificant receivables but with significant risks after being grouped with similar credit risk characteristics	732,577.36	–	(732,577.36)	–	877,343.58	–	(877,343.58)	–
Total	396,159,867.48	100	(749,560.14)	395,410,307.34	273,042,378.69	100	(2,917,036.00)	270,125,342.69

Charges in the bad debt provision for uncollectible other receivables are as followings:

	2008 *RMB*	**2007** *RMB*
Balance at beginning of the year	2,917,036.00	846,749.17
Additions	276,379.14	2,273,855.00
Reversals	(2,443,855.00)	(203,568.17)
Balance at end of the year	749,560.14	2,917,036.00

Top five outstanding amounts are as follows:

Total of top five outstanding amounts RMB	**Aging**	**Proportion of the outstanding amounts to the total of other receivables %**
139,554,172.94	Within 1 to 3 years	**35**

Other receivables do not include receivables from shareholders holding 5% (inclusive) or above equity interest in the Company.

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

Category	2008 *RMB*	2007 *RMB*
Raw materials	75,589,297.20	93,892,350.90
Work-in-progress	146,642,415.24	169,519,773.38
Finished goods	189,153,725.26	352,324,756.28
Less: Provision for the decline in value of inventories	(44,298,970.49)	(32,844,262.87)
Total inventory	367,086,467.21	582,892,617.69

Changes in written-down of inventories are as follows:

	1 January 2008 *RMB*	Additions *RMB*	Reversals *RMB*	31 December 2008 *RMB*
Provision for decline in value inventories:				
Raw materials	–	5,203,014.54	–	5,203,014.54
Work-in-progress	13,500,000.00	1,322,554.19	–	14,822,554.19
Finished goods	19,344,262.87	6,382,253.27	(1,453,114.38)	24,273,401.76
Total	32,844,262.87	12,907,822.00	(1,453,114.38)	44,298,970.49

8. Entrusted loans

	2008 *RMB*	2007 *RMB*
To subsidiaries	73,000,000.00	73,000,000.00
To related parties	130,468,750.00	67,000,000.00
To third parties	50,000,000.00	–
	253,468,750.00	140,000,000.00

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

Entrusted loans are detailed as follows:

Borrowers	Interest rate p.a.	Maturity date	Current interest *RMB*	Cumulative interest receivable or received *RMB*	Balance at the period end *RMB*
Third parties					
Langfang Hengsheng Property Development (Group) Company Limited	9.486%	30 December 2009	12,994.52	12,994.52	50,000,000
Related parties					
Anhui Huamao Jingwei New Type Textile Company Limited	6.66%	31 August 2009	204,361.64	204,361.64	28,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	7.47%	31 August 2009	619,089.04	619,089.04	25,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	5.31%	31 August 2009	827,820.00	827,820.00	14,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	6.66%	31 May 2009	15,874.52	15,874.52	3,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	5.31%	31 August 2009	361,685.96	361,685.96	6,718,750.00
Anhui Huamao Jingwei New Type Textile Company Limited	2.50%	25 May 2009	1,343,750.00	1,343,750.00	53,750,000.00
To subsidiaries					
Beijing Bohong Real Estate Development Company Limited	8.964%	13 March 2009	5,813,618.04	5,813,618.04	73,000,000.00
Total			9,199,193.72	9,199,193.72	253,468,750.00

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments

(1) Details of long-term equity investments are stated as follows:

Name of Investee	Initial Investment cost *RMB*	1 January 2008 *RMB*	Addition *RMB*	Share of result *RMB*	Cash dividends *RMB*	Disposal *RMB*	31 December 2008 *RMB*
Using the equity method							
China Texma Tech	30,000,000.00	46,368,108.52	–	1,693,602.12	(2,500,000.00)	–	45,561,710.64
Hongda Research Company	20,000,000.00	25,331,243.50	–	2,406.47	–	–	25,333,649.97
Anhui Huamao Jingwei New Type Textile Company Limited	12,500,000.00	12,730,221.91	–	386,723.71	–	(13,116,945.62)	–
Zhengzhou Hongda Non-woven Fabric Company Ltd	17,000,000.00	13,442,684.96	–	(2,413,236.94)	–	–	11,029,448.02
Huangshi Jingwei Textile Machinery Company Limited	7,500,000.00	–	7,500,000.00	–	–	–	7,500,000.00
	87,000,000.00	97,872,258.89	7,500,000.00	(330,504.64)	(2,500,000.00)	(13,116,945.62)	89,424,808.63
Using the cost method							
Qingdao Hongda	44,100,000.00	96,341,389.00	–	–	–	(331,598.49)	96,009,790.51
Zhengzhou Hongda New Type Textile Machinery Company Limited	23,010,000.00	80,805,191.00	–	–	–	–	80,805,191.00
Shenyang Hongda	69,580,000.00	81,301,993.00	–	–	–	–	81,301,993.00
Tianjin Hongda	26,930,000.00	71,005,633.00	–	–	–	–	71,005,633.00
Changde Textile Machinery	29,644,900.00	35,279,928.00	–	–	–	–	35,279,928.00
Beijing New Technology	98,400,000.00	98,407,084.00	–	–	–	–	98,407,084.00
Tianjin Jingwei	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 Special Parts	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
Jingwei Heli	30,000,000.00	39,288,285.00	–	–	–	–	39,288,285.00
Yichang Jingwei	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	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
Wuxi Jingwei Textile Machinery Sales Services Company Limited	4,793,503.17	–	4,793,503.17	–	–	–	4,793,503.17
Langfang Hengsheng Property Development Group Company Limited	68,000,000.00	–	68,000,000.00	–	–	–	68,000,000.00
Jinzhong Jingwei Ring Manufacturing Company Limited	490,000.00	500,000.00	–	–	–	–	500,000.00
Shanghai Dongxing	39,000,000.00	36,974,000.00	–	–	–	–	36,974,000.00
Taiyuan Jingwei Electric Appliance Company Limited	4,900,000.00	5,212,000.00	–	–	–	–	5,212,000.00
	708,461,088.34	880,320,929.17	72,793,503.17	–	–	(331,598.49)	952,782,833.85
Total	795,461,088.34	978,193,188.06	80,293,503.17	(330,504.64)	(2,500,000.00)	(13,448,544.11)	1,042,207,642.48
Less: Provision for impairment loss		–					–
Net amount of long-term equity investments		978,193,188.06					1,042,207,642.48

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments (continued)

(2) A list of jointly controlled entities and associates and their key financial information

Name of investee	Place of registration	Nature of Business	Registered capital	Proportion of ownership interest held by the entity %	Proportion of voting power held by the entity %	Investee's total assets at year end RMB	Investee's total liabilities at year end RMB	Investee's total operating income for the current year RMB	Investee's net profit for the current year RMB
Associates									
Anhui Huamao Jingwei New Type Textile Company Limited	Anhui	Production & sales (P&S) Textile products	50,000,000.00	25	25	427,098,214.08	375,814,255.91	235,898,182.68	364,583.40
Hongda Research Company Limited	Beijing	P&S Textile products	50,000,000.00	40	40	102,470,237.57	37,700,288.26	41,183,535.12	6,016.19
Zhengzhou Hongda Non-woven Fabric Company Ltd	Henan	P&S Textile products	40,000,000.00	23.74	23.74	57,537,181.07	10,970,785.39	63,929,005.11	(10,055,153.93)
China Texma Tech	Beijing	Export and import Texma	120,000,000.00	25	25	593,054,970.15	400,053,199.72	1,273,243,273.35	6,211,847.37
Huangshi Jingwei Textile Machinery Company Limited	Hubei	Production and sales of textile printing and dyeing machinery equipment and related services	30,000,000.00	25	25	212,279,194.26	183,598,338.06	–	856.20

(3) For long term equity investments held by the Company on 31 December 2008, the investees' ability to transfer funds to the Company is not restricted.

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

10. Fixed Assets

(1) Changes in fixed assets during the year are as follows:

	Buildings *RMB*	Machinery and equipment *RMB*	Motor vehicles *RMB*	Total *RMB*
Cost				
At 1 January 2008	280,574,723.35	717,816,134.27	30,707,796.09	1,029,098,653.71
Acquisitions	2,461,161.63	2,338,300.25	8,722,308.27	13,521,770.15
Transferred from construction in progress during the year	19,336,264.25	40,767,603.38	1,962,850.69	62,066,718.32
Disposals	(1,856,506.58)	(54,887,882.59)	(11,774,733.66)	(68,519,122.83)
At 31 December 2008	300,515,642.65	706,034,155.31	29,618,221.39	1,036,168,019.35
Accumulated depreciation				
At 1 January 2008	(102,500,709.12)	(426,724,529.54)	(13,548,402.19)	(542,773,640.85)
Provided for the year	(5,980,420.27)	(32,949,432.50)	(3,645,977.84)	(42,575,830.61)
Eliminated on disposals	358,222.19	30,577,000.23	5,304,858.02	36,240,080.44
At 31 December 2008	(108,122,907.20)	(429,096,961.81)	(11,889,522.01)	(549,109,391.02)
Impairment allowance				
At 1 January 2008	–	(30,430,294.35)	–	(30,430,294.35)
Additions	–	–	–	
Written off	–	6,240,774.53	–	6,240,774.53
At 31 December 2008	–	(24,189,519.82)	–	(24,189,519.82)
Net book value				
At 1 January 2008	178,074,014.23	260,661,310.38	17,159,393.90	455,894,718.51
At 31 December 2008	192,392,735.45	252,747,673.68	17,728,699.38	462,869,108.51
Including:				
Net book value of fixed assets leased out under operating lease:				
At 1 January 2008	–	37,023,870.04	3,456,558.77	40,480,428.81
At 31 December 2008	–	4,536,945.60	–	4,536,945.60
Net book value of temporarily idle fixed assets:				
At 1 January 2008	2,162,948.24	570,490.62	125,273.12	2,858,711.98
At 31 December 2008	12,762,863.73	–	–	12,762,863.73

As at 31 December 2008, buildings with a net book value of RMB16,115,925.09 of the Company is not given certificated of property right.

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress

	1 January 2008 *RMB*	Additions *RMB*	Complete and transfer to fixed assets *RMB*	31 December 2008 *RMB*	Capital resources	Budget *RMB'000*	Proportion of capital injected for project to budget *%*
Construction of Yuci's assembling plant	12,406,053.80	4,919,023.01	(16,875,176.81)	449,900.00	Company's own funds	18,000	96
Machinery to be installed	11,046,028.84	42,764,005.67	(44,209,873.51)	9,600,161.00	Company's own funds	94,440	64
Others	1,030,088.00	(48,420.00)	(981,668.00)	–	Company's own funds	1,030	100
Total	24,482,170.64	47,634,608.68	(62,066,718.32)	10,050,061.00			
Less: Provision for impairment loss	–			–			
Carrying amount of construction in progress	24,482,170.64			10,050,061.00			

12. Construction materials

	2008 *RMB*	2007 *RMB*
Deposit paid for acquisition of equipment	1,894,760.76	2,183,513.50

13. Intangible assets

	Land use right *RMB*	Patents *RMB*	Software *RMB*	Total *RMB*
Estimated useful life	50 years	10 years	5 years	
Cost				
At 1 January 2008	99,144,504.38	21,413,627.93	5,610,050.00	126,168,182.31
Additions	–	–	3,364,830.00	3,364,830.00
Disposals	–	–	(2,274,996.00)	(2,274,996.00)
At 31 December 2008	99,144,504.38	21,413,627.93	6,699,884.00	127,258,016.31
Accumulated amortization				
At 1 January 2008	(18,985,376.72)	(16,024,254.61)	(2,322,809.37)	(37,332,440.70)
Provided for the year	(2,001,340.05)	(1,105,863.96)	(946,584.40)	(4,053,788.41)
Eliminated on disposals	–	–	2,274,996.00	2,274,996.00
At 31 December 2008	(20,986,716.77)	(17,130,118.57)	(994,397.77)	(39,111,233.11)
Net book value				
At 1 January 2008	80,159,127.66	5,389,373.32	3,287,240.63	88,835,741.61
At 31 December 2008	78,157,787.61	4,283,509.36	5,705,486.23	88,146,783.20
Remaining years for amortization	36.6 to 42 years	5.3 to 6.25 years	1 to 3.83 years	

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets (continued)

Research and development expenses

Research and development expenses represent expenses incurred by the Group's internal research and development projects. As the Company could not separate the expenses incurred during research and development, all the research and development expenses to be incurred are included in current profit and loss.

	2008 *RMB*	2007 *RMB*
Research and development expenses	30,742,508.22	41,149,836.32

14. Deferred tax assets

	Deductible (taxable) temporary difference and deductible losses		Deferred tax assets (liabilities)	
	2008 *RMB*	2007 *RMB*	2008 *RMB*	2007 *RMB*
Provision for impairment loss of asset	104,246,208.29	103,732,424.03	15,636,931.24	17,831,832.84
Bonus provides for but not issued	6,000,000.00	18,700,000.00	900,000.00	2,805,000.00
Retirement benefits	871,948.33	–	130,792.25	–
Others	6,415,672.41	3,930,000.00	962,350.86	589,500.00
Change in fair value of held-for-trading financial assets	–	(1,945,000.00)	–	(291,750.00)
Total	117,533,829.03	124,417,424.03	17,630,074.35	20,934,582.84

Deferred tax assets are not recognised for the following deductible temporary differences and deductible losses:

	2008 *RMB*	2007 *RMB*
Deductible temporary differences	8,190,715.64	2,839,103.52
Deductible losses	13,504,956.41	–
Total	21,695,672.05	2,839,103.52

15. Long-term receivables

	2008 *RMB*	2007 *RMB*
Sales of goods by instalments (note)	23,091,163.33	–
Long-term receivables from subsidiaries	116,463,216.01	77,136,576.10
Total	139,554,379.34	77,136,576.10

Note: Long-term accounts receivable amounted to RMB30,000,000 was factored to obtain bank borrowings pursuant to an agreement with a bank entered into by the Company. According to the factoring agreement, if the counterparty fails to repay the accounts receivable duly, the Company shall unconditionally repurchase the accounts receivable. As at 31 December 2008, the counterparty has repaid RMB5,000,000. The factored accounts receivable and the amount received from the factoring of accounts receivable of the Company were reflected in the accounts receivable and long-term borrowing at the year-end respectively, as the risks and rewards associated with the accounts receivable had not been fully transferred.

