



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

INTERIM REPORT

2009

半年度报告

IMPORTANT NOTES

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

This interim report was considered at the fourteenth meeting of the fifth session of the Board of the Company and was considered and approved unanimously by all the directors. Director Fan Xinmin was present at the meeting through his alternate.

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

The 2009 interim financial and accounting report of the Company has not been audited by any accounting firm but it has been reviewed by the Board of Directors and the Audit Committee of the Company.

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

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Chapter I Corporate Information

I. COMPANY PROFILE

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

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

**II. KEY FINANCIAL DATA AND INDICATORS****1. Prepared in accordance with the PRC Accounting Standards for Business Enterprises****1.1 Key accounting data and financial indicators**

Unit: RMB

	As at the end of the reporting period	As at the end of the previous year	Increase (Decrease) at the end of the reporting period as compared to the end of the previous year (%)
Total assets	6,180,559,233.53	6,010,576,706.82	2.83
Owner's equity attributable to shareholders of the listed company	2,736,337,370.78	2,850,881,813.67	(4.02)
Share capital	603,800,000.00	603,800,000.00	0.00
Net assets per share attributable to shareholders of the listed company (RMB/share)	4.53	4.72	(4.03)
	Reporting Period (January to June)	Corresponding period of the previous year	Increase (Decrease) in the reporting period as compared to the corresponding period of the previous year (%)
Total operating income	1,278,599,144.90	2,183,763,048.54	(41.45)
Operating profit	(117,887,880.84)	51,149,404.79	(330.48)
Total profit	(107,800,776.84)	63,781,374.15	(269.02)
Net profit attributable to shareholders of the listed company	(98,887,306.09)	52,131,380.61	(289.69)
Net profit after extraordinary items attributable to shareholders of the listed company	(113,097,999.31)	39,538,161.11	(386.05)
Basic earnings per share (RMB/share)	(0.16)	0.09	(277.78)
Diluted earnings per share (RMB/share)	(0.16)	0.09	(277.78)
Return on net assets(%)	(3.61)	1.81	(5.42)
Net cashflow from			
– operating activities	39,067,070.34	(104,381,358.49)	137.43
– operating activities on per-share basis (RMB/share)	0.06	(0.17)	137.43

1.2 Extraordinary items

Unit: RMB

Extraordinary items	Amount
Profit or loss on disposal of non-current assets	2,406,022.93
Government grants	11,711,720.86
Profit or loss on entrusted loans	6,631,358.61
Profit or loss on debt restructuring	(4,872,334.07)
Other non-operating income and expenses	841,694.28
Income tax effects	(2,507,769.39)
Total	14,210,693.22

1.3 Rate of return on net assets and earnings per share based on the requirements of the Compilation Rules for Information Disclosures by Companies that have Securities issued to the Public (No. 9) (as amended in 2007) issued by the China Securities Regulatory Commission

Items	Rate of return on net assets (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of the Company's ordinary shares	(3.61)	(3.53)	(0.1638)	(0.1638)
Net profit attributable to holders of the Company's ordinary shares, net of nonrecurring profit and loss	(4.13)	(4.05)	(0.1873)	(0.1873)

2. Financial information prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS")

Condensed consolidated statement of comprehensive income

	Six months ended 30 June	
	2009 RMB '000 (Unaudited)	2008 RMB '000 (Unaudited)
Turnover	1,274,931	2,183,763
Cost of sales	(1,188,549)	(1,922,083)
Gross profit	86,382	261,680
Other income	37,366	64,378
Distribution expenses	(42,938)	(60,638)
Administrative expenses	(161,144)	(181,695)
Finance cost	(23,074)	(20,304)
Share of results of jointly controlled entities and associates	(4,393)	(1,252)
(Loss) Profit before taxation	(107,801)	62,169
Income tax expenses	(2,158)	(13,012)
(Loss) Profit for the period	<u>(109,959)</u>	<u>49,157</u>
Other comprehensive (loss) income		
Gain on fair value changes of held-for-trading investments	–	1,612
Total comprehensive (loss) income for the period	<u>(109,959)</u>	<u>50,769</u>
(Loss) Profit for the period attributable to:		
Owners of the Company	(98,887)	50,519
Minority interests	(11,072)	(1,362)
	<u>(109,959)</u>	<u>49,157</u>
Total comprehensive (loss) income attributable to:		
Owners of the Company	(98,887)	52,131
Minority interests	(11,072)	(1,362)
	<u>(109,959)</u>	<u>50,769</u>
Earnings per share for profit or loss attributable to the owners of the Company during the period (expressed in RMB per share)		
– basic and diluted	<u>(0.16)</u>	<u>0.08</u>

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

I. MOVEMENT IN SHARE CAPITAL DURING THE REPORTING PERIOD

For the six months ended 30 June 2009, there was no change in the Company's shareholding structure.