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XVI. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16. Provision for impairment loss of asset

	1 January 2008	Provided for the year	Reduction		31 December 2008
			Reversals	Written-off	
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Bad debt provision	52,515,917.78	597,422.25	(14,929,614.22)	(2,331,757.85)	35,851,967.96
Provision for decline in value of inventories	32,844,262.87	12,907,822.00	(1,453,114.38)	–	44,298,970.49
Provision for impairment loss of fixed asset	30,430,294.35	–	–	(6,240,774.53)	24,189,519.82
Total	115,790,475.00	13,505,244.25	(16,382,728.60)	(8,572,532.38)	104,340,458.27

17. Short-term borrowings

Category	2008	2007
	RMB	*RMB*
Guarantee loans	100,000,000.00	–
Credit loans	198,849,800.70	257,512,040.86
Notes facilities	61,060,276.03	51,875,000.00
Total	359,910,076.73	309,387,040.86

Guarantee loans refer to the loans that are secured by the Group's ultimate controlling parent company CTMC with joint liability for repayment.

18. Notes payable

Category	2008	2007
	RMB	*RMB*
Bank acceptance	104,071,085.72	148,532,353.10
Commercial bills under acceptance	2,385,500.00	2,006,197.75
Total	106,456,585.72	150,538,550.85

There are no payables for shareholders holding over 5% (inclusive) of the equity interests of the Company in notes payable as at 31 December 2008.

19. Accounts payable

There are no payables for shareholders holding over 5% (inclusive) of the equity interest of the Company in accounts payable as at 31 December 2008.

20. Advances from customers

There are no advances from shareholders holding over 5% (inclusive) of the equity interest of the Company in advances from customers as at 31 December 2008.

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

21. Employee benefits payable

	1 January 2008 *RMB*	Accrual *RMB*	Payment *RMB*	31 December 2008 *RMB*
Wage or salaries, bonus, allowance and subsidies	26,382,734.99	111,018,279.10	(129,992,302.96)	7,408,711.13
Staff welfare	457,840.79	8,297,545.94	(8,755,386.73)	–
Social security contributions	955,983.96	26,895,432.41	(27,851,416.37)	–
Including: Premiums contributions on medical insurance	492,553.56	7,505,949.78	(7,998,503.34)	–
Basic pension insurance	–	16,475,925.83	(16,475,925.83)	–
Unemployment insurance	310,939.68	1,675,045.41	(1,985,985.09)	–
Work injury insurance	152,490.72	764,702.29	(917,193.01)	–
Maternity insurance	–	473,809.10	(473,809.10)	–
Housing fund	3,418,559.35	3,375,677.94	(2,175,799.22)	4,618,438.07
Union running costs and employee education costs	4,448,984.56	3,597,919.99	(3,712,676.04)	4,334,228.51
Others	2,067.55	–	(2,067.55)	–
Total	35,666,171.20	153,184,855.38	(172,489,648.87)	16,361,377.71

22. Taxation payable

Category of taxes	2008 *RMB*	2007 *RMB*
Income tax	3,623,468.26	4,847,932.55
VAT	7,262,945.80	(5,779,453.85)
Business tax	1,069,467.03	35,426.69
City construction tax	(31,884.79)	(9,486.57)
Urban land use tax	3,728,053.87	–
Land appreciation tax	–	210,053.87
Others	(25,654.33)	842,642.71
Total	15,626,395.84	147,115.40

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

23. Dividends payable

Name of investors

	2008 *RMB*	**200** *RMB*
H-share shareholders	3,139.56	3,079.76
CTMC	17,607,600.00	15,651,200.00
	17,610,739.56	15,654,279.76

24. Other payables

There are no payables to shareholders holding over 5% (inclusive) of the equity interest of the Company in other payables as at 31 December 2008.

25. Other current liabilities

	2008 *RMB*	**200** *RMB*
Accrued expenses		
– Audit fee	3,000,000.00	3,330,000.00
– Exhibition fee	1,000,000.00	1,850,000.00
– Others	425,393.46	1,290,000.00
Total	4,425,393.46	6,470,000.00

26. Long-term loans

Category	**2008** *RMB*	**2007** *RMB*
Factoring financing loans	23,091,163.32	–
Credit loans	355,000,000.00	55,000,000.00
Guarantee loans	50,000,000.00	50,000,000.00
Total	428,091,163.32	105,000,000.00
Less: long-term borrowings due within one year	55,000,000.00	5,000,000.00
Long-term borrowings due after one year	373,091,163.32	100,000,000.00

The interest rate for the above loans range from 6.24% to 8.316%.

Included in the credit loans were overdue loans to former China Textile General Association of RMB5,000,000.00 (2007: RMB5,000,000.00), which is still outstanding as China Textile General Association did not pursue the overdue payment after its institutional restructure.

The factoring financing loans refers to the bank borrowings in relation to accounts receivable factoring. Please refer to note XIII. 15 for details.

Guaranteed loans refer to loans that are secured by the Group's controlling parent company CTMC with joint liability for repayment.

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XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

27. Long-term payables

	2008 *RMB*	**2007** *RMB*
Early retired staff welfare	871,948.38	1,153,696.59
Retired persons welfare	74,190,444.71	108,460,000.00
Total	75,062,393.09	109,613,696.59
Less: Long-term payables due within one year	3,872,036.29	5,720,000.00
Long-term payable due after one year	71,190,356.89	103,893,696.59

In 2008, the benefits of retiring staff provided for amounting to RMB28,730,000.00. It is written back due to the adjustment of the originally set policies of retirement benefits by the management of Company and its subsidiaries which lowered the payment standard for benefits of retiring staff and ceased the payment for benefits of some retired staff.

28. Other non-current liabilities

Deferred income

	2008 *RMB*	**2007** *RMB*
Assets-related government grant		
– National Debt Plan	18,360,000.00	–
Earnings-related government grant		
– Financial subsidy	1,970,000.00	–
Total	20,330,000.00	–

Please refer to note XIII.42 for details of the abovementioned deferred income.

Notes to the Financial Statements
For the year ended 31 December 2008

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

XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

29. Special payables

	2008 *RMB*	2007 *RMB*
VAT rebate	39,946,787.45	–
Total	39,946,787.45	–

This special payables is the tax rebate for the import of key components and parts of air-jet loom and automatic winding machine provided according to relevant regulations of "the Circular of the Ministry of Finance, the National Development and Reform Commission, the General Customs Administration and the State Administration of Taxation on Import Taxes Policies Related to Implementing 'the Certain Opinions of the State Council on Speeding up and Rejuvenating the Equipment Manufacturing Industry'" (Cai Guan Shui [2007] No. 11). As required by the relevant documents, such tax rebate will be transferred and used to increase the State capital, thus, the Company included such tax rebate in special payables on a temporary basis with a view to transferring such amount to the State capital in the future.

30. Capital reserve

	1 January 2008 *RMB*	Increase during the year (note) *RMB*	Decrease during the year *RMB*	31 December 2008 *RMB*
Capital invested by investors	1,234,418,262.95	–	–	1,234,418,262.95
Others	5,501,852.00	4,793,502.54	–	10,295,354.54
Total	1,239,920,114.95	4,793,502.54	–	1,244,713,617.49

Note: The increase in capital reserve for the year was contributed by the transfer of 98% equity interest in Wuxi Textile Machinery Sales Services Company Limited held by the Company's subsidiary Wuxi Jingwei Textile Technology Testing Company Limited to the Company for free, which resulted in the increase of RMB4,793,502.54 in the capital reserve.

31. Surplus reserve

	Statutory surplus reserve *RMB*	Discretionary surplus reserve *RMB*	Total *RMB*
2007			
At 1 January	198,490,246.10	150,000,000.00	348,490,246.10
Accruals	5,045,764.21	–	5,045,764.21
At 31 December	203,536,010.31	150,000,000.00	353,536,010.31
2008			
At 1 January	203,536,010.31	150,000,000.00	353,536,010.31
Accruals	7,016,588.44	–	7,016,588.44
At 31 December	210,552,598.75	150,000,000.00	360,552,598.75

The statutory reserves can be used for making up losses of the Company, enlarge productive operation or increases share capital.

Notes to the Financial Statements
For the year ended 31 December 2008

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

XVI. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

32. Unappropriated profits

		2008 *RMB*	2007 *RMB*
Unappropriated profit at beginning of year		19,292,911.11	22,185,029.52
Add: Net profit of the year		70,165,884.44	50,457,645.80
Less: Appropriation to statutory surplus reserve	Note (1)	(7,016,588.44)	(5,045,764.21)
Profit available for distribution to shareholders		82,442,207.11	67,596,911.11
Less: Appropriation of unappropriated profit to discretionary surplus reserve		–	–
Dividends payable – last year's/prior year's cash dividends approved by shareholders' meeting	Note (2)	(6,038,000.00)	(48,304,000.00)
Unappropriated profit at end of the year		76,404,207.11	19,292,911.11
Including: Cash dividend/profit distributed after the balance sheet date	Note (3)	6,038,000.00	6,038,000.00

Note (1) Appropriation of statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company registered capital.

Note (2) Cash dividends approved by shareholders' meeting during the year

In 2007, on the basis of 603,800,000 issued shares (with the par value of RMB1 per share), dividends of RMB6,038,000 for every 10 shares were distributed to all the shareholders.

Note (3) Profit distribution decided after the balance sheet date

According to a proposal of the board of directors on 30 March 2009, in 2008, on the basis of 603,800,000 issued shares (with the par value of RMB1 per share), dividends of RMB6,038,000 for every 10 shares were distributed to all the shareholders. The above proposed dividend distribution is yet to be approved by a shareholders' meeting.

Notes to the Financial Statements
For the year ended 31 December 2008

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

XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

33. Operating Income

	2008 *RMB*	2007 *RMB*
Principal activities	1,984,781,164.67	3,016,592,557.66
Other activities	516,144,276.32	485,781,853.76
Operating leases	2,900,534.00	1,396,334.00
Sales of raw materials and accessories	480,579,701.82	458,876,733.24
Others	32,664,040.50	25,508,786.52
Total	2,500,925,440.99	3,502,374,411.42

The aggregate amount of operating income from the top five customers was RMB552,080,331.15 (2007: RMB846,375,329.12) which accounts for 22% (2007: 24%) of the total operating income.

34. Operating cost

	2008 *RMB*	2007 *RMB*
Principal activities	1,927,685,470.11	2,817,422,764.07
Other activities	480,759,561.70	481,319,076.55
Operating leases	984,641.78	508,782.76
Sales of raw materials and accessories	461,245,634.53	465,803,766.85
Others	18,529,285.39	15,006,526.94
	2,408,445,031.81	3,298,741,840.62

35. Sales taxes and levies

Tax category	2008 *RMB*	2007 *RMB*
Business tax	–	430,887.98
City construction expense	1,465,910.51	1,810,262.12
Education surcharge tax	129,381.30	196,114.76
Total	1,595,291.81	2,437,264.86

36. Financial expenses

	2008 *RMB*	2007 *RMB*
Interest expense	35,623,531.61	26,789,019.76
Less: interest income	(22,370,780.82)	(15,703,286.03)
Exchange differences	(11,329,898.68)	(9,773,383.26)
Others	1,149,941.88	1,070,507.08
Total	3,072,793.99	2,382,857.55

Notes to the Financial Statements
For the year ended 31 December 2008

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

XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

37. Asset impairment

	2008 *RMB*	2007 *RMB*
Bad debt losses	(14,332,191.97)	(6,864,671.69)
Written-down of inventories	11,454,707.62	17,174,442.02
Total	(2,877,484.35)	10,309,770.33

38. Investment income

	2008 *RMB*	2007 *RMB*
Long term equity investment income	98,548,152.90	50,092,882.17
Including: Dividend from investment carried at cost	98,084,768.00	29,267,650.00
(Loss) gain recognised under equity method	(330,504.64)	20,825,232.17
Gain on disposal of long-term equity investment	793,889.54	–
Interest income from entrusted loans	21,656,914.66	13,485,367.64
Gain on held-for-trading financial assets	2,677,328.92	58,359,940.90
Others	–	27,207.24
Total	122,882,396.48	121,965,397.95

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

39. Non-operating income

	2008 *RMB*	2007 *RMB*
Gain on disposal of fixed assets	1,572,892.28	1,176,997.29
Penalty income	3,259,193.42	122,359.70
Government grants	17,090,000.00	1,750,000.00
Waiver of trade and other payables	3,028,335.34	–
Others	492,423.10	680,398.71
Total	25,442,844.14	3,729,755.70

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

XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

40. Non-operating expense

	2008 *RMB*	2007 *RMB*
Losses on disposal of fixed assets	866,819.71	385,920.92
Penalty expenses	504,332.08	1,725.33
Donation expenses	600,000.00	–
Others	240,422.40	15,640.59
Total	2,211,574.19	403,286.84

41. Income tax expenses

	2008 *RMB*	2007 *RMB*
Current tax expense	(1,597,670.08)	10,570,669.85
Deferred tax expense	3,304,508.49	(199,655.84)
	1,706,838.41	10,371,014.01

Reconciliation of income tax expenses to the accounting profit is as follows:

	2008 *RMB*	2007 *RMB*
Accounting profit	71,872,722.85	60,828,659.81
Income tax expenses calculated at 15% (2007: 15%)	10,780,908.43	9,124,298.97
Effect of expenses that are not deductible for tax purpose	4,888,205.16	2,765,088.15
Effect of unrecognised deductible losses and deductible temporary differences for tax purposes	3,240,213.31	4,905,146.52
Additional deduction on research and development expenses	(913,560.18)	(645,005.46)
Additional deduction on purchase of domestically produced equipment	–	(983,514.66)
Effect of non-taxable income	(14,279,530.20)	(5,331,462.05)
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	536,462.54
Effect of using previously unrecognied deductible losses and deductible temporary differences for tax purpose	(411,728.03)	–
Refund of income tax paid in previous years	(1,597,670.08)	–
Income tax expenses	1,706,838.41	10,371,014.01

Notes to the Financial Statements
For the year ended 31 December 2008

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

XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

42. Government grants

		2008 *RMB*	2007 *RMB*
Received government grants related to assets			
National Debt Investment Plan	Note (1)	18,360,000.00	–
Received government grants related to income			
Financial subsidies	Note (2)	12,000,000.00	–
Textile industry special fund from the Ministry of Finance	Note (3)	1,080,000.00	1,750,000.00
National Science Supporting Program,	Note (4)	4,500,000.00	–
Research and development grant	Note (5)	1,480,000.00	–
Total		37,420,000.00	1,750,000.00
Government grants recognised in profit or loss for the period		17,090,000.00	1,750,000.00
Government grants recognised in deferred income		20,330,000.00	–

Note (1): Pursuant to the "Notice of the National Development and Reform Commission on the issue of the Investment Plan 2007 with Special Fund (Government Bond) in the Central Government's Budget for Structural Adjustment of Key Industries (the Seventh Batch)" (Fa Gai Tou Zi No. 2472 [2007]), the Company received special grants amounting to RMB18,360,000.00 during the year for the "project in respect of the production line of a full set of highly efficient modern cotton weaving equipment" and the "project in respect of high speed intelligent air-jet weaving machines". These grants were specialized for purchasing equipment and constructing factories.