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

Total number of shareholders 52,547 (of which the number of Holders of A shares is 52,504 and the number of Holders of H shares is 43)

Shareholdings of the top ten registered shareholders

Name of shareholder	Type of shareholder	Percentage to total share capital	Total number of shares held (Share)	Number of restricted floating shares held (Share)	Number of shares under pledge or lock-up (Share)
China Textile Machinery (Group) Company Limited	State-owned legal person	33.83%	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited	Overseas legal person	29.81%	179,995,899		
China Agricultural Bank – Zhongyou Core Select Stock Securities Investment Fund	Unknown	1.66%	9,999,999		
Zhang Liang	Domestic natural person	0.43%	2,609,110		
Jiang Zhuangliang	Domestic natural person	0.35%	2,130,586		
Jiang Yaoyao	Domestic natural person	0.24%	1,433,849		
Ye Qiaoji	Domestic natural person	0.21%	1,290,556		
Nanchang Tianhe Investment Company Limited	Unknown	0.15%	900,000		
Tong Caiying	Domestic natural person	0.14%	857,100		
Xiang Menghua	Domestic natural person	0.14%	818,000		

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

Name of shareholder	Number of unrestricted floating shares held (Share)	Class of shares
China Textile Machinery (Group) Company Limited	179,995,899	Overseas listed foreign shares
HKSCC Nominees Limited	8,615,248	Domestically listed domestic shares
China Agricultural Bank – Zhongyou Core Select Stock Securities Investment Fund	9,999,999	Domestically listed domestic shares
Zhang Liang	2,609,110	Domestically listed domestic shares
Jiang Zhuangliang	2,130,586	Domestically listed domestic shares
Jiang Yaoyao	1,433,849	Domestically listed domestic shares
Ye Qiaoji	1,290,556	Domestically listed domestic shares
Nanchang Tianhe Investment Company Limited	900,000	Domestically listed domestic shares
Tong Caiying	857,100	Domestically listed domestic shares
Xiang Menghua	818,000	Domestically listed domestic shares

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

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

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

Notes:

- i. The H shares registered in the name of HKSCC Nominees Limited were held in the capacity of nominee on behalf of various clients and it did not hold 5% or more of the interest in the total issued share capital and class of share capital of the Company.
- ii. As at 30 June 2009, so far as the Directors, Supervisors and senior management of the Company are aware, in accordance with the records in the register required to be maintained by the Company pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the following persons (except for the directors, supervisors or chief executive of the Company) were interested in the shares and underlying shares of the Company as below:

	Capacity	Number of H Shares (Share)	Approximate percentage in the total issued H share capital (%)	Approximate percentage in the total issued share capital (%)
Montpelier Asset Management Limited	Investment manager	16,738,000	9.26	2.77
Zhang Sheng Han	Beneficial owner	10,240,000	5.00	1.70

(Note 1)

Notes:

1. Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21 October 2003 as shown on the website of the Stock Exchange. However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000, which, if correct, represents approximately 5.66%, instead of 5.00% (as stated in such notice) of the total issued H shares of the Company as at 30 June 2008. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company from 21 October 2003 to present. The Company is also unable to ascertain the actual number of H Shares held by Zhang Sheng Hang from the register of members of the Company as none of the H Shares was registered in the name of Zhang Sheng Hang as at 30 June 2009.

Long positions in the A shares of the Company:

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

Save as disclosed above, based on the register required to be maintained pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the Company has not received any notification in relation to the holding of interests or short positions in shares and underlying shares of the Company as at 30 June 2009.

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



Chapter III Directors, Supervisors, Senior Management and Staff

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

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

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

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

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there were no changes in directors, supervisors and senior management of the Company.

Chapter IV Directors' Report

I. OPERATING RESULTS AND FINANCIAL ANALYSIS

The Company is one of the largest textile machinery manufacturers in the PRC. It is principally engaged in the development, manufacture and sales of textile machineries and related components and parts. With a history of manufacturing and developing textile machineries for over five decades, the Company has established a leading position in the PRC textile machinery industry.

Under the impact of the global financial crisis and other unfavourable factors, the domestic and overseas textile market shrank and demands in textile machinery market were weak. The production and sales of the Group were operated at a low level. Based on the aforesaid reasons, in the first half of 2009, domestic and overseas sales volume of leading products of the Company continued to fall at a relatively substantial degree. Despite various measures being taken, the turnover and operating profits of the Company still decreased substantially.

1. Operating Results

Under the financial statements prepared in accordance with HKFRS, the Group's turnover and the loss for the period attributable to shareholders for the six months ended 30 June 2009 were RMB1,274,931,000 and RMB98,887,000 respectively, representing a decrease of 41.62% and 289.69% as compared with the corresponding period in the previous year. As at 30 June 2009, bank balances of the Group amounted to RMB927,753,000 and borrowings repayable within one year amounted to RMB716,346,000, both denominated in Renminbi. Long-term borrowings amounted to RMB618,091,000, and the gearing ratio was 21.12% (long-term borrowings divided by net assets value).

Under the financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises, operating revenue of the Group for the six months ended 30 June 2009 amounted to RMB1,278,599,000, representing a decrease of 41.45% as compared with the corresponding period in the previous year. Operating loss amounted to RMB117,888,000, representing a decrease of 330.48% as compared with the corresponding period in the previous year. Net loss attributable to shareholders of the parent company amounted to RMB98,887,000, representing a decrease of 289.69% as compared with the corresponding period in the previous year. In this connection:

Of which:

Operating revenue of the Company amounted to RMB769,206,000, representing a decrease of 49.26% as compared with the corresponding period in the previous year. Operating loss amounted to RMB57,148,000, representing a decrease of 330.71% as compared with the corresponding period in the previous year. Net loss amounted to RMB60,403,000, representing a decrease of 333.07% as compared with the corresponding period in the previous year.

Major subsidiaries:

Operating revenue and operating loss of Qingdao Hongda Textile Machinery Company Limited amounted to RMB402,961,000 and RMB18,987,000 respectively.