Note (2): Pursuant to the "Administrative Measures of the Beijing Municipal Bureau of Industrial Development on the Issue of the Second Batch of Industrial Development Fund in 2008" (Jing Gong Cu Fa No. 125 [2008]), the Company received a financial subsidy amounting to RMB12,000,000.00 in 2008 for the "project of industrialization of a full set of highly efficient modern cotton weaving equipment". The subsidy was specialized for project construction and repayment of interests from bank loans.

Note (3): Pursuant to the "Notice of the Ministry of Finance and the National Development and Reform Commission on the Provision of Special Funds to Central Units for Facilitating the Change of Ways for Foreign Trade Growth by the Textile Industry" (Cai Qi No. 419 [2006]), the Company received a special fund of RMB1,080,000.00 specialized for technology research and development in 2008.

Note (4): Pursuant to the "Notice by the Ministry of Finance on the Issue of the Budget Target of the National Technology Support Programme 2008" (Cai Qi No. 121 [2008]) of the ministing of Finance, the Company received a special grant amounting to RMB4,500,000.00 in 2008 for the "project in respect of the fully automatic tube changing machine and the modern, automatic consecutive cotton weaving model production line". The grant was specialized for technological research and development.

Note (5): Pursuant to the "Notice Concerning Fund Appropriation in Respect of the Industrial Project of the Shanxi Scientific and Technological Development Programme and the Shanxi Torch Project " and the "Notice on the issue of the Budget for Policy-guided Projects under the Applied Technology Research and Development Fund", the Company received a government R&D grant of RMB1,480,000.00 in 2008.

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

XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

43. Cash and cash equivalents

	2008 *RMB*	2007 *RMB*
Cash	510,729,116.30	345,952,877.32
Including: Cash on hand	467,958.55	497,552.77
Bank demand deposits	509,068,413.26	345,436,559.46
Other monetary fund that can be readily withdrawn on demand	1,192,744.49	18,765.09
Cash and cash equivalents balances	510,729,116.30	345,952,877.32
Restricted cash and cash equivalents of the Parent Company	9,812,504.60	543,954.33

44. Supplementary information for cash flow statement

	2008 *RMB*	2007 *RMB*
Reconciliation of net profit to cash flow from operating activities		
Net profit	70,165,884.44	50,457,645.80
Add: Provision for assets impairment	(2,877,484.35)	10,309,770.34
Depreciation of fixed assets	42,575,830.61	30,075,391.30
Amortization of intangible assets	4,053,788.41	13,978,154.99
Loss an disposal of fixed assets, intangible assets and other long-term assets	(706,072.57)	(791,076.37)
Loss resulting from changes in fair value (less gains)	–	(1,945,000.00)
Financial expenses	24,293,632.93	17,015,636.50
Loss arising from investments (less gain)	(122,882,396.48)	(121,965,397.95)
Decrease in deferreds tax assets (less increase)	3,596,258.49	(199,655.84)
Increase in deferred tax liabilities (lee decrease)	(291,750.00)	–
Decrease in inventory	204,351,442.86	(93,577,826.15)
Decrease in operating receivables (less increase)	163,647,338.14	76,556,271.89
Increase in operating payables (less decrease)	(300,851,558.41)	10,082,827.59
Net cash flow from operating activities	85,074,914.07	(10,003,257.90)
Net changes in cash and cash equivalents:		
Closing balance of cash	510,729,116.30	345,952,877.32
Less: Opening balance of cash	345,952,877.32	561,793,451.96
Net increase in cash and cash equivalents	164,776,238.98	(215,840,574.64)

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For the year ended 31 December 2008

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

XIII. INTERPRETATIONS FOR MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

45. Other cash flow related to other operating activities

	2008 *RMB*	2007 *RMB*
Items		
Other cash received relating to operating activities		
Interest income	22,370,780.82	10,117,625.07
Government grant	37,420,000.00	1,750,000.00
Penalty income	3,259,193.42	122,359.70
Others	3,520,758.44	680,398.71
Subtotal	66,570,732.68	12,670,383.48
Other cash paid relating to operating activities		
Travel expense	7,474,320.69	12,880,883.95
R&D Fee	6,741,693.36	12,540,534.73
Office allowance	5,076,104.27	10,642,536.90
Transportation	7,383,756.22	9,616,098.22
Business	3,869,705.67	8,726,758.09
Water, electricity and heat	3,786,954.53	6,448,471.79
Business Entertainment	2,237,357.85	4,202,887.51
Rent	1,989,522.00	3,469,953.24
Exhibition fees	2,317,257.82	3,425,617.48
Professional service	611,648.78	3,417,949.34
Labour	19,000.00	3,054,415.94
Green project and fire-fighting	1,030,009.25	2,765,898.00
Storage and warehouse management	1,627,336.32	2,212,592.19
Advertising and publicity	1,883,738.55	1,719,046.87
Others	1,378,217.67	4,503,616.49
Subtotal	47,426,622.98	89,627,260.74

46. Other cash flow related to investing activities

	2008 *RMB*	2007 *RMB*
Cash items		
Acceptance bill discount interest	–	1,378,282.49
Subtotal	–	1,378,282.49

XIV. APPROVAL OF THE FINANCIAL STATEMENTS

The separate and consolidated financial statements of the Company were approved by the Board of Directors of the Company on 30 March 2009.

Chapter XII Supplementary Information

(Prepared in accordance with the PRC Corporate Accounting Standards)
(All amounts are stated in Rmb'000 Yuan unless otherwise stated)

1. DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH RELEVANT ACCOUNTING STANDARDS IN THE PRC

There is no material difference in net profit and net assets presented in the financial statements prepared by the Group in accordance with the PRC Corporate Accounting Standards and International Financial Reporting Standards.

2. FULLY DILUTED AND WEIGHTED AVERAGE RATE OF RETURN ON NET ASSETS AND EARNINGS PER SHARE

This rate of return on net assets table was prepared by Jingwei Textile Machinery Company Limited (hereinafter referred to as "Jingwei Company") in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and disclosures for the rate of return on net assets and earnings per share" (as amended in 2007) issued by the China Securities Regulatory Commission.

	Profit during the reporting period	Calculated in accordance with the net profit attributable to holders of the Company's ordinary shares	Calculated in accordance with the net profit attributable to holders of the Company's ordinary shares, net of non-recurring profit and loss
Rate of return on net assets	Fully diluted	0.91%	(3.98%)
	Weighted average	0.91%	(4.10%)
Earnings per share	Fully diluted	0.04	(0.19)
	Weighted average	0.04	(0.19)

3. ANALYSIS ON CHANGES OF ITEMS IN THE FINANCIAL STATEMENTS

The following analysis on changes of items in the financial statements was prepared by Jingwei Textile Machinery Company Limited (hereinafter referred to as "Jingwei Company") in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 15) –General Requirements for Financial Reports" (as amended in 2007) issued by the China Securities Regulatory Commission.

	Consolidated			
Items in financial statements	**Year 2008**	**Year 2007**	**Range of change**	**Reason accounted for the difference**
	RMB	*RMB*	*%*	
Notes receivable	700,809	1,229,252	(43)	Note (1)
Other receivables	40,195	71,219	(44)	Note (2)
Entrusted loans	180,469	67,000	169	Note (3)
Inventories	1,774,348	2,000,726	(11)	Note (4)
Long-term equity investment	218,784	158,359	38	Note (5)
Construction materials	11,453	5,748	99	Note (6)
Short-term borrowings	552,290	414,161	33	Note (7)
Notes payable	181,266	275,884	(34)	Note (8)
Advances from customers	306,361	559,362	(45)	Note (9)
Employee benefit payables	54,182	97,252	(44)	Note (10)
Tax payable	(5,000)	7,136	(170)	Note (11)
Other payables	181,145	265,097	(32)	Note (12)
Other current liabilities	4,425	6,470	(32)	Note (13)
Long-term borrowings	473,091	150,000	215	Note (14)
Long-term payables	95,117	146,903	(35)	Note (15)
Operating income	3,707,895	5,432,662	(32)	Note (16)
Operating cost	3,263,869	4,707,685	(31)	Note (17)
Business tax and surcharge	26,345	10,268	157	Note (18)
Selling expenses	129,852	147,676	(12)	Note (19)
Administrative expenses	344,700	465,055	(26)	Note (20)
Asset impairment loss	(5,661)	12,330	(146)	Note (21)
Investment gain	53,087	117,486	(55)	Note (22)
Non-operating income	75,274	19,541	285	Note (23)
Non-Operating expenses	6,040	4,465	35	Note (24)
Income tax	22,624	26,513	(15)	Note (25)

3. ANALYSIS ON CHANGES OF ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

Note (1): Notes receivable were mainly calculated based on the undue bank's acceptance bills and commercial acceptance bills received by the Group. The decrease in balance as compared to the end of last year was mainly due to the impact of macro-economic environment during the year, resulting in a decrease in operating income as compared to last year so that balance of notes receivable as at the end of the year decreased accordingly.

Note (2): Other receivables were mainly calculated based on value-added tax and input tax subject to deduction as well as staff borrowing reserve. The decrease in the balance as at the end of the year was mainly due to the confirmation of deduction on value-added tax and input tax subject to deduction.

Note (3): Entrusted loans were mainly calculated based on the amounts lent to associates and other investee enterprises by the Group. The increase in the balance as at the end of the year was mainly due to the increase in the amount lent to Anhui Huamao Jingwei New Type Textile Company Limited and Langfang Hengsheng Realty Group Company Limited.

Note (4): The decrease in inventories as at the end of the year was mainly due to the decrease in appropriation of capital in inventories as a result of control on the volume of stock for responding to the changes in macro-economic environment by the Group.

Note (5): The increase in the balance of long-term equity investment as at the end of the year was mainly due to the addition of investment in Langfang Hengsheng Realty Group Company Limited and Huangshi Jingwei Textile Machinery Company Limited.

Note (6): The increase in the balance of construction materials as at the end of the year was mainly due to the increase in prepayment for some large equipment and the purchase of special equipment for construction.

Note (7): Short-term borrowings were mainly calculated based on borrowings from banks. The increase in the balance as at the end of the year was mainly due to the increase of short-term borrowings discretionally for increasing cash reserve based on the current macro-economic environment.

Note (8): Notes payable were mainly calculated based on bank's acceptance bills and commercial acceptance bills issued by the Company for paying trade amounts. The decrease in the balance as at the end of the year was mainly due to the decrease in notes issued as a result of lowering of inventory level and reduction in purchase for accommodating to the changes in the macro-economic environment of the year.

Note (9): Advances from customers were mainly calculated the sales deposits, trade amounts or transportation fees received from customers. The decrease in the balance as at the end of the year was mainly due to the completion and approval and acceptance of No. 2 Building of the Company's subsidiary, Beijing Bohong Real Estate Development Company Limited during the current period which wrote off the relevant prepayment for real estate during the year.

Note (10): Employee benefit payables were mainly calculated based on wages, bonus, social security and cost of benefits payable to staff. The decrease in balance as at the end of the year was mainly due to the downward adjustment in the level of employees' wages and salaries for responding to the changes in macro-economic environment by the Group.

Note (11): Tax payable was mainly calculated based on the various taxes including value-added tax, business tax and income tax to be paid in the course of production and operation of the Company. The decrease in the balance as at the end of the year was mainly due to the increase in excess value-added tax as a result of the slightly less extent of decrease in the balance of inventories of the Group during the year compared to the decrease in scale of sales for the year

Note (12): Other payables were mainly calculated based on the accounts with external units. The decrease in balance as at the end of the year was mainly due to the repayment for the respective liabilities by the Group.

Note (13): Other liabilities were mainly calculated based on the various accrued expenses. The decrease in the balance as at the end of the year was mainly due to the decrease in the expenses to be accrued as at the end of the year compared to the end of last year.

Note (14): Long-term borrowings were mainly calculated based on the long-term borrowings from banks. The increase in the balance as at the end of the year was mainly due to the addition of borrowings for the purpose of project construction by the Company.

Note (15): Long-term payables were mainly calculated based on dismissal benefits. The decrease in the balance as at the end of the year was mainly due to the adjustments in policies of retirement benefits during the year by the Group which lowered the payment standard for benefits of retiring staff and ceased payment for benefits of some retired staff so that the benefits of retiring staff provided for were written back.

Note (16): Operating income was mainly calculated based on sales of textile machinery products, real estate and raw materials. The decrease for the year as compared to last year was mainly due to the decrease in sales volume as affected by the changes in the macro-economic environment during the year.

Note (17): Operating cost was mainly calculated based on the cost carried forward from textile machinery products, real estate and raw materials. The decrease for the year as compared to last year was mainly due to the decrease in sales volume which decreased the selling cost correspondingly.

3. ANALYSIS ON CHANGES OF ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

Note (18): Business tax and surcharge was mainly calculated based on business tax, city maintenance and construction tax, land value-added tax, etc. The increase for the year as compared to last year was mainly due to the increase in sales revenue of real estate as compare to last year by the taxable unit of business tax, Beijing Bohong Real Estate Development Company Limited, the subsidiary of the Company, during the year, which increased the business tax and surcharge correspondingly.

Note (19): Selling expenses were mainly calculated based on the various expenses including the staff remuneration, travel and advertising expenses incurred by the sales department. The decrease for the year as compared to the last year was mainly due to the downward adjustment in the level of employees' wages and salaries for responding to the changes in macro-economic environment by the Group as well as the strengthened control on all expenses.

Note (20): Administrative expenses were mainly calculated based on expenses including staff remuneration, business reception and research and development expenses incurred by the administrative department. The decrease for the year as compared to the last year was mainly due to the downward adjustment in the level of employees' wages and salaries for responding to the changes in macro-economic environment by the Group as well as the strengthened control on all expenses.

Note (21): Asset impairment loss was mainly calculated based on provision for and write-back of impairment allowance of bad debt, decrease in value of stocks, etc. The decrease for the year as compared to last year was mainly due to the increased efforts of the Group in debt collections by means of a number of methods so that payables provided for as bad debts were recovered and the bad debt allowance for payables was written back.

Note (22): Investment gain was mainly calculated based on investment gain of associates, investment gain on trading financial assets and interest gain on entrusted loans. The decrease for the year as compared to last year was mainly due to the decrease in gain on securities investment in respect of subscription in the secondary market during the year by the Company as a result of changes in the capital market trend as well as the decline in results of associates which resulted in a decrease in investment gain of associates.

Note (23): Non-operating income was mainly calculated based on income from subsidies, income from disposal of assets, etc. The increase for the year as compared to last year was mainly due to the increase in government subsidies obtained by the Group during the year.

Note (24): Non-operating expenses were mainly calculated based on loss on disposal of assets, fines, donations, etc. The increase for the year as compared to last year was mainly due to the increase in donations by the Group during the year.