Operating revenue and operating loss of Tianjin Jingwei New Type Textile Machinery Company Limited amounted to RMB35,402,000 and RMB4,028,000 respectively.

Operating revenue and operating profit of Beijing Jingwei Textile Machinery New Technology Company Limited amounted to RMB61,958,000 and RMB4,954,000 respectively.

Operating revenue and operating loss of Changde Textile Machinery Company Limited amounted to RMB86,295,000 and RMB11,853,000 respectively.

Operating revenue and operating profit of Yichang Jingwei Textile Machinery Company Limited amounted to RMB70,262,000 and RMB5,874,000 respectively.

Operating revenue and operating loss of Shenyang Hongda Huaming Textile Machinery Company Limited amounted to RMB30,437,000 and RMB4,964,000 respectively.

Operating revenue and operating loss of Wuxi Hongda Texparts Company Limited amounted to RMB42,610,000 and RMB177,000 respectively.

Operating revenue and operating loss of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited amounted to RMB5,917,000 and RMB297,000 respectively.

Operating revenue and operating loss of Wuxi Jingwei Textile Technology Testing Company Limited amounted to RMB47,136,000 and RMB93,000 respectively.

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

Major items	As at 30 June 2009	As at 31 December 2008	Increase/ (Decrease) Changes +/-	Increase/ (Decrease) Changes %	Reasons for the change
Other receivables	84,385	40,195	44,191	109.94	Note (1)
Project materials	28,288	11,453	16,835	146.99	Note (2)
Long-term receivables	65,204	23,091	42,113	182.38	Note (3)
Notes payable	102,498	181,266	(78,769)	(43.45)	Note (4)
Tax payable	3,736	(5,000)	8,736	174.72	Note (5)
Long-term borrowings due within one year	55,000	87,000	(32,000)	(36.78)	Note (6)
Other current liabilities	2,745	4,425	(1,680)	(37.97)	Note (7)
Long-term borrowings	618,091	473,091	145,000	30.65	Note (8)
Special accounts payable	60,164	39,947	20,217	50.61	Note (9)
Major items	Six months ended 30 June 2009	Six months ended 30 June 2008	Increase/ (Decrease) Changes +/-	Increase/ (Decrease) Changes %	Reasons for the change
Operating income	1,278,599	2,183,763	(905,164)	(41.45)	Note (10)
Operating cost	1,185,655	1,918,928	(733,273)	(38.21)	Note (11)
Business taxes and levies	5,992	3,155	2,837	89.92	Note (12)
Financial expenses	20,152	5,554	14,598	262.81	Note (13)
Impairment loss in respect of assets	(11,726)	(16,928)	5,201	30.73	Note (14)
Gain or loss on changes in fair value	0	(246)	246	100.00	Note (15)
Investment income	13,321	35,021	(21,700)	(61.96)	Note (16)
Non-operating expenses	8,298	3,154	5,144	163.09	Note (17)
Income tax expenses	2,158	13,012	(10,854)	(83.42)	Note (18)

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

- Note (1): The increase in other receivables as compared to the beginning of the period was mainly due to the addition of relocation compensation by a subsidiary of the Company during the reporting period.
- Note (2): The increase in project materials as compared to the beginning of the period was due to the increase in purchase of special materials for construction for some of the projects under construction for the current period.
- Note (3): The increase in long-term receivables as compared to the beginning of the period was due to the increase in long-term outstanding amounts as a result of sales of products to major clients by way of settlement by instalments.
- Note (4): The decrease in notes payable as compared to the beginning of the period was mainly due to the corresponding 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 current period.
- Note (5): The increase in tax payable as compared to the beginning of the period was mainly due to the decrease in excess value-added tax for the current period as compared to the beginning of the period and the increase in land use tax as compared to the beginning of the period.
- Note (6): The decrease in long-term borrowings due within one year as compared to the beginning of the period was due to repayment for bank borrowings due.
- Note (7): The decrease in other current liabilities as compared to the beginning of the period was mainly due to the decrease in accrued expenses for the current period at the beginning of the period.
- Note (8): The increase in long-term borrowings as compared to the beginning of the period was due to the two-year loan borrowed from China Construction Bank by the Company during the reporting period.
- Note (9): The increase in special accounts payable as compared to the beginning of the period was due to the increase in rebate of value-added tax paid and tariff from the Ministry of Finance as a result of import of automatic winding machine parts.
- Note (10): The year-on-year decrease in operating income was mainly due to the year-on-year decrease in product prices and sales volume under the continual negative impact of global economic crisis and cycle adjustment of the textile industry.
- Note (11): The year-on-year decrease in operating cost was mainly due to the corresponding decrease in operating cost as a result of decrease in sales volume of products for the current period.
- Note (12): The year-on-year increase in business taxes and levies was mainly due to the corresponding increase in business taxes and levies as a result of the increase in sales revenue of real estate as compared to the same period last year by Beijing Bohong Real Estate Development Company Limited, a subsidiary of the Company.
- Note (13): The year-on-year increase in financial expenses was mainly due to the year-on-year decrease in exchange gain during the reporting period (as the appreciation of Renminbi in the same period of last year, exchange gain arising from US dollar borrowings of the Company was relatively greater) as well as the corresponding increase in interest expenses as a result of the increase in bank borrowings.
- Note (14): The year-on-year increase in impairment loss in respect of assets was mainly due to the corresponding year-on-year increase in impairment loss arising from the corresponding decrease of in write-back of impairment loss on assets as a result of the year-on-year decrease in the collected outstanding amounts that have been provided for as bad debts after the efforts in collection of receivables in the current period.
- Note (15): The year-on-year increase in gain or loss on changes in fair value was due to the fact that there were no changes in the value of assets measured at fair value during the reporting period, which resulted in no gains.
- Note (16): The year-on-year decrease in investment income was mainly due to the decrease in gain on disposal of assets for the current period. In the same period of last year, there was gain on transfer as a result of the disposal of the interests in an equity holding company by the Group, while in the current period, there was no gain on disposal of long-term investment.
- Note (17): The year-on-year increase in non-operating expenses was mainly due to the increase in loss on debt restructuring during the reporting period.
- Note (18): The year-on-year decrease in income tax expenses was mainly due to the corresponding decrease in income tax as a result of the decrease in total profit under the impact of changes in the macro-economic environment during the reporting period.

II. OPERATIONS IN THE REPORTING PERIOD

1. Analysis of principal activities by products

Unit: RMB'000

Six months ended 30 June 2009

Items	Revenue from principal activities	Cost of principal activities	Profit margin of principal activities (%)	Increase/(Decrease) in revenue from principal activities as compared with the corresponding period in the previous year (%)	Increase/(Decrease) in cost of principal activities as compared with the corresponding period in the previous year (%)	Increase/(Decrease) in profit margin of principal activities as compared with the corresponding period in the previous year (%)
Natural fibre textile machinery	722,415	688,746	4.66	(47.15)	(42.43)	(62.62)
Chemical fibre textile machinery	49,399	36,740	25.63	2.02	(7.50)	42.61
Weaving machinery	64,888	65,121	(0.36)	(53.55)	(44.96)	(102.35)
Textile machinery parts and components	124,882	113,186	9.37	(10.75)	3.09	(56.49)
Real estate	59,977	41,822	30.27	—	—	—
Others	153,034	141,252	7.70	(65.43)	(65.75)	12.69
Total	1,174,596	1,086,868	7.47	(45.05)	(42.08)	(38.81)

Of which: during the reporting period, the amount of connected transactions regarding the sales of products and provision of services by the Group to the controlling shareholder and its subsidiaries was RMB94,384,000.

Under the impact of both the global financial crisis and the cycle adjustment of the textile industry, growth rate of the textile industry continued to drop and the downward trend of the industry was exceptional. The domestic and overseas markets remained suppressed and effective demands for textile machinery were critically insufficient. During the reporting period, revenue from operations of the Company decreased by 41.45% as compared to the corresponding period last year. In addition, the negative impact of basic materials and energy prices as well as substantial decrease in production volume resulted in a corresponding increase in average fixed costs per unit product, and gross profit margin of the key products of the Company decreased significantly during the reporting period.

2. Analysis of principal activities by regional sales

Unit: RMB'000

Region	Revenue from principal activities	Increase/(Decrease) in revenue from principal activities as compared with the corresponding period in the previous year (%)
Domestic sales	1,109,686	(36.11)
Overseas sales	64,910	(83.80)
Of which: Asia	46,671	(87.99)
Africa	18,239	130.15
Other key continents and regions	0	(100.00)
Total	1,174,596	(45.05)

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

III. OPERATING PROBLEMS AND DIFFICULTIES

During the first half of 2009, following the negative growth in the gross industrial output value and sales revenue of textile industry which was recorded in 2008 for the first time in the recent 10 years, the downward trend continued. According to the consolidated statistics compiled by China Textile Machinery Association after making surveys with 1,020 enterprises nationwide, the gross industrial output value for the entire industry amounted to RMB21,867,000,000, representing a year-on-year decrease of 6.40%. Falling in various other economic indicators was also seen. The textile industry was the only industry among other specialized industries which saw negative growth. At the beginning of the year, the Adjustment and Revitalization Planning for Textile Industry was launched by the State and import duty of textile products was adjusted, and these measures enhanced the profitability of export products of textile enterprises to a certain extent and strengthened confidence in the development of the textile industry. However, policy effect generally exhibited delay features. Under such circumstances, during the second half of 2009, the production and sales environment faced by the Company remained difficult. The market was suppressed, with declined sales and slow recovery, which has been the most difficult period the Company encountered in recent years. Under such trend, the Company is taking active measures including strengthening product development, adjusting product structure, elevating core competitiveness of the enterprise and capitalising on edges in capital and products. On the one hand, efforts were made to enlarge income from the Group's principal activities to the largest possible extent in order to increase profit level. On the other hand, new growth points for profit were sought through project and capital operation. Meanwhile, enterprise reform was promoted for strengthening internal management whilst new resources were explored and expenditure was cut in order to reduce cost and increase efficiency so as to pass the difficult period.

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

In the third quarter of 2009, the impact of the global financial crisis and other unfavourable factors will continue and the domestic and overseas textile product markets will remain weak. Demands in textile machinery market will be suppressed and production and sales of enterprises will be affected quite substantially. Due to the aforesaid reasons, in the third quarter of 2009, domestic and overseas sales volume of the leading products of the Company is expected to continue to fall by a relatively substantial degree. Despite various measures being taken, it is estimated that operation of the Company for January to September may continue to make loss. Due to uncertainties in the market, detailed forecast cannot be made for the time being. The Company will make further announcement in respect of its profit position in due course in accordance with relevant requirements.