Note (25): The decrease in income tax for the year as compared to last year was mainly due to the drop in sales volume as a result of the impact of change in the macro-economic environment, leading to the decrease in total profits which decreased the income tax correspondingly.

The supplemental information provided by the management is endorsed by the following responsible persons from Jingwei Textile Machinery Company Limited:

Person in charge of Company: **Yao Yuming**

Person in charge of accounting function: **Mao Faqing**

Person in charge of the accounting department: **Mao Faqing**

30 March 2009

Chapter XIII Independent Auditor's Report – Hong Kong

TO THE MEMBERS OF JINGWEI TEXTILE MACHINERY COMPANY LIMITED
(incorporated in People's Republic of China with limited liability)

We have audited the consolidated financial statements of Jingwei Textile Machinery Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 163 to 214, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2009

Chapter XIV Accounts Prepared in Accordance with Hong Kong Financial Reporting Standards

Consolidated Income Statement
For the year ended 31 December 2008

	Notes	2008 *RMB'000*	2007 *RMB'000*
Turnover	5	3,645,693	5,370,325
Cost of sales		(3,247,151)	(4,676,136)
Gross profit		398,542	694,189
Other income	7	153,568	96,503
Gain on fair value changes of held-for-trading investments		1,429	65,323
Selling and distribution expenses		(129,852)	(147,676)
Administrative expenses		(328,773)	(484,009)
Finance costs	8	(41,086)	(43,794)
Share of results of jointly controlled entities		387	1,938
Share of results of associates		(693)	19,645
Profit before taxation	9	53,522	202,119
Taxation	10	(25,750)	(26,513)
Profit for the year		27,772	175,606
Attributable to			
Equity holders of the Company		25,855	162,206
Minority interests		1,917	13,400
		27,772	175,606
Dividends	12	6,038	48,304
Earnings per share			
–Basic	13	RMB0.04	RMB0.27

Consolidated Balance Sheet
At 31 December 2008

	Notes	2008 *RMB'000*	2007 *RMB'000*
Non-current assets			
Property, plant and equipment	14	1,359,901	1,255,400
Prepaid lease payments	15	264,661	262,518
Intangible assets	16	12,992	12,446
Deposits paid for acquisition of property, plant and equipment		12,290	–
Interests in associates	17	104,004	86,983
Interests in jointly controlled entities	18	–	25,445
Available-for-sale investments	19	114,780	45,931
Deferred tax assets	20	30,045	35,731
Other non-current assets	21	49,000	–
		1,947,673	1,724,454
Current assets			
Inventories	22	1,320,144	1,521,121
Properties under development for sale	23	172,450	479,605
Completed properties for sale	24	281,754	–
Trade and other receivables	25	1,183,647	1,670,243
Prepaid lease payments	15	6,186	5,975
Amounts due from holding companies	26	64	791
Amounts due from fellow subsidiaries	26	165,146	174,585
Amounts due from associates	26	215,273	49,451
Amounts due from jointly controlled entities	26	–	112,348
Held-for-trading investments	27	–	4,945
Pledged bank balances	28	50,276	6,831
Bank balances and cash	28	684,433	637,468
		4,079,373	4,663,363
Current liabilities			
Trade and other payables	29	1,511,287	2,321,792
Amounts due to holding companies	26	42,903	78,549
Amounts due to fellow subsidiaries	26	115,269	103,398
Amounts due to associates	26	5,743	3,233
Taxation payable		4,167	7,687
Borrowings – amount due within one year	30	622,296	497,161
		2,301,665	3,011,820
Net current assets		1,777,708	1,651,543
Total assets less current liabilities		3,725,381	3,375,997
Non-current liabilities			
Borrowings - amount due after one year	30	473,091	150,000
Other non–current liabilities	31	180,408	167,983
		653,499	317,983
		3,071,882	3,058,014
Capital and reserves			
Share capital	32	603,800	603,800
Reserves		2,247,081	2,224,115
Equity attributable to equity holders of the Company		2,850,881	2,827,915
Minority interests		221,001	230,099
		3,071,882	3,058,014

The financial statements on pages 163 to 214 were approved by the Board of Directors on 30 March 2009 and are signed on its behalf by:

Ye Maoxin
Director

Yao Yuming
Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2008

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (note)	Statutory surplus reserve RMB'000 (note 33a)	Discretionary surplus reserve RMB'000 (note 33b)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 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	–	–	–	–	–	(373)	–	(373)	–	(373)
Profit for the year	–	–	–	–	–	–	162,206	162,206	13,400	175,606
Total recognised income and expense for the year	–	–	–	–	–	(373)	162,206	161,833	13,400	175,233
Transfers	–	–	–	23,756	–	–	(23,756)	–	–	–
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	57,179	57,179
Dividends paid to minority interests	–	–	–	–	–	–	–	–	(1,855)	(1,855)
Dividends paid	–	–	–	–	–	–	(48,304)	(48,304)	–	(48,304)
At 31 December 2007 and 1 January 2008	603,800	1,249,865	–	369,815	177,764	(2,490)	429,161	2,827,915	230,099	3,058,014
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(390)	–	(390)	–	(390)
Profit for the year	–	–	–	–	–	–	25,855	25,855	1,917	27,772
Total recognised income and expense for the year	–	–	–	–	–	(390)	25,855	25,465	1,917	27,382
Transfers	–	–	–	14,828	–	–	(14,828)	–	–	–
Acquisition of additional interests in subsidiaries	–	–	3,539	–	–	–	–	3,539	(5,230)	(1,691)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(2,841)	(2,841)
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	1,081	1,081
Dividends paid to minority interests	–	–	–	–	–	–	–	–	(4,025)	(4,025)
Dividends paid	–	–	–	–	–	–	(6,038)	(6,038)	–	(6,038)
At 31 December 2008	603,800	1,249,865	3,539	384,643	177,764	(2,880)	434,150	2,850,881	221,001	3,071,882

Note: Capital reserve represents the deemed contribution from the ultimate holding company in relation to acquisition of additional interests in subsidiaries.

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	Notes	2008 *RMB'000*	2007 *RMB'000*
Operating activities			
Profit before taxation		53,522	202,119
Adjustments for:			
Depreciation of property, plant and equipment		120,084	100,162
Gain on disposal of property, plant and equipment		(1,923)	(197)
Amortisation of intangible assets		2,585	2,755
Amortisation of prepaid lease payments		6,368	6,558
Interest income		(29,085)	(23,345)
Interest expenses		41,086	43,794
Gain on disposal of a subsidiary		(724)	–
Gain on disposal of associates		–	(15,852)
Write back of allowance for doubtful debts		(21,701)	(13,749)
Share of results of associates		693	(19,645)
Share of results of jointly controlled entities		(387)	(1,938)
Dividend income from available-for-sale investments		(1,161)	(7,210)
Allowance for obsolete inventories		17,553	20,076
Impairment loss recognised in respect of property, plant and equipment		777	–
Impairment loss recognised in respect of intangible assets		–	9,974
(Gain) loss on disposal of available-for-sale investments		(31,047)	72
Loss on disposal of intangible assets		–	8
Waiver of trade and other payables		(14,878)	–
Unrealised exchange gain		(11,324)	–
Operating cash flows before movements in working capital		130,438	303,582
Increase in properties under development for sale		(180,187)	(103,661)
Decrease in completed properties for sale		222,400	–
Decrease (increase) in inventories		183,030	(220,015)
Decrease in trade and other receivables		532,190	316,277
Decrease (increase) in amounts due from fellow subsidiaries		2,894	(4,757)
Decrease (increase) in amounts due from holding companies		727	(791)
(Increase) decrease in amounts due from associates		(32,438)	23,637
Decrease in amounts due from jointly controlled entities		–	22,042
Decrease in held-for-trading investments		4,945	3,941
Decrease in trade and other payables		(748,900)	(321,439)
Decrease in amounts due to holding companies		(32,596)	–
Increase in amounts due to fellow subsidiaries		16,485	14,055
Increase in amounts due to associates		2,510	360
Decrease in amounts due to jointly controlled entities		–	(500)
(Decrease) increase in retirement benefit obligations		(51,786)	5,953
Increase in deferred income and others		64,211	10,765
Cash generated from operations		113,923	49,449
PRC Enterprise Income Tax paid		(23,584)	(24,639)
Net cash from operating activities		90,339	24,810

Consolidated Cash Flow Statement (continued)
For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Investing activities			
Purchase of property, plant and equipment		(267,146)	(169,013)
Purchase of available-for-sale investments		(75,802)	–
Advance to an investee		(50,000)	–
(Increase) decrease in pledged bank balances		(43,445)	1,060
Increase in other receivables		(25,909)	–
Deposits paid for acquisition of property, plant and equipment		(12,290)	–
Additions of prepaid lease payments		(8,722)	(35,599)
Acquisition of associates		(7,500)	–
Purchase of intangible assets		(3,131)	(1,108)
Acquisition of additional interest in subsidiaries		(1,691)	–
Proceeds from disposal of property, plant and equipment		42,135	10,291
Proceeds from disposal of available-for-sale investments		38,000	561
Decrease (increase) in time deposits with maturity more than three months		19,277	(17,372)
Interest received		13,255	23,345
Proceeds from disposal of a jointly-controlled entity		13,118	–
Dividend received from an associate		2,500	2,279
Decrease in amounts due from related parties		1,339	46,534
Dividend received from available-for-sale investments		1,161	7,210
Proceeds from partial disposal of interest in a subsidiary		1,081	–
Proceeds from disposal of a subsidiary	37	428	–
Acquisition of assets/subsidiaries	36	–	(59,089)
Repayments of loan receivable		–	100,000
Proceeds from disposal of associates		–	66,374
Proceeds from disposal of intangible assets		–	482
Net cash used in investing activities		(363,342)	(24,045)
Financing activities			
New bank loans raised		975,591	256,338
Increase (decrease) in borrowings related to discounted bills		1,797	(148,514)
Repayments of bank loans		(517,838)	(253,682)
Interest paid		(57,898)	(53,633)
Repayment of advance from an investee		(39,235)	–
Decrease in amounts due to related parties		(9,620)	(31,006)
Dividends paid to minority shareholders		(9,616)	(1,855)
Dividends paid		(4,082)	(43,653)
Net cash from (used in) from financing activities		339,099	(276,005)
Net increase (decrease) in cash and cash equivalents		66,096	(275,240)
Cash and cash equivalents at beginning of the year		618,191	893,804
Effect of foreign exchange rate changes		146	(373)
Cash and cash equivalents at end of the year		684,433	618,191
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		684,433	637,468
Time deposits with maturity more than 3 months		–	(19,277)
		684,433	618,191

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

1. GENERAL

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 ("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"). China Hengtain is a state-owned enterprise established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

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 and property development 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 the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK (IFRIC)-INT 11	HKFRS 2: Group and treasury share transactions
HK (IFRIC)-INT 12	Service concession arrangements
HK (IFRIC)-INT 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosure about financial instruments[2]
HKFRS 8	Operating segments[2]
HK (IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives[4]
HK (IFRIC)-INT 13	Customer loyalty programmes[5]
HK (IFRIC)-INT 15	Agreements for the construction of real estate[2]
HK (IFRIC)-INT 16	Hedges of a net investment in a foreign operation[6]
HK (IFRIC)-INT 17	Distribution of non-cash assets to owners[3]
HK (IFRIC)-INT 18	Transfers of assets from customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods ending on or after 30 June 2009.
5 Effective for annual periods beginning on or after 1 July 2008.
6 Effective for annual periods beginning on or after 1 October 2008.
7 Effective for transfers on or after 1 July 2009.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs. 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

When the Group acquires an additional interest in a subsidiary, the excess of the cost of acquisition over the carrying amount of the net assets acquired is recognised as goodwill.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented as an intangible asset.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a Group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, returns and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Revenue from the sales of properties in ordinary course of business is recognised when the significant risks and rewards of ownership of the properties are transferred to buyers. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under current liabilities.

Subcontracting service income is recognised which such services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency, i.e. the currency of the primary economic environment in which the entity operates, at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange reserve). Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Bonus plans

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

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

Retirement benefit costs

Companies within the Group, which were established in the PRC, contribute to a defined contribution retirement scheme established by the relevant local municipal government who undertakes the retirement benefit obligations of all existing and future retired employees employed by the Group. Contributions to the schemes are charged to the income statement as incurred.

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as 'other income'.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified in the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these asset, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives, including patents and licenses and software are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Research and development costs

Research expenditure is recognised as an expense as incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. Where no internally-generated intangible asset can be recognised, development expenditure is charged to income statement in the period in which it is incurred.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Properties under development for sale

The carrying value of properties under development for sale comprises the interest in leasehold land together with development expenditure, which includes construction costs, capitalised interest and other borrowing costs, if any, less foreseeable losses. The properties under development are stated at the lower of cost and net realisable value.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated income statement.

Financial assets

Financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets **(continued)**

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group represents financial assets held for trading which has been acquired principally for the purpose of selling in the near future.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in consolidated income statement excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivable, amounts due from holding companies, fellow subsidiaries, associates and jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sales financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss for available-for-sale investment carried at cost will not be reversed in subsequent periods.

For all other financial assets, objective evidence of impairment could include:

- (significant financial difficulty of the issuer or counterparty; or
- (default or delinquency in interest or principal payments; or
- (it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables from third parties and related parties, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to holding companies, fellow subsidiaries and associates and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated income statement. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collaterised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in consolidated income statement.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 3, the directors of the Company have made the following judgment that has a significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of property, plant and equipment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the property, plant and equipment. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated net realisable value of inventories, properties under development for sale and completed properties for sale

The determination of net realisable value of inventories, properties under development for sale and completed properties for sale requires significant judgment. In making this judgment, the Group estimates the selling prices in the ordinary course of business, the costs of completion and the costs necessary to make the sale.

Provision for employee retirement benefits

The Group is obligated to pay employee retirement benefits for the qualifying retired employees and certain early retired employees (i.e. retired before their statutory retirement dates) for their life time or up to their statutory retirement dates, respectively. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees and post-retirement supplemental benefits to its qualifying retired employees in accordance with various employee benefits schemes. The estimation of the provision requires subjective assumptions; any change to the assumptions can materially affect the fair value of the provision for employee retirement benefits. As at 31 December 2008, total provision for the employee retirement benefits is RMB101,887,000 (2007: RMB155,583,000).

Deferred tax assets

As at 31 December 2008, a deferred tax assets of RMB30,045,000 (2007: RMB35,731,000) in relation to temporary timing differences and unused tax losses have been recognised in the consolidated balance sheet. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement in the period such a reversal takes place.

5. TURNOVER

Turnover represents the amount received and receivable for goods sold and sales of properties by the Group to outsiders for the year and is analysed as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Manufacture and sales of textile machinery	2,861,329	4,806,039
Sales of materials, parts and components	471,797	564,286
Sales of developed properties	312,567	–
	3,645,693	5,370,325

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management reporting purposes, the Group is currently organised into three divisions-(a) manufacture and sale of textile machinery; (b) sales of materials, parts and components; and (c) sales of developed properties.

Segment information about these businesses is presented below.

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Year ended 31 December 2008					
TURNOVER					
External sales	2,861,329	471,797	312,567	–	3,645,693
Inter-segment sales	–	738,480	–	(738,480)	–
Total	2,861,329	1,210,277	312,567	(738,480)	3,645,693

Inter-segment sales are charged at prevailing market rates.

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
RESULT					
Segment result	(266)	(311)	28,842	–	28,265
Unallocated income					83,417
Unallocated expenses					(18,197)
Finance costs					(41,086)
Gain on fair value changes of held-for-trading investments					1,429
Share of results of jointly controlled entities					387
Share of results of associates					(693)
Profit before taxation					53,522
Taxation					(25,750)
Profit for the year					27,772

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Balance sheet as at 31 December 2008					
ASSETS					
Segment assets	4,276,901	519,038	513,628	–	5,309,567
Interests in associates					104,004
Available-for-sale investments					114,780
Unallocated corporate assets					498,695
Consolidated total assets					6,027,046
LIABILITIES					
Segment liabilities	1,326,935	250,159	114,601	–	1,691,695
Unallocated corporate liabilities					1,263,469
Consolidated total liabilities					2,955,164

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Consolidated *RMB'000*
Other information as at 31 December 2008				
Capital additions	258,800	12,014	8,185	278,999
Depreciation and impairment loss recognised in respect of property, plant and equipment	117,023	3,762	76	120,861
Amortisation of intangible assets	2,545	–	40	2,585
Amortisation of prepaid lease payments	5,765	603	–	6,368
Gain on disposal of property, plant and equipment	(1,920)	(3)	–	(1,923)

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Year ended 31 December 2007					
TURNOVER					
External sales	4,806,039	564,286	–	–	5,370,325
Inter-segment sales	–	1,002,786	–	(1,002,786)	–
Total	4,806,039	1,567,072	–	(1,002,786)	5,370,325

Inter-segment sales are charged at prevailing market rates.

RESULT					
Segment result	112,437	6,591	(10,400)	–	108,628
Unallocated income					56,514
Unallocated expenses					(6,135)
Finance costs					(43,794)
Gain on fair value changes of held-for-trading investments					65,323
Share of results of jointly controlled entities					1,938
Share of results of associates					19,645
Profit before taxation					202,119
Taxation					(26,513)
Profit for the year					175,606

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Consolidated *RMB'000*
Balance sheet as at 31 December 2007				
ASSETS				
Segment assets	4,939,524	398,875	510,950	5,849,349
Interests in associates				86,983
Interests in jointly controlled entities				25,445
Available-for-sale investments				45,931
Held-for-trading investments				4,945
Unallocated corporate assets				375,164
Consolidated total assets				6,387,817
LIABILITIES				
Segment liabilities	2,099,672	162,009	228,094	2,489,775
Unallocated corporate liabilities				840,028
Consolidated total liabilities				3,329,803

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Consolidated *RMB'000*
Other information as at 31 December 2007				
Capital additions	191,892	13,725	143	205,760
Depreciation of property, plant and equipment	97,823	2,292	47	100,162
Amortisation of intangible assets	2,735	–	20	2,755
Amortisation of prepaid lease payments	5,715	843	–	6,558
Impairment loss recognised in respect of intangible assets	9,974	–	–	9,974
(Gain) loss on disposal of property, plant and equipment	(398)	201	–	(197)
Loss on disposal of intangible assets	8	–	–	8

(b) Geographical segments

The Group's operations and assets are principally carried out and located in the PRC, including Hong Kong and Mainland China, no geographical segment analysis is presented.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

7. OTHER INCOME

	2008 *RMB'000*	2007 *RMB'000*
Other income includes:		
Interest income from banks	10,053	13,809
Interest income from other receivables and related parties	19,032	9,536
Government subsidies (Note)	47,887	11,875
Gain on disposal of a subsidiary	724	–
Gain on disposal of associates	–	15,852
Gain on disposal of available-for-sale investments	31,047	–
Net exchange gain	11,470	10,108
Rental income	1,854	2,696
Dividend income from available-for-sale investments	1,161	7,210
Gain on disposal of property, plant and equipment	1,923	197

Note: Government subsidies mainly represent subsidies received from local authorities to support the project constructions, repayment of interests from bank loans, research and development activities carried out by the Group in relation to textile industry.

8. FINANCE COSTS

	2008 *RMB'000*	2007 *RMB'000*
Interest expenses on borrowings wholly repayable within five years	57,898	53,633
Less: Interest capitalised under properties under development for sale	(16,812)	(9,839)
	41,086	43,794

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.87% (2007: 6.82%) to expenditure on qualifying assets.

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

9. PROFIT BEFORE TAXATION

	2008 *RMB'000*	2007 *RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 11)		
Fees	200	195
Other emoluments	968	1,421
Retirement benefits costs	24	23
	1,192	1,639
Other staff costs	390,026	417,657
Retirement benefits costs	55,417	62,112
(Reversal of) provision for retirement and supplemental benefit obligations (included in administrative expenses)	(44,130)	5,520
Total staff costs	402,505	486,928
Less: Staff costs included in research and development costs	(40,226)	(38,104)
	362,279	448,824
Auditor's remuneration	3,960	3,380
Depreciation of property, plant and equipment	120,084	100,162
Allowance for obsolete inventories	17,553	20,076
Amortisation:		
– intangible assets (included in administrative expenses)	2,585	2,755
– prepaid lease payments	6,368	6,558
Cost of inventories recognised as an expense	3,223,931	4,665,868
Minimum lease payments paid under operating lease in respect of land and buildings	16,551	16,040
Impairment loss recognised in respect of intangible assets (included in administrative expenses)	–	9,974
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	777	–
Loss on disposal of available-for-sale investments (included in administrative expenses)	–	72
Loss on disposal of intangible assets (included in administrative expenses)	–	8
Research and development costs (included staff costs)	85,661	85,425
Waiver of trade and other payables (included in administrative expenses)	(14,878)	–
Write back of allowance for doubtful debts	(21,701)	(13,749)

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

10. TAXATION

	2008 RMB'000	2007 RMB'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	18,536	29,562
Overprovision in prior years	(1,598)	–
	16,938	29,562
PRC Land Appreciation Tax ("LAT")	3,126	–
Deferred tax		
Charge (credit) for the year (note 20)	5,686	(3,329)
Attributable to change of PRC Enterprise Income Tax rate	–	280
	25,750	26,513

Hong Kong Profits Tax has not been made as the Group had no taxable profits in Hong Kong for the year (2007: nil). The Company and its subsidiaries are subject to PRC Enterprise Income Tax which has been calculated based on their taxable profits in accordance with the relevant tax laws applicable in the PRC.

The charge for the year can be reconciled to the profit before taxation per consolidated income statement as follows:

	2008 RMB'000	2007 RMB'000
Profit before taxation	53,522	202,119
Tax at the PRC Enterprise Income Tax rate of 15% (2007: 15%) (note a)	8,028	30,318
Tax effect of share of profit of associates and jointly controlled entities	46	(3,241)
Tax effect of other temporary differences not recognised	3,200	4,133
Tax effect of non-taxable income	(175)	(2,758)
Effect of tax exemptions granted to PRC subsidiaries	(1,911)	(5,018)
Tax effect of tax losses not recognised	10,224	10,084
Tax effect on non-deductible expenses	5,614	5,314
Tax effect on utilisation of other temporary differences not previously recognised	(4,702)	(3,387)
Effect of different tax rates of subsidiaries operating in other jurisdictions	7,910	(879)
Reduction of tax in respect of tax benefits (note b)	(3,543)	(8,333)
Overprovision in prior years	(1,598)	–
Change in opening deferred tax liability resulting from a decrease in applicable tax rate	–	280
PRC LAT	3,126	–
Income tax effect of LAT	(469)	–
Taxation charge	25,750	26,513

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

10. TAXATION (CONTINUED)

LAT is levied on the proceeds from sales of properties.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("Tax Exemption").

In 2007, the Company's PRC subsidiaries are subject to PRC Enterprise Income Tax at 33%, except for certain subsidiaries which are regarded as high and new technology enterprises and thus enjoy a preferential tax rate of 15%.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the existing tax rates for group entities from 15% and 18% in 2007 to 25% progressively over 5 years for certain subsidiaries from 1 January 2008 and from 33% in 2007 to 25% from 1 January 2008. For the subsidiaries enjoying preferential tax rate at 15%, they will continue to enjoy the preferential rate. For the subsidiaries under Tax Exemption, such exemption is still applicable under transitional arrangement of the New Law. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets is realised or the liability is settled.

Notes:

(a) The tax rate of 15% represented the tax rate applicable to majority of the group companies.

(b) Certain of the Company's PRC subsidiaries are entitled to tax benefits on purchase of PRC produced plant and equipment for production use and on certain qualifying research and development expenses charged to profit and loss for the year.

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11. DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments paid or payable to each of the 13 (2007: 14) directors during the year were as follows:

	Liu Haitao *RMB'000*	Ye Maoxin *RMB'000*	Fan Xinmin *RMB'000*	Yan Fuquan *RMB'000*	Liu Hong *RMB'000*	Shi Tinghong *RMB'000*	Yao Yuming *RMB'000*	Zhang Jianguo *RMB'000*	Zhao Xizi *RMB'000* (Note 1)	Gao Yong *RMB'000*	Chen Zhong *RMB'000*	Yu Shiquan *RMB'000*	Li Hui *RMB'000* (Note 2)	Total 2008 *RMB'000*
Fees	–	–	–	–	–	–	–	–	50	50	50	50	–	200
Other emoluments														
Salaries and other benefits	–	96	–	–	–	–	130	77	–	–	–	–	–	303
Discretionary bonus	–	160	–	–	–	–	225	280	–	–	–	–	–	665
Retirement benefits costs	–	8	–	–	–	–	9	7	–	–	–	–	–	24
Total emoluments	–	264	–	–	–	–	364	364	50	50	50	50	–	1,192

	Liu Haitao *RMB'000*	Ye Maoxin *RMB'000*	Fan Xinmin *RMB'000*	Yan Fuquan *RMB'000*	Liu Hong *RMB'000*	Shi Tinghong *RMB'000*	Yao Yuming *RMB'000*	Zhang Jianguo *RMB'000*	Wang Zengjing *RMB'000* (Note 3)	Kon Hiu King *RMB'000* (Note 3)	Gao Yong *RMB'000*	Chen Zhong *RMB'000*	Yu Shiquan *RMB'000*	Li Hui *RMB'000* (Note 2)	Total 2007 *RMB'000*
Fees	–	–	–	–	–	–	–	–	40	50	35	35	35	–	195
Other emoluments															
Salaries and other benefits	–	99	–	–	–	–	84	81	–	–	–	–	–	–	264
Discretionary bonus	–	354	–	–	–	–	318	485	–	–	–	–	–	–	1,157
Retirement benefits costs	–	8	–	–	–	–	8	7	–	–	–	–	–	–	23
Total emoluments	–	461	–	–	–	–	410	573	40	50	35	35	35	–	1,639

Note 1: Zhao Xizi was appointed on 29 February 2008.
Note 2: Li Hui was appointed on 15 August 2007 and resigned on 20 June 2008.
Note 3: Wang Zengjing and Kon Hiu King were resigned on 15 August 2007.

The emoluments paid or payable to the supervisors are as follows:

	2008 *RMB'000*	**2007** *RMB'000*
Salaries and other benefits	286	262
Discretionary bonus	570	814
Retirement benefits costs	24	25
	880	1,101

None of the directors and supervisors has waived or agreed to waive any emoluments in both years.

During the year, no emoluments were paid by the Group to the directors or the supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

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11. DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(b) Highest paid individuals

Of the five individuals with highest emoluments in the Group, two (2007: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2007: three) individuals are as follows:

	2008 *RMB'000*	**2007** *RMB'000*
Salaries and other benefits	335	234
Discretionary bonus	850	1,668
Retirement benefit costs	23	19
	1,208	1,921

The emoluments of each of the aforesaid employees were less than HK$1,000,000.

12. DIVIDENDS

Dividend recognised as distributions during the year:

	2008 *RMB'000*	**2007** *RMB'000*
Final dividend for 2007, paid RMB0.01 (2007: RMB0.08 paid for 2006) per share:		
A shares		
– Restricted	1,957	16,343
– Others	2,273	17,497
H shares	1,808	14,464
	6,038	48,304

Subsequent to the balance sheet date, a final dividend of RMB0.01 (2007: RMB0.01) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company amounted to RMB25,855,000 (2007: RMB162,206,000) and the number of shares of 603,800,000 (2007: 603,800,000) in issue during the year.

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

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2007	664,048	1,513,843	98,879	53,645	2,330,415
Additions	7,493	50,411	9,474	101,635	169,013
Acquired on acquisitions of assets/subsidiaries (note 36)	–	2,113	267	–	2,380
Disposals	(1,221)	(21,840)	(6,739)	(3,537)	(33,337)
Transfers	36,055	37,623	–	(73,678)	–
Reclassification	–	6,052	–	(6,052)	–
At 31 December 2007	706,375	1,588,202	101,881	72,013	2,468,471
Additions	48,073	25,144	32,926	161,003	267,146
Disposals	(1,194)	(143,916)	(12,524)	–	(157,634)
Disposed of on disposal of a subsidiary (note 37)	(1,009)	(308)	(951)	–	(2,268)
Transfers	107,641	48,715	2,555	(158,911)	–
At 31 December 2008	859,886	1,517,837	123,887	74,105	2,575,715
DEPRECIATION AND IMPAIRMENT					
At 1 January 2007	205,754	891,128	39,270	–	1,136,152
Charge for the year	18,155	71,136	10,871	–	100,162
Eliminated on disposals	(1,135)	(17,861)	(4,247)	–	(23,243)
At 31 December 2007	222,774	944,403	45,894	–	1,213,071
Charge for the year	12,847	92,471	14,766	–	120,084
Impairment loss recognised	–	777	–	–	777
Eliminated on disposals	(393)	(109,247)	(7,782)	–	(117,422)
Eliminated on disposal of a subsidiary (note 37)	(159)	(151)	(386)	–	(696)
At 31 December 2008	235,069	928,253	52,492	–	1,215,814
CARRYING VALUES					
At 31 December 2008	624,817	589,584	71,395	74,105	1,359,901
At 31 December 2007	483,601	643,799	55,987	72,013	1,255,400

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

At 31 December 2008, the certificates of ownership of certain buildings of the Group at carrying value of RMB203,784,000 (2007: RMB106,857,000) situated in the PRC have not been passed to the Group.