Chapter V Significant Events

I. CORPORATE GOVERNANCE

During the reporting period and in strict compliance with the Company Laws, the Securities Laws, the Corporate Governance Standards for Listed Companies, the Listing Rules of the Shenzhen Stock Exchange and the Rules Governing the Listing of Securities of the Stock Exchange (the “Listing Rules”) and other relevant laws, rules and regulations of the China Securities Regulatory Commission, the Shenzhen Stock Exchange and the Stock Exchange, the Company continually improved its governance structure and enhanced its internal control system. As at the end of the reporting period, our actual standard of corporate governance has generally met the requirements of the regulatory documents issued by China Securities Regulatory Commission.

II. THE BOARD OF DIRECTORS OF THE COMPANY HAS RESOLVED NOT TO PAY ANY INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND NO SURPLUS RESERVES WOULD BE CAPITALISED.

III. IMPLEMENTATION OF PROFIT APPROPRIATION PROPOSAL FOR THE PREVIOUS YEAR

At the 2008 Annual General Meeting held on 18 June 2009, the resolution on the after-tax profit appropriation proposal for 2008 was passed. Such profit distribution was implemented on 17 July 2009.

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

V. ACQUISITION OF ASSETS

Unit: RMB '000

Counterparty of the transaction or ultimate controller	Assets acquired or added	Date of acquisition	Price of transaction	Net profit		Whether it was a connected transaction	Pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all rights and obligations were completely transferred	Connected relationship with counterparty (applicable to connected transactions)
				attributable to the Company from the date of acquisition to the end of the reporting period (applicable to combination of enterprises not under the same controller)	attributable to the Company from the beginning of the year to the end of the reporting period (applicable to combination of enterprises under the same controller)					
China Textile Machinery (Group) Co., Ltd.	33.45% equity interest in Wuxi Jingwei Textile Technology Testing Co., Ltd.	1 June 2009	26,003	-	7	Yes	Open tender	Yes	Yes	Controlling company

Note: On 25 June 2009, the Company and China Railway Trust Co., Ltd. entered into the Equity Transfer Agreement pursuant to which the latter party agreed to transfer its 30% equity interest in Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd. to the Company at a price of RMB180,000,000. During the reporting period, the consideration for the equity transfer was not yet paid.

VI. RELATED 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 of the Stock Exchange (<http://www.hkex.com.hk>).

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

Unit: RMB '000

Connected parties	Sales of goods and provision of services and to the connected parties		Purchases of goods services from the connected parties	
	Transaction Amount	Proportion to transaction amount of same type of transaction	Transaction Amount	Proportion to transaction amount of same type of transaction
Companies controlled by the same parent company	18,544	1.58%	99,610	14.01%
Companies controlled by the ultimate parent company	3,677	0.31%	0	0.00%
Associated companies of the Group	72,164	6.14%	10,137	1.43%
Joint venture companies of the Group	0	0.00%	0	0.00%
Other companies subject to significant influence by key management personnel of subsidiaries	1,691	0.15%	105,456	14.82%
Total	96,075	8.18%	215,203	30.26%

Of which: During the reporting period, an aggregate transaction amount of RMB94,384,000 was incurred by the sale of products, raw materials and parts and accessories to CTMC Group by the Group in accordance with the Composite Services Agreement, which represented 7.24% of the cap of such transactions as agreed in the Composite Services Agreement of 2009.



VI. RELATED 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 interim period, and have confirmed that such transactions have been entered into:

- (1) in the ordinary and normal course of business of the Group;
- (2) either on normal commercial terms or, on terms no more favourable or less favourable than terms available to or made by independent third parties;
- (3) were on the terms of agreement of relevant transactions which were fair and reasonable and were 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 and the related parties had many years of business cooperation with the Company and good match of production and processing capacity, which ensure the orderly and smooth operations of the Company. Such transactions warranted their necessity and continuity in the Company's operations. The connected transactions did not affect the Company's independence.

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

VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

Unit: RMB'000

External guarantees undertaken by the Company (excluding guarantees provided to subsidiaries)						
Name of guaranteed party	Date of event (Date of agreement)	Guaranteed amount	Type of guarantee	Period of guarantee	Discharged or not	Whether in favour of any related party
Beijing Hualian Group Investment Holdings Limited	10/10/2008	100,000	Joint liability	10/10/2008 – 9/10/2008	No	No
Beijing Hualian Group Investment Holdings Limited	20/01/2009	50,000	Joint liability	20/01/2009 – 9/10/2009	No	No
Total guaranteed amount during the reporting period		50,000				
Guaranteed balance at the end of the reporting period (A)		150,000				
Guarantee provided by the Company to subsidiaries						
Total guaranteed amount to subsidiaries during the reporting period		220,000				
Guaranteed balance to subsidiaries as at the end of the reporting period (B)		220,000				
Total guarantee (including guarantee to subsidiaries) provided by the Company						
Total guaranteed amount (A+B)		370,000				
Total guaranteed amount as a percentage of the net assets value of the Company		13.52%				
Of which:						
Guaranteed amount provided for shareholders, parties which have de facto control and other related parties (C)		0				
Guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)		0				
Total guaranteed amount in excess of 50% of net assets value (E)		0				
Total guaranteed amount of the above three items *(C+D+E)		0				
Statement on the contingent joint liability in connection with unexpired guarantees		Nil				

3. **Entrustment on fund management**

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



VIII. PERFORMANCE OF COMMITMENTS BY THE COMPANY AND SHAREHOLDERS, DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Commitment	Content	Performance status
Commitment on share segregation reform	CTMC Group 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).	On 8 August 2009, the 3-year period beginning from the date the floating Shares held by CTMC Group were granted the right to list on the Shenzhen Stock Exchange already expired. However, as the Share price has not reached the minimum sale price for reducing shareholdings as undertaken, the lock-up has not been released as at the date of disclosure of this Interim Report.

IX. PURCHASE, SALE AND REDEMPTION OF SHARES

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

X. CODE ON CORPORATE GOVERNANCE PRACTICES

The Board, Supervisory Committee and Senior Management are committed to an effective implementation of corporate governance policy, to ensure all decisions are on a fair basis and observing fiduciary principles, 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. Due to the resignation of Li Hui (an Independent Non-executive Director), 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 is not in full compliance with the requirement in relation to the minimum proportion 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.

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

Time of reception	Place of reception	Means of reception	Subject of reception	Key content of discussion and information provided
11 February 2009	Conference room of the Company	On-site research	Harvest Fund Management Co., Ltd.	Content of discussion: basic conditions of the Company
12 February 2009	Conference room of the Company	On-site research	Industrial Securities Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
12 February 2009	Conference room of the Company	On-site research	Zhonghai Fund Management Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
19 February 2009	Conference room of the Company	On-site research	Everbright Securities Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
19 February 2009	Conference room of the Company	On-site research	Wanjia Asset Management Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
20 February 2009	Conference room of the Company	On-site research	Morgan Stanley Asia Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
23 February 2009	Conference room of the Company	On-site research	Haitong Securities Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
6 March 2009	Conference room of the Company	On-site research	Soochow Securities Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company



XII. AUDIT COMMITTEE

The Audit Committee of the Board of the Company has, together with the management, reviewed the accounting principles, accounting standards and methods adopted by the Group, and has discussed about issues regarding auditing, internal controls and financial reporting including review of the unaudited interim accounts of the Group for the six months ended 30 June 2009.

XIII. ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

XIV. SPECIFIC EXPLANATIONS BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON APPROPRIATION OF FUNDS BY RELATED PARTIES AND CONTROLLING SHAREHOLDERS AND EXTERNAL GUARANTEES OF THE COMPANY

Pursuant to the requirements set out in the Notice Concerning Certain Issues on Regulating the Funds between Listed Companies and Related Parties and Provision of External Guarantees by Listed Companies (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) (Zheng Jian Fa [2003] No. 56), the Notice Concerning the Regulating of Provision of External Guarantees by Listed Companies (《關於規範上市公司對外擔保行為的通知》) (Zheng Jian Fa [2005] No. 120) and the Notice on the Preparation of 2009 Interim Reports of Listed Companies (《上市公司2009年半年度報告工作的通知》) (Shen Zheng Shang [2009] No.54 issued by the Shenzhen Stock Exchange, we, as independent non-executive Directors of the Company and being accountable to the Company, all the shareholders and investors, conducted a detailed review on the appropriation of funds by controlling shareholder and related parties and the external guarantees of the Company and issued the following specific explanations and independent opinions:

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

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

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

XIV. SPECIFIC EXPLANATIONS BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON APPROPRIATION OF FUNDS BY RELATED PARTIES AND CONTROLLING SHAREHOLDERS AND EXTERNAL GUARANTEES OF THE COMPANY (continued)

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

Disclosure on guarantee position as included in the 2009 Interim Report of the Company is correct. During the year ended 30 June 2009, no guarantees were made by the Company to controlling shareholders or other related parties in which the Company has shareholdings of less than 50%, any non-legal persons or individuals, whether on a cumulative basis or for the current period. The decision-making process regarding making guarantees by the Company was in compliance with the requirements of laws, rules and regulations and the articles of association of the Company. Such decision did not compromise the interests of the Company and shareholders of the Company, particularly the medium and minority shareholders.

XV. PERFORMANCE OF CORPORATE SOCIAL RESPONSIBILITY DURING THE REPORTING PERIOD

As the first textile machinery enterprise to issue the corporate social responsibility report, the Company issued the 2008 Social Responsibility Report at the Great Hall of the People on 29 June 2009. The full text of the report has been published on media such as the website of cninfo and the website of the Company.

XVI. ACCOUNTING FIRMS ENGAGED BY THE COMPANY IN 2009

It was considered and approved by shareholders of the Company at the 2008 annual general meeting of the Company held on 18 June 2009 to re-appoint Deloitte Touche Tohmatsu (Certified Public Accountants), and Deloitte Touche Tohmatsu CPA Ltd. (Certified Public Accountants), the PRC, as the international and PRC auditors respectively for the year ending 31 December 2009.