During the year, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to physical damage and technical obsolescence. Accordingly, certain machinery and equipment with carrying amount of RMB777,000 (2007: nil) are fully impaired.

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15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent medium-term land use rights situated in the PRC.

	2008 *RMB'000*	**2007** *RMB'000*
Analysed for reporting purposes as:		
Current asset	6,186	5,975
Non-current asset	264,661	262,518
	270,847	268,493

16. INTANGIBLE ASSETS

	Patents and licences *RMB'000*	**Software** *RMB'000*	**Goodwill** *RMB'000*	**Total** *RMB'000*
COST				
At 1 January 2007	22,475	12,332	2,259	37,066
Additions	6	1,102	–	1,108
Acquired on acquisitions of subsidiaries (note 36a)	40	–	–	40
Disposals	–	(754)	–	(754)
Write off	(1,067)	(206)	–	(1,273)
At 31 December 2007	21,454	12,474	2,259	36,187
Additions	–	3,131	–	3,131
Write off	–	(2,275)	–	(2,275)
At 31 December 2008	21,454	13,330	2,259	37,043
AMORTISATION AND IMPAIRMENT				
At 1 January 2007	6,362	6,187	–	12,549
Charge for the year	1,136	1,619	–	2,755
Eliminated on disposals	–	(264)	–	(264)
Eliminated on write off	(1,067)	(206)	–	(1,273)
Impairment loss recognised	9,587	387	–	9,974
Reclassification	6	(6)	–	–
At 31 December 2007	16,024	7,717	–	23,741
Charge for the year	1,146	1,439	–	2,585
Eliminated on disposals	–	(2,275)	–	(2,275)
At 31 December 2008	17,170	6,881	–	24,051
CARRYING VALUES				
At 31 December 2008	4,284	6,449	2,259	12,992
At 31 December 2007	5,430	4,757	2,259	12,446

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

Notes to the Consolidated Financial Statements
For the year ended 31st December 2008

16. INTANGIBLE ASSETS (CONTINUED)

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

Patents and licenses	10 years
Software	5 years

In 2007, the directors conducted a review of the patents and licenses and software and determined that certain of those assets were impaired due to technical obsolescence and the introduction of new product models of the underlying intangible assets. Accordingly, impairment losses of RMB9,587,000 in respect of patents and licenses on obsolete models and RMB387,000 for old version software had been recognised for the year ended 31 December 2007. No impairment loss was recognised in the current year.

17. INTERESTS IN ASSOCIATES

	2008 *RMB'000*	**2007** *RMB'000*
Cost of investment, unlisted investments	88,997	68,997
Share of post-acquisition profits, net of dividend received	15,007	17,986
	104,004	86,983

Details of the Group's associates as at 31 December 2008 and 2007 are as follows:

Name of associate	**Place of establishment and operation**	**Registered capital**	**Proportion of registered capital attributable to the Group/voting power held**		**Principal activities**
			2008 %	**2007** %	
Qingdao Jinyi Pressing and Casting Company Limited	PRC	RMB3,850,000	27	27	Pressing and casting of non-ferrous metal. Design, manufacturing and sales of model metal products
Hongda Research Company Limited	PRC	RMB50,000,000	40	40	Sale and development of textile machinery
Shenyang Jingxing Textile Machinery Company Limited	PRC	RMB3,200,000	31.25	31.25	Manufacturing and sales of textile machinery, spare parts and related components
Zhengzhou Hongda Non-woven Fabric Company Limited	PRC	RMB40,000,000	23.74	23.74	Manufacturing and sales of various non-woven fabrics; consultation and training services of relevant techniques. Research and development of new products, techniques, equipments and materials

Notes to the Consolidated Financial Statements
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17. INTERESTS IN ASSOCIATES (CONTINUED)

Name of associate	Place of establishment and operation	Registered capital	Proportion of registered capital attributable to the Group/voting power held 2008 %	2007 %	Principal activities
China Textile Machinery and Technology Import and Export Corporation	PRC	RMB120,000,000	25	25	Import and export of textile machinery
Huangshi Jingwei Textile Machinery Company Limited	PRC	RMB30,000,000	25	–	Manufacturing and sales of textile machinery
Anhui Huamao Jingwei New Type Textile Company Limited ("Anhui Huamao")	PRC	RM50,000,000	25	–	Production, processing and sales of various kinds of yarn and textile products

The summarised financial information in respect of the Group's associates is set out below:

	2008 *RMB'000*	2007 *RMB'000*
Total assets	1,440,602	881,783
Total liabilities	(1,050,309)	(556,547)
Net assets	390,293	325,236
Group's share of net assets of associates	104,004	86,983
Revenue	1,726,291	1,783,838
Group's share of results of associates for the year	(693)	19,645

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 *RMB'000*	2007 *RMB'000*
Cost of investment, unlisted investment	–	25,000
Share of post acquisition profits, net of dividend received	–	445
	–	25,445

Details of the Group's jointly controlled entity as at 31 December 2007 were as follows:

Name of jointly controlled entity	Place of establishment and operation	Proportion of registered capital attributable to the Group	Proportion of voting power held	Principal activities
Anhui Huamao	PRC	50	50	Production, processing and sale of various kinds of yarn and textile products

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18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

During the year ended 31 December 2008, the Group disposed of 25% equity interest of Anhui Huamao to a third party and retained 25% voting power in the board of directors of Anhui Huamao. Accordingly, Anhui Huamao is accounted for as an associate of the Group (also see note 17).

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using equity method is set out below:

	2008 *RMB'000*	2007 *RMB'000*
Current assets	–	17,885
Non-current assets	–	187,352
Current liabilities	–	99,917
Non-current liabilities	–	79,875
Income	55,631	120,567
Expenses	55,244	118,629

19. AVAILABLE-FOR-SALE INVESTMENTS

	2008 *RMB'000*	2007 *RMB'000*
Unlisted equity securities in the PRC, at cost	120,767	52,254
Less: Impairment loss recognised	(5,987)	(6,323)
	114,780	45,931

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted equity securities with carrying amount of RMB6,953,000, which had been carried at cost less impairment before the disposal. A gain on disposal of RMB31,047,000 had been recognised in profit and loss in the current year.

Notes to the Consolidated Financial Statements
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20. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation and others *RMB'000*	Allowance for receivables, inventories and impairment of assets *RMB'000*	Tax losses *RMB'000*	Others *RMB'000* (note)	Total *rmb'000*
At 1 January 2007	(436)	32,397	1,522	(801)	32,682
(Charge) credit to consolidated income statement for the year	–	(3,776)	570	6,535	3,329
Effect of change of PRC Enterprise Income Tax rate	–	–	(280)	–	(280)
At 31 December 2007	(436)	28,621	1,812	5,734	35,731
Credit (charge) to consolidated income statement for the year	436	(3,791)	(1,812)	(519)	(5,686)
At 31 December 2008	–	24,830	–	5,215	30,045

Note: Others mainly represent deferred tax assets arising from unrealised profit on intra-group sales, accrued bonus and expenses and other temporary differences.

The deductible temporary differences not recognised in the financial statements as follows:

	2008 *RMB'000*	2007 *RMB'000*
Tax losses	124,603	68,243
Other temporary differences	97,680	107,695
	222,283	175,938

At the balance sheet date, the Group has unused tax losses of approximately RMB124.6 million (2007: RMB80.3 million) available for offset against future profits. A deferred tax assets has been recognised in respect of approximately nil (2007: RMB12.1 million) of such losses. No deferred tax asset has been recognised for the remaining balances of approximately RMB124.6 million (2007: RMB68.2 million) due to unpredictability of future profit streams.

21. OTHER NON-CURRENT ASSETS

Included in other non-current assets is RMB23,091,000 (2007: nil) of non-current, interest-free and unsecured trade receivable from an independent third party which is repayable in 2011. During the year, the Group entered into an interest-free and unsecured factoring agreement with a bank under which the Group obtained bank borrowings by factoring its non-current trade receivables of RMB30,000,000 to the bank. At 31 December 2008, RMB5,000,000 has been settled by the customer with the remaining RMB25,000,000 repayable in 2011. Accordingly, the unsettled receivables and the related borrowings are shown under non-current asset and non-current borrowings respectively.

The remaining balance of RMB25,909,000 (2007: nil) represents an unsecured receivable relating to a financing arrangement between a subsidiary of the Company and a third party (the "Landlord") in June 2008. The key terms are: (i) the Group made an advance to the Landlord which is the lessor of certain property interest under two rental agreements (the "Rental Agreements"); (ii) the Group is entitled to receive rentals from two tenants (the "Tenants") for a period of 44 to 48 months according to the terms set out in the Rental Agreements; and (iii) the rentals to be paid by the Tenants are jointly and severally guaranteed by the Landlord. In addition, the Landlord has the right to early terminate the arrangement by repurchasing the entitlement to receive the rentals, subject to certain conditions, on 30 June 2009. The Landlord and Tenants are third parties to the Group.

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22. INVENTORIES

	2008	2007
	RMB'000	*RMB'000*
Raw materials	388,983	378,086
Work in progress	338,862	386,147
Finished goods	592,299	756,888
	1,320,144	1,521,121

23. PROPERTIES UNDER DEVELOPMENT FOR SALE

	RMB'000
COST	
Acquired on acquisition of a subsidiary during the year ended 31 December 2007 (note 36(a))	366,105
Additions	113,500
At 31 December 2007	479,605
Additions	196,999
Transferred to completed properties for sale	(504,154)
At 31 December 2008	172,450

At 31 December 2008, total borrowing costs capitalised in the properties under development for sale and completed properties for sale (note 24) were RMB15,953,000 (2007: RMB9,839,000).

The Group has pledged properties under development for sale with carrying value of approximately RMB172,450,000 (2007: RMB192,610,000) to secure general banking facilities granted to the Group (note 30).

Properties under development for sale are expected to be completed and available for sale within twelve months from the balance sheet date. They are classified under current asset as it is expected to be realised in the Group's normal operating cycle.

24. COMPLETED PROPERTIES FOR SALE

The Group's completed properties for sale are situated in the PRC.

At 31 December 2008, certain completed properties for sale with an aggregate carrying value of RMB281,754,000 (2007: nil) have been pledged to banks to secure bank borrowings granted to the Group (note 30).

25. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	341,405	393,784
Less: Allowance for doubtful debts	(129,680)	(164,452)
	211,725	229,332
Bills receivables	672,733	1,220,635
Deposits and other receivables	51,058	83,931
Prepayments	198,131	136,345
Advance to an investee	50,000	–
	1,183,647	1,670,243

Notes to the Consolidated Financial Statements
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25. TRADE AND OTHER RECEIVABLES (CONTINUED)

At the balance sheet date, bills receivables outstanding amounted to RMB276,575,000 (2007: RMB552,001,000) have been endorsed to certain creditors and RMB136,446,000 (2007: RMB134,649,000) have been discounted to the banks. The Group continues to present the endorsed bills and discounted bills as bills receivables until maturity.

At the balance sheet date, the Group has pledged bills receivables with a carrying amount of RMB16,000,000 (2007: RMB34,687,000) to secure credit facilities granted to the Group.

Receipts of customers payments in advance are recognised as the Group's deposits. The remaining settlement is made in accordance with the terms specified in the contracts of governing the relevant transactions. A credit period ranging from 30 to 360 days may be granted to large or long established customers with good payment history. The following is an aged analysis of the trade and bills receivables net of allowance for doubtful debts, including receivables of holding companies, fellow subsidiaries, associates and jointly controlled entities (note 26), at the balance sheet date:

	2008	**2007**
	RMB'000	*RMB'000*
Less than 1 year	991,631	1,572,310
1-2 years	73,073	70,065
2-3 years	6,118	8,085
Over 3 years	3,773	6,175
	1,074,595	1,656,635

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB82,964,000 (2007: RMB84,325,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables, including receivables of related parties, which are past due but not impaired:

	2008	**2007**
	RMB'000	*RMB'000*
1-2 years	73,073	70,065
2-3 years	6,118	8,085
Over 3 years	3,773	6,175
	82,964	84,325

The Group has not provided for some of certain of trade receivables aged over 1 year because historical experience indicated that those trade debtors have good credit history and the balance of these receivables are eventually recoverable.

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25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts

	2008 *RMB'000*	2007 *RMB'000*
Balance at beginning of the year	164,452	197,385
Allowance for doubtful debts	1,751	5,195
Write back of allowance for doubtful debts	(23,452)	(18,944)
Amounts written off	(13,071)	(19,184)
Balance at end of the year	129,680	164,452

At the balance sheet date, the trade and other receivables included certain trade balances between the Group and companies in which certain key management personnel of the Group have influence in amounted to approximately RMB43,456,000 (2007: RMB130,000).

At 31 December 2008, the advance to an investee of RMB50,000,000 (2007: nil) is unsecured, bears interest at 9.49% per annum and is repayable on 30 December 2009.

26. AMOUNTS DUE FROM/TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/ASSOCIATES/JOINTLY CONTROLLED ENTITIES

Amounts due from holding companies

The amounts are unsecured, trade nature, non-interest bearing and repayable on demand.

Amounts due from fellow subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature with carrying amount of approximately RMB111,791,000 (2007: RMB114,685,000).

Amounts due from associates

The amounts are unsecured. Included in the balances are trade nature with carrying amount of approximately RMB78,282,000 (2007: RMB45,844,000).

At 31 December 2008, an aggregate amount of RMB130,469,000 due from an associate bears interests at 5.31% to 7.47% per annum and is repayable on 31 August 2009. Other amounts are non-interest bearing and repayable on demand.

At 31 December 2007, the amounts were non-interest bearing and repayable on demand.

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26. AMOUNTS DUE FROM/TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/ASSOCIATES/JOINTLY CONTROLLED ENTITIES (CONTINUED)

Amounts due from jointly controlled entities

	2008 *RMB'000*	**2007** *RMB'000*
Interest bearing	–	67,000
Non-interest bearing	–	45,348
	–	112,348

At 31 December 2007, the interest bearing balances included a fixed-rate loan of RMB14,000,000 which bore interest at 5.913% per annum. The remaining balances were variable-rate loans carried interests at 90% of the rate offered by the Peoples' Bank of China (the "PBOC") per annum. All the interest bearing balances were repayable within one year.

The non-interest bearing balances were unsecured and repayable on demand.

Included in the balances as at 31 December 2007 were trade nature with carrying amount of approximately RMB45,348,000.

Amounts due to holding companies/fellow subsidiaries/associates/jointly controlled entities

The amounts are unsecured.

At 31 December 2008, included in the balances is an amount of RMB16,994,000 (2007: RMB22,000,000) due to a holding company bears interest at 8.964% per annum and is repayable on 31 December 2009. The remaining balances are non-interest bearing and repayable on demand.

Included in the balances are trade nature with carrying amount of approximately RMB90,139,000 (2007: RMB84,460,000).

Included in the balances with holding companies are dividend payable with carrying amount of RMB17,607,000 (2007: RMB15,651,000).

27. HELD-FOR-TRADING INVESTMENTS

	2008 *RMB'000*	**2007** *RMB'000*
Listed securities:		
– Equity securities-PRC	–	4,945
Market value of listed securities	–	4,945

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28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank balances represent deposits pledged to banks to secure bills payables and letter of credit granted to the Group. The average effective interest rate on pledged bank deposits is 3.56% (2007: 3.78%).

At the balance sheet date, bank balances and cash comprised mainly short-term deposits which carry interests at prevailing market rates.

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

	2008	**2007**
	RMB'000	*RMB'000*
Hong Kong dollars ("HKD")	13,321	13,397
United States dollars ("USD")	575	2,594
Euro	2,565	471
Others	3,512	3,478

29. TRADE AND OTHER PAYABLES

	2008	**2007**
	RMB'000	*RMB'000*
Trade payables	806,220	1,190,838
Bill payables	178,616	244,877
Other payables and accrued charges	526,451	886,077
	1,511,287	2,321,792

At the balance sheet date, the Group has endorsed bank acceptance bills to certain creditors amounted to RMB276,575,000 (2007: RMB552,001,000). The settlement of trade payables by such bills will only be derecognised when the relevant bills mature.

At the balance sheet date, trade and other payables included an aggregate carrying amount of RMB16,012,000 (2007: RMB40,103,000), representing certain balances with companies in which certain key management personnel of the subsidiaries of the Company have influence in.

The following is an aged analysis of trade and bills payables, including payables of holding companies, fellow subsidiaries, associates and jointly controlled entities (note 26), at the balance sheet date:

	2008	**2007**
	RMB'000	*RMB'000*
Less than 1 year	1,008,602	1,459,155
1-2 years	32,366	28,476
2-3 years	3,548	7,915
Over 3 years	30,459	24,629
	1,074,975	1,520,175

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30. BORROWINGS

	2008 *RMB'000*	2007 *RMB'000*
Discounted bills	136,446	134,649
Variable-rate bank loans	450,000	307,512
Fixed-rate bank loans	503,941	200,000
Other loan	5,000	5,000
	1,095,387	647,161
Secured	259,537	234,649
Unsecured	835,850	412,512
	1,095,387	647,161

	2008 *RMB'000*	2007 *RMB'000*
The borrowings are repayable as follows:		
On demand or within one year	622,296	497,161
More than one year, but not exceeding two years	70,000	100,000
More than two years, but not exceeding three years	403,091	50,000
	1,095,387	647,161
Less: Amount due within one year and shown under current liabilities	(622,296)	(497,161)
	473,091	150,000

At 31 December 2008, all the variable-rate bank loans are denominated in RMB. At 31 December 2007, variable-rate bank loans of RMB157,512,000 were denominated in USD, a currency other than the functional currencies of the relevant group entities, and bore interests at 1% over Singapore Interbank Offered Rate ("SIBOR") per annum.

Variable-rate bank loans of RMB200,000,000 (2007:nil) bear interests at the prime rate offered by the PBOC and the variable interest rates are repriced every twelve months. The remaining variable-rate bank loans of RMB250,000,000 (2007: RMB150,000,000) bear interests at 90% of the rate offered by the PBOC (2007: 110% of the rate offered by the PBOC). All these variable interest rates are repriced from every three months to every twelve months (2007: from every month to every three months).

Fixed-rate bank loans of RMB88,850,000 (2007: nil) are denominated in USD, a currency other than the functional currencies of the relevant group entities, and bear interests at 3.89% per annum. The remaining fixed-rate bank loans of RMB415,091,000 (2007: RMB200,000,000) bear interests at 5.19% to 7.47% (2007: 4.65% to 6.8%) per annum. In addition, other loan of RMB5,000,000 (2007: RMB5,000,000) is arranged at fixed interest rate of 6.39% (2007: 6.39%) per annum.

Notes to the Consolidated Financial Statements
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30. BORROWINGS (CONTINUED)

Discounted bills carry interests at market rates ranging from 1.80% to 8.28% per annum.

The ranges of effective interest rates of the borrowings are also equal to contracted interest rates.

At the balance sheet date, the Group has undrawn borrowing facilities amounting to approximately RMB805,205,000 (2007: RMB886,997,000).

At the balance sheet date, the following borrowings are secured by:

	2008 *RMB'000*	2007 *RMB'000*
Non-current trade receivables (note 21)	23,091	–
Properties under development for sale and completed properties for sale	100,000	100,000
Bills receivables for discounted bills	136,446	134,649

At the balance sheet date, included in unsecured loan is RMB182,000,000 (2007: RMB100,000,000) of loans guaranteed by China Textile Machinery (Group) Company Limited.

31. OTHER NON-CURRENT LIABILITIES

	2008 *RMB'000*	2007 *RMB'000*
Deferred income (note a)	45,345	20,180
Retirement benefit obligations (note b)	101,887	155,583
Others	39,947	900
	187,179	176,663
Less: Current portion included in trade and other payables	(6,771)	(8,680)
	180,408	167,983

Notes:

(a) The amounts represent government subsidies received in relation to lease payment of land of RMB10,243,000 (2007: RMB10,315,000) and qualifying assets of RMB32,653,000 (2007: RMB8,520,000) which is released to the consolidated income statement over the expected useful life of the relevant assets and government subsidies for research development on technological development in textile industry and repayment of bank loan interest of RMB2,449,000 (2007: RMB1,345,000) which will be recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

(b) Included in the balance is an amount of RMB94,340,000 (2007: RMB146,610,000) representing the Group's obligations on retirement and supplementary benefits to the qualifying retired employees which was determined based on actuarial valuations performed by an independent firm of valuers (see note 40).

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32. SHARE CAPITAL

2008

	1 January 2008	Increase (Decrease) (Note)	31 December 2008
Number of shares			
Registered, issued and fully paid			
-restricted	195,661,404	(5,351)	195,656,053
-others	227,338,596	5,351	227,343,947
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000		603,800,000
RMB'000			
Registered, issued and fully paid			
-restricted	195,661	(5)	195,656
-others	227,339	5	227,344
H shares, RMB1.00 each	180,800	–	180,800
	603,800		603,800

2007

	1 January 2007	Increase (Decrease) (Note)	31 December 2007
Number of shares			
Registered, issued and fully paid			
-restricted	204,282,928	(8,621,524)	195,661,404
-others	218,717,072	8,621,524	227,338,596
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000		603,800,000
RMB'000			
Registered, issued and fully paid			
-restricted	204,283	(8,622)	195,661
-others	218,717	8,622	227,339
H shares, RMB1.00 each	180,800	–	180,800
	603,800		603,800

Note: Being changes in the number of shares subject to terms of lock-up.

The A shares and H shares have a par value of RMB 1 each and rank pari passu in all respects, except for certain conditions on restricted A shares as stated above, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

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33. RESERVES

(a) According to the relevant laws and regulations and the Articles of Association of respective companies comprising the Group, 10% of profit after taxation reported under PRC GAAP is required to be transferred to statutory surplus reserve until the statutory surplus reserve reaches 50% of the registered capital of the respective companies. Upon approval from the authorities, the statutory surplus reserve can be used to offset accumulated losses or to increase share capital. When it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25% of the share capital.

(b) According to the Company's and the subsidiaries' Articles of Association, the Board of Directors, after obtaining approval from the shareholders, has the discretion to provide for discretionary surplus reserve. Upon approval from the authorities, the discretionary surplus reserve can be used to make up any losses incurred or to increase share capital.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 30, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts. The Group's overall strategy remains unchanged from prior year.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008 *RMB'000*	**2007** *RMB'000*
Financial assets		
Held-for-trading investments	–	4,945
Loans and receivables		
(including cash and cash equivalents)	2,110,148	2,449,979
Available-for-sale financial assets	114,780	45,931
Financial liabilities		
Other financial liabilities	2,409,861	2,594,771

Financial risk management objectives and policies

The Group's major financial assets and liabilities include available-for-sale investments, trade and other receivables, amounts due from holding companies/fellow subsidiaries/associates/jointly controlled entities, bank balances and cash, pledged bank deposits, trade and other payables, amounts due to holding companies/fellow subsidiaries/associates/jointly controlled entities, held-for-trading investments and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Currency risk

The functional currency of the group entities is mainly RMB in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the group entities at the balance sheet date as follows:

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

	Currency	2008	2007
		RMB'000	*RMB'000*
Bank balances and cash	USD	575	2,594
	HKD	13,321	13,397
	Euro	2,565	471
	Others	3,512	3,478
Trade and other receivables	HKD	353	4,582
Trade and other payables	HKD	(1,322)	–
	USD	–	(7,185)
	Euro	–	(636)
Borrowings	USD	(88,850)	(157,512)

	2008	2007
	RMB'000	*RMB'000*
Net balances in USD	(88,275)	(162,103)
Net balances in HKD	12,352	17,979
Net balances in Euro	2,565	(165)

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of group entities against the relevant foreign currencies, mainly USD and HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at balance sheet date for a 5% change in foreign currency rates. A positive number below indicated an increase in profit where the functional currency of group entities strengthens 5% against the relevant foreign currencies. For a 5% weakening of the functional currency of group entities against the relevant foreign currencies, these would be an equal and opposite impact on the profit.

If RMB strengthens against foreign currencies by 5%:

	USD impact		HKD impact	
	2008	2007	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit after taxation	3,752	6,890	(525)	(765)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable rate bank borrowings which mainly float at Singapore Interbank Offer Rate and rate offered by the PBOC and bank balances carry interests at prevailing market rates. The fair value interest rate risk relates primarily to fixed-rate short-term bank time deposits and fixed-rate bank loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Notes to the Consolidated Financial Statements
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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable rate bank borrowings, the analysis is prepared assuming amount outstanding at the balance sheet date was outstanding for the whole year and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. The Group's sensitivity to interest rate risk in relation to variable rate bank borrowings at each balance sheet date while all other variables were held constant is as follows:

	Year ended 31 December	
	2008	**2007**
Reasonably possible change in interest rate	100 basis points	100 basis points

	Year ended 31 December	
	2008	**2007**
	RMB'000	*RMB'000*
Increase (decrease) in profit after taxation		
-as a result of increase in interest rate	(3,825)	(2,614)
-as a result of decrease in interest rate	3,825	2,614

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet and the amount of contingent liabilities disclosed in note 39. In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are mainly banks in the PRC with good reputation.

The Group has concentration of credit risk, with aggregate amounts of RMB193,375,000 (2007: RMB104,414,000) due from top five customers, including related parties, as well as amounts of RMB149,753,000 due from an associate (2007: amount of RMB112,348,000 due from a jointly controlled entity). However, the management of the Group has closely monitored and reviewed the recoverability of these amounts and the directors consider such risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2008, the Group has available unutilised borrowing facilities of approximately RMB805,205,000 (2007: RMB886,977,000). Details of which are set out in note 30.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 year *RMB'000*	1-2 years *RMB'000*	2-3 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount at 31.12.2008 *RMB'000*
2008						
Non-derivative financial liabilities						
Trade and other payables		1,150,559	–	–	1,150,559	1,150,559
Amounts due to holding companies						
Non-interest bearing		25,909	–	–	25,909	25,909
Fixed rate	8.96	18,517	–	–	18,517	16,994
Amounts due to fellow subsidiaries		115,269	–	–	115,269	115,269
Amounts due to associates		5,743	–	–	5,743	5,743
Borrowings						
Fixed rate	5.73	495,410	20,000	3,091	518,501	508,941
Variable rate *	7.48	33,642	80,576	414,120	528,338	450,000
Discounted bills		136,446	–	–	136,446	136,446
		1,981,495	100,576	417,211	2,499,282	2,409,861

	Weighted average interest rate %	Less than 1 year *RMB'000*	1-2 years *RMB'000*	2-3 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount at 31.12.2007 *RMB'000*
2007						
Non-derivative financial liabilities						
Trade and other payables		1,762,430	–	–	1,762,430	1,762,430
Amounts due to holding companies		78,549	–	–	78,549	78,549
Amounts due to fellow subsidiaries		103,398	–	–	103,398	103,398
Amounts due to associates		3,233	–	–	3,233	3,233
Borrowings						
Fixed rate	5.74	111,028	111,482	–	222,510	205,000
Variable rate *	5.90	280,649	–	58,850	339,499	307,512
Discounted bills		134,649	–	–	134,649	134,649
		2,473,936	111,482	58,850	2,644,268	2,594,771

* The interest rates applied to project undiscounted cash flows of variable rate bank loans are the interest rates at the balance sheet date.

Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at cost or amortised cost in the consolidated financial statements approximate their fair values.

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36. ACQUISITIONS OF ASSETS/SUBSIDIARIES

(a) In 2007, the Group acquired 65% equity interest in a real estate development company, Beijing Bohong Real Estate Development Company Limited ("Beijing Bohong"), for a consideration of RMB100,000,000. The principal asset of Beijing Bohong comprises property under development situated in the PRC. These acquisitions have been accounted for as acquisitions of assets as the major assets held by these subsidiaries are property interests. The net assets acquired in this transaction are as follows:

	RMB'000
Property, plant and equipment	318
Intangible assets	40
Properties under development for sale	366,105
Trade and other receivables	2,138
Bank balances and cash	38,745
Trade and other payables	(145,500)
Borrowings	(108,000)
	153,846
Minority interests	(53,846)
Total consideration	100,000
Satisfied by:	
Cash consideration	100,000
Net cash outflow arising on acquisition:	
Cash consideration paid	100,000
Bank balances and cash acquired	(38,745)
	61,255

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36. ACQUISITIONS OF ASSETS/SUBSIDIARIES (CONTINUED)

(b) In January 2007, Shanghai WSP Mould and Injection Plastic Company Limited ("Shanghai WSP") became a subsidiary of the Group as the Group is able to control the board of directors of the Company pursuant to power of attorney issued by another major shareholder of Shanghai WSP to the Group, which empower, the Group to execute her voting right in the board of directors of Shanghai WSP for the period from January 2007 to December 2011.

	RMB'000
Property, plant and equipment	2,062
Inventories	262
Trade and other receivables	2,536
Bank balances and cash	2,166
Trade and other payables	(360)
	6,666
Minority interests	(3,333)
	3,333
Transfer from interest in a jointly controlled entity	(3,333)
	–
Net cash inflow arising on acquisition	
Purchase consideration	–
Cash and cash equivalents in subsidiary acquired	(2,166)
	(2,166)

The acquiree's carrying value of net assets before combination approximates to its fair value.

The acquiree has contributed total revenue of RMB8,160,000 and profit before taxation to the Group of approximately of RMB3,027,000 for 2007.