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

Company and Consolidated Balance Sheet

30 June 2009

Unit: RMB

Assets	Note	Consolidated		Company	
		Period End	Period Start	Period End	Period Start
Current assets					
Currency funds	VII. 1, XI. 1	927,752,672.06	734,709,610.55	738,530,129.43	520,541,620.90
Trading financial assets	VII. 2	1,035,746.81	0.00	1,035,746.81	0.00
Bills receivable	VII. 3, XI. 2	719,024,294.42	700,808,734.31	528,295,134.73	531,795,935.08
Accounts receivable	VII. 4, XI. 3	408,900,956.30	373,786,068.90	246,513,851.14	300,736,711.69
Advances to suppliers	VII. 5, XI. 4	244,999,588.45	252,402,482.82	142,548,342.18	117,826,257.98
Dividends receivable		0.00	0.00	82,077,333.36	82,077,333.36
Other receivables	VII. 6, XI. 5	84,385,309.41	40,194,559.58	428,258,271.34	395,410,307.34
Inventories	VII. 7, XI. 6	1,645,255,231.80	1,774,348,127.58	346,288,316.45	367,086,467.21
Entrusted loan	VII. 8	185,168,750.00	180,468,750.00	185,168,750.00	253,468,750.00
Other current assets		0.00	0.00	0.00	0.00
Total current assets		4,216,522,549.25	4,056,718,333.74	2,698,715,875.44	2,568,943,383.56
Non-current assets					
Long-term equity investments	VII. 9, XI. 7	220,583,466.08	218,784,388.70	1,043,946,926.49	1,042,207,642.48
Fixed assets	VII. 10, XI. 8	1,238,992,092.36	1,285,796,536.67	446,896,316.81	462,869,108.51
Construction in progress	VII. 11, XI. 9	75,278,726.24	64,941,018.14	8,543,270.53	10,050,061.00
Construction materials	VII. 12	28,288,142.88	11,452,986.82	258,960.00	1,894,760.76
Intangible assets	VII. 13, XI. 10	276,727,576.47	281,579,729.60	85,960,992.09	88,146,783.20
Goodwill		2,258,412.00	2,258,412.00	0.00	0.00
Deferred income tax assets	VII. 14	24,660,580.18	30,045,046.91	15,264,794.88	17,630,074.35
Long-term receivables		65,203,748.07	23,091,163.33	201,883,886.84	139,554,379.34
Other non-current assets		32,043,940.00	35,909,090.91	0.00	0.00
Total non-current assets		1,964,036,684.28	1,953,858,373.08	1,802,755,147.64	1,762,352,809.64
Total assets		<u>6,180,559,233.53</u>	<u>6,010,576,706.82</u>	<u>4,501,471,023.08</u>	<u>4,331,296,193.20</u>

Legal representative:
Yao Yuming

Person in charge of accounting function:
Mao Faqing

Person in charge of accounting department:
Mao Faqing

Company and Consolidated Balance Sheet (continued)

30 June 2009

Unit: RMB

Liabilities and shareholders' interest	Note	Consolidated		Company	
		Period End	Period Start	Period End	Period Start
Current liabilities					
Short-term borrowings	VII. 16, XI. 12	661,345,906.64	552,290,149.36	502,635,156.00	359,910,076.73
Bills payable	VII. 17, XI. 13	102,497,886.92	181,266,484.88	41,070,044.66	106,456,585.72
Accounts payable	VII. 18	923,771,022.06	893,709,192.58	555,899,419.95	547,624,799.95
Advances from customers	VII. 19	372,620,941.49	306,361,370.12	289,695,963.54	261,296,454.34
Employee benefits payable	VII. 20, XI. 14	58,666,143.55	54,182,419.84	19,231,345.71	16,361,377.71
Tax payable	VII. 21, XI. 15	3,736,037.04	(4,999,832.80)	5,020,855.01	15,626,395.84
Dividends payable	VII. 22	28,142,963.75	23,045,263.75	23,648,739.56	17,610,739.56
Other payables	VII. 23	217,407,738.94	181,144,553.75	120,013,577.09	153,083,602.68
Long-term borrowings due within 1 year		55,000,000.00	87,000,000.00	55,000,000.00	55,000,000.00
Non-current liabilities due within 1 year		3,444,275.39	6,770,787.27	0.00	3,872,036.20
Other current liabilities	VII. 24	2,745,000.00	4,425,393.46	2,745,000.00	4,425,393.46
Total current liabilities		2,429,377,915.78	2,285,195,782.21	1,614,960,101.52	1,541,267,462.19
Non-current liabilities					
Long term borrowings	VII. 25, XI. 16	618,091,163.33	473,091,163.32	518,091,163.33	373,091,163.32
Long-term payables	VII. 26	91,892,271.87	95,116,594.82	68,066,886.67	71,190,356.89
Special payables	VII. 27	60,163,884.14	39,946,787.45	60,163,884.14	39,946,787.45
Provisions		0.00	0.00	0.00	0.00
Other non-current liabilities	VII. 28	54,535,925.62	45,344,707.61	21,160,000.00	20,330,000.00
Total non-current liabilities		824,683,244.96	653,499,253.20	667,481,934.14	504,558,307.66
Total liabilities		3,254,061,160.74	2,938,695,035.41	2,282,442,035.66	2,045,825,769.85
Shareholders' equity					
Share capital	VII. 29	603,800,000.00	603,800,000.00	603,800,000.00	603,800,000.00
Capital reserve	VII. 30	1,243,785,350.57	1,253,404,487.37	1,244,713,617.49	1,244,713,617.49
Surplus reserve	VII. 31	562,405,127.51	562,405,127.51	360,552,598.75	360,552,598.75
Undistributed profit	VII. 32, XI. 17	329,225,266.93	434,150,573.02	9,962,771.18	76,404,207.11
Translation difference of foreign currency statements		(2,878,374.23)	(2,878,374.23)	0.00	0.00
Total shareholders' equity attributable to the parent		2,736,337,370.78	2,850,881,813.67	2,219,028,987.42	2,285,470,423.35
Minority interests	VII. 33	190,160,702.01	220,999,857.74	0.00	0.00
Total shareholders' equity		2,926,498,072.79	3,071,881,671.41	2,219,028,987.42	2,285,470,423.35
Total liabilities and shareholders' equity		6,180,559,233.53	6,010,576,706.82	4,501,471,023.08	4,331,296,193.20