37. DISPOSAL OF A SUBSIDIARY

In September 2008, the Group disposed of a 63.08% equity interest in Beijing Ximen Information Technology Company Limited ("Beijing Ximen") at a consideration of RMB5,373,000. Beijing Ximen's assets and liabilities as at date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	1,572
Inventories	394
Trade and other receivables	3,016
Bank balances and cash	4,945
Trade and other payables	(2,437)
	7,490
Minority interests	(2,841)
	4,649
Gain on disposal	724
Total consideration	5,373
Satisfied by:	
Cash consideration	5,373
Net cash inflow arising on disposal:	
Cash consideration	5,373
Bank balances and cash disposed of	(4,945)
	428

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38. COMMITMENTS

(a) Capital commitments

	2008 *RMB'000*	2007 *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment		
Authorised but not contracted for	–	9,410
Contracted but not provided for	11,960	12,294
	11,960	21,704
Capital expenditure in respect of acquisition of additional equity interest in a subsidiary (Note)		
Contracted but not provided for	26,003	–
	37,963	21,704

Note: In December 2008, Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Tech"), a subsidiary of the Company, entered into a contract with CTMC, the immediate substantial shareholder of the Company, under which Beijing New Tech agreed to acquire additional 33.45% equity interest in Wuxi Jingwei Textile Technology and Testing Company Limited ("Wuxi Jingwei"), a subsidiary of the Company, at a consideration of RMB26,003,000. The transaction has not yet been completed as at balance sheet date.

(b) Lease commitments

The Group as lessee

At the balance sheet date, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 *RMB'000*	2007 *RMB'000*
Land and buildings		
Within one year	2,987	10,331
In the second to fifth years inclusive	2,423	4,026
	5,410	14,357

Operating lease payments represent rentals payable by the Group for certain of its offices and sales offices. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

39. CONTINGENT LIABILITIES

	2008 *RMB'000*	2007 *RMB'000*
Guarantees for bank loans of third party	100,000	150,000
Guarantees for mortgage bank loans of customers	94,421	92,811
	194,421	242,811

The directors consider the fair values of the financial guarantee contracts granted by the Group at the date of inception were insignificant during both years.

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40. RETIREMENT BENEFIT PLANS

State-managed retirement plan

The employee of the Group in the PRC are members of state-managed retirement benefit plans operated by the government of the PRC. The subsidiaries are required to contribute 20% (2007: 20%) of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognised in the consolidated income statement of RMB55,441,000 (2007: RMB62,135,000) represents contributions payables to these plans by the Group at rates specified in the rules of plans.

At 31 December 2008, contributions totalling RMB3,063,000 (2007: RMB7,831,000) were payable to the retirement schemes and were included in other payables and accrued charges. There were no forfeited contributions utilised during the year or available at 31 December 2008 to reduce future contributions (2007: nil).

Retirement and supplemental benefit obligations

The Group paid post-retirement supplemental benefits to its qualifying retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees in accordance with various employee benefit schemes adopted by the Group.

The amount of retirement and supplemental benefit obligations recognised in the balance sheet is determined as follows:

	2008 *RMB'000*	2007 *RMB'000*
Present value of unfunded defined benefit obligations	103,590	136,700
Net actuarial (losses) gains not recognised	(9,250)	9,910
Net liability arising from defined benefit obligations	94,340	146,610

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2008 *RMB'000*	2007 *RMB'000*
At beginning of the year	136,700	164,120
Interest cost	6,290	5,520
Benefits paid	(8,140)	(8,260)
Past service cost-vested benefits	(54,360)	–
Actuarial losses (gains)	23,100	(24,680)
At end of the year	103,590	136,700

In 2008, the management of the Company and certain subsidiaries decided to revise their employee benefit schemes. The revisions, among other changes, include the reduction of the supplemental benefits payments and cancellation of benefits of certain retired employees. Accordingly, there is reversal of retirement and supplemental benefits obligations amounting to RMB 54,360,000 (2007: nil) was made during the year.

The above obligations were determined based on actuarial valuations performed by an independent firm of actuaries, Towers, Perrin, Forster & Crosby, Inc. using the projected unit credit method.

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40. RETIREMENT BENEFIT PLANS (CONTINUED)

Retirement and supplemental benefit obligations (continued)

The amount (credited) recognised to the consolidated income statement of the Group for the year as follows:

	2008	**2007**
	RMB'000	*RMB'000*
Interest cost	6,290	5,520
Past service cost-vested benefits	(54,360)	–
Actuarial losses recognsied	3,940	–
	(44,130)	5,520

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2008	**2007**
	%	%
Discount rate	3.50	4.75
Medical cost trend	6.00	6.00
Cost of living adjustment for beneficiaries	4.50	4.50
Mortality rate	China Life Annuity Mortality table 2000-03 up 2 years	

An increase of one percentage point in the assumed medical cost trend rates:

(i) would result in an increase of RMB395,000 and RMB510,000 on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs for the year ended 31 December 2007 and 2008 respectively.

(ii) would result in an increase of RMB10,739,000 and RMB12,165,000 on the accumulated post-employment benefit obligation for medical costs for the year ended 31 December 2007 and 2008 respectively.

41. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2008, the Group transferred the amount due from a jointly controlled entity of RMB130,469,000 to amount due from an associate as a result of disposal of 25% interest in that jointly controlled entity which then became an associate of the Group (see note 18).

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42. RELATED PARTIES TRANSACTIONS

Other than the transactions and balances with related parties disclosed in respective notes to consolidated financial statements, during the year, the Group has the following significant transactions with its related companies:

(a) (i) Transactions with holding companies

	2008 *RMB'000*	**2007** *RMB'000*
Other supporting services income	–	2,900

(ii) Transactions with fellow subsidiaries

	2008 RMB'000	2007 RMB'000
Sales of goods and services		
Sale of finished goods	53,908	154,731
Sale of materials, parts and components	144,321	242,603
Other supporting services income	4,467	8,810
Processing fee income	–	1,265
Rental income	5,757	7,147
Purchases of goods and services		
Purchase of finished goods	288,562	333,378
Purchase of materials, parts and components	156,812	272,481
Purchase of energy	1,693	2,438
Processing fee expenses	39,424	42,871
Transportation services expenses	4,714	395
Repairs and maintenance services expenses	19,786	22,813
Other supporting services expenses	9,645	7,312
Rental expenses	675	605
Interest expenses	1,337	1,480

(iii) Transactions with associates

	2008 *RMB'000*	**2007** *RMB'000*
Sales of goods and services		
Sale of finished goods	576,951	493,821
Sale of materials, parts and components	3,077	1,756
Processing fee income	–	665
Purchases of goods and services		
Purchase of materials, parts and components	28,442	82,334
Processing fee expenses	142	–

(iv) Transactions with jointly controlled entities

	2008 *RMB'000*	**2007** *RMB'000*
Sale of finished goods	–	37

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42. RELATED PARTIES TRANSACTIONS (CONTINUED)

(v) Transactions with companies in which certain key management personnel of the Group have influence in:

	2008 *RMB'000*	2007 *RMB'000*
Sale of materials, parts and components	47,477	91,607
Purchases of goods and services		
Purchase of finished goods	33,092	77,123
Purchase of materials, parts and components	162,954	346,298
Processing fee expenses	125	944
Rental expenses	9,992	–

(b) Transactions with other state-owned entities

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under China Hengtian which is controlled by the PRC government. Apart from the transactions with its fellow subsidiaries and other related parties disclosed above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

Material transactions with other state-controlled entities are as follows:

	2008 *RMB'000*	2007 *RMB'000*
Sales of goods and services		
Sale of finished goods	144,826	619,234
Sale of materials, parts and components	75,039	51,156
Other supporting services income	207	502
Interest income	1,659	1,184
Purchases of goods and services		
Purchase of finished goods	35,769	1,317
Purchase of materials, parts and components	638,004	168,168
Purchase of energy	39,027	48,902
Processing fee expenses	1,373	3,056
Delivery fee expenses	202	1,146
Interest expenses	12,921	8,990
Borrowings raised from state-owned banks	710,000	170,000

(c) Compensation of key management personnel

	2008 *RMB'000*	2007 *RMB'000*
Salaries and other short-term employee benefits	10,281	13,711
Post-employment benefits	307	288
	10,588	13,999

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43. SUBSIDIARIES

Details of the subsidiaries at 31 December 2008 and 31 December 2007 are as follows:

Name of company	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2008 Attributable equity interest of the Group		2007 Attributable equity interest of the Group		Principal activities
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Jingwei Textile Machinery Yuci Material Company Limited	PRC 9 July 1996	RMB5,000,000	0.8	99.2	0.8	99.2	Trading of furnace materials, metals, textile machinery component and charcoal
Taiyuan Jingwei Electrical Company Limited	PRC 18 March 1997	RMB 5,000,000	2	98	2	98	Manufacturing and sales of transformers and electrical components
Qingdao Hongda Textile Machinery Company Limited	PRC 16 August 1999	RMB114,000,000	–	97.663	–	98	Manufacturing, sales and leasing of textile machinery and related components
Tianjin Hongda Textile Machinery Company Limited	PRC 17 August 1999	RMB78,500,000	–	98	–	98	Sales of textile, photocopying, agriculture processing machinery and related components
Zhengzhou Hongda New Textile Machinery Company Limited	PRC 11 August 1999	RMB74,500,000	–	98	–	98	Developing and manufacturing of textile machinery and related components
Shenyang Hongda Textile Machinery Company Limited	PRC 16 August 1999	RMB71,000,000	–	98	–	98	Developing, manufacturing and processing of textile machinery and related components
Changde Textile Machinery Company Limited	PRC 5 January 2002	RMB42,349,900	25	70	25	70	Manufacturing and trading of textile machinery and other machinery
Beijing New Tech	PRC 2 March 2000	RMB100,000,000	–	100	–	98.4	Technical development and manufacturing of textile machinery, sale of textile, industrial specialised Machinery
Shanghai Weixin Electrical and Machinery Company Limited	PRC 30 June 2000	RMB16,000,000	10	90	10	90	Textile machinery, automobile component and general machinery's development and manufacturing
Beijing Jingpeng Investment Management Company Limited	PRC 30 July 2001	RMB100,000,000	4	96	4	96	Investment management, sales of electronic and chemical products
Shanghai Chuangan Trading Company Limited	PRC 29 September 2001	RMB2,000,000	–	90	–	90	Trading of textile, electronic products and chemical products
Shanghai Jingwei Dongxing blowing-carding Machinery Company Limited	PRC 5 September 2001	RMB50,000,000	22	73.948	10	73.874	Manufacturing and sales of blowing-carding machinery and related components
Beijing Ximen (note a)	PRC 7 June 2001	RMB12,000,000	–	–	63.08	–	Manufacturing and sales of blowing-carding machinery and related components

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43. SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2008 Attributable equity interest of the Group Indirectly	2008 Attributable equity interest of the Group Directly	2007 Attributable equity interest of the Group Indirectly	2007 Attributable equity interest of the Group Directly	Principal activities
			%	%	%	%	
Wuxi Jingwei	PRC 14 May 2003	RMB49,530,000	–	66.55	–	66.55	Manufacturing and sales of textile products; research and development of technology relating to textile machinery and equipments
Kunshan Jingwei Machinery Manufacturing Company Limited	PRC 20 July 1991	RMB3,208,260	25	75	25	75	Manufacturing and installation of textile machines
Tianjin Jingwei New Type Textile Machinery Company Limited	PRC 16 August 2005	RMB16,000,000	25	75	25	75	Developing and processing textile machinery and related components
Shenyang Hongda Huaming Textile Machinery Company Limited	PRC 13 July 2005	RMB40,000,000	100	–	100	–	Development and processing of textile machinery and related components
Wuxi Textile Technology Testing Company Limited	PRC 31 December 2005	RMB1,000,000	100	–	100	–	Manufacturing and sales of textile products; textile machinery and related components
Wuxi Hongda Textile Machinery and Special Parts Company Limited (“Wuxi Special Parts”) (note b)	PRC 13 March 2005	RMB20,000,000	25	10	25	10	Manufacturing of textile machinery and related components, general machinery and component, advanced textile machinery
Xianyang Jingwei Machinery Manufacturing Company Limited (previously known as Xianyang Wei’er Machinery Company Limited	PRC 9 April 1999	RMB75,079,600	–	100	–	99.33	Manufacturing of weaving machines and equipments, and provision of relevant consulting service
Yichang Jingwei Textile Machinery Company Limited	PRC 22 December 2006	RMB20,000,000	25	75	25	75	Development and
Jinzhong Jingwei Ring Manufacturing Company Limited	PRC 24 September 1993	RMB500,000	–	100	–	98	Manufacturing of textile machinery components
Hong Kong Huaming Company Limited (note c)	Hong Kong 31 December 2000	–	–	100	–	100	Export and import trading of textile machinery
Shanxi Jingwei Heli Machinery Manufacturing Company Limited (“Shanxi Heli”) (note d)	PRC 26 February 2003	RMB100,000,000	–	30	–	30	Designing and manufacturing of various electomechanical products and mining products
Beijing Bohong	PRC 28 May 2001	RMB100,000,000	65	–	65	10	Real estate development
Shanghai WSP (note e)	PRC 14 May 2005	RMB50,000,000	–	50	–	50	Development manufacturing machinery and related machinery, automobile component, mould and general machinery

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43. SUBSIDIARIES (CONTINUED)

Notes:

(a) In September 2008, the Group disposed of a 63.08% equity interest in Beijing Ximen (note 37).

(b) Several shareholders of Wuxi Special Parts assigned their voting rights to the Group for the period from January 2006 to May 2009 by issuing a power of the attorney to the Group. Accordingly, Wuxi Hongda is accounted for as subsidiary of the Group.

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

(d) Several shareholders of Shangxi Heli assigned their voting rights to the Group since the date of the acquisition agreement by issuing a power of the attorney to the Group. Accordingly, Shanxi Jingwei is accounted for as subsidiary of the Group.

(e) Several shareholders of Shanghai WSP assigned their voting rights to the Group for the period from January 2007 to December 2011 by issuing a power of the attorney to the Group. Accordingly, Shanghai WSP is accounted for as subsidiary of the Group.

Chapter XV Documents Available for Inspection

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

1. The accounting statements duly signed and sealed by the authorised representative, the person in charge of finance and the person in charge of accounting;

2. The original copy of the auditor's report duly hand signed by Deloitte Touche Tohmatsu CPA Ltd. and certified public accountants registered in the PRC and the original copy of the auditor's report sealed by Deloitte Touche Tohmatsu and financial statements prepared in accordance with the accepted in Hong Kong Financial Reporting Standards;

3. Original of all documents and public announcements which had been disclosed in the newspapers for company information disclosure during the reporting period and original of such manuscripts;

4. 2008 annual reports (both English and Chinese versions).

Friend of Worldwide Textile Industry

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