 Legal representative:
Yao Yuming

 Person-in-charge for accounting function:
Mao Faqing

 Person in charge of accounting function:
Mao Faqing



Company and Consolidated Income Statement
For the half year ended 30 June 2009
Unit: RMB

Item	Note	Consolidated		Company	
		January to June 2009	January to June 2008	January to June 2009	January to June 2008
Operating income	VII. 34, XI. 18	1,278,599,144.90	2,183,763,048.54	769,206,044.32	1,515,987,309.13
Less: Cost of operation	VII. 35, XI. 19	(1,185,654,974.13)	(1,918,927,651.23)	(765,027,123.79)	(1,439,365,360.49)
Business tax and levies	VII. 36, XI. 20	(5,992,178.85)	(3,155,069.93)	(359,825.35)	(544,865.75)
Distribution expenses		(42,938,088.69)	(60,638,016.95)	(19,306,498.78)	(25,967,944.79)
Administrative expenses		(166,796,827.16)	(196,041,259.95)	(53,599,774.87)	(61,655,827.51)
Finance expenses	VII. 37, XI. 21	(20,152,363.76)	(5,554,479.58)	(9,316,089.08)	5,284,688.69
Assets Impairment loss	VII. 38	11,726,072.02	16,927,544.51	7,736,856.20	8,745,089.73
Add: Gain from change in fair value	VII. 39	0.00	(246,093.09)	0.00	0.00
Gain from investment	VII. 40, XI. 22	13,321,334.83	35,021,382.47	13,518,778.46	22,286,699.15
Of which: Gains from associates and jointly controlled entities		(4,392,623.78)	(1,252,410.89)	(4,392,623.78)	(1,252,410.89)
Operating profit		(117,887,880.84)	51,149,404.79	(57,147,632.89)	24,769,788.16
Add: Non-operating income	VII. 41, XI. 23	18,385,279.58	15,786,039.64	4,375,231.90	3,049,334.16
Less: Non-operating expenses	VII. 42, XI. 24	(8,298,175.58)	(3,154,070.28)	(5,776,659.41)	(884,214.01)
Of which: Loss from disposal of non-current assets		2,406,022.93	(586,701.59)	932,995.75	(56,550.96)
Total profit		(107,800,776.84)	63,781,374.15	(58,549,060.40)	26,934,908.31
Less: Income tax expenses	VII. 43 XI. 25	(2,157,936.77)	(13,011,831.13)	(1,854,375.53)	(1,017,720.57)
Net profit		(109,958,713.61)	50,769,543.02	(60,403,435.93)	25,917,187.74
Net profit attributable to the holder of equity of the parent		(98,887,306.09)	52,131,380.61	(60,403,435.93)	25,917,187.74
Minority loss		(11,071,407.52)	(1,361,837.59)	-	-
Earnings per share:					
(I) Basic earnings per share	VII. 44	(0.16)	0.09	-	-
(II) Diluted earnings per share	VII. 44	(0.16)	0.09	-	-

Legal representative:
Yao Yumin

Person-in-charge for accounting function:
Mao Faqing

Person in charge of accounting function:
Mao Faqing

Company and Consolidated Cash flow statement
For the half year ended 30 June 2009
Unit: RMB

Item	Consolidated		Company	
	January to June 2009	January to June 2008	January to June 2009	January to June 2008
1. Cash flow from operating activities				
Cash received from sale of goods and provision of services	1,515,189,853.11	2,351,884,520.56	876,010,523.82	1,503,930,664.65
Tax rebates	21,898,938.36	1,780,857.41	18,974,540.12	–
Other cash received from activities related to operation	18,660,446.05	14,923,772.89	7,877,453.60	4,869,334.16
Sub-total of cash inflow	1,555,749,237.52	2,368,589,150.86	902,862,517.54	1,508,799,998.81
Cash paid for goods purchased and service rendered	(1,256,959,357.91)	(2,062,612,516.54)	(879,751,442.40)	(1,411,227,921.28)
Cash paid to or paid for employee	(167,577,378.47)	(268,725,926.75)	(52,112,352.19)	(97,409,465.05)
Taxes paid	(75,533,200.09)	(102,732,714.02)	(22,649,042.41)	(15,535,990.03)
Other cash paid for activities related to operation	(16,612,230.71)	(38,899,352.04)	(12,169,071.45)	(35,012,408.19)
Sub-total of cash outflow	(1,516,682,167.18)	(2,472,970,509.35)	(966,681,908.45)	(1,559,185,784.55)
Net cash flow from operating activities	39,067,070.34	(104,381,358.49)	(63,819,390.91)	(50,385,785.74)
2. Cash flow from investment activities				
Cash received from investment	4,223,804.10	21,238,414.06	73,000,000.10	9,153,015.00
Cash received from gains in investment	18,272,257.45	36,160,083.51	15,163,349.45	25,608,983.18
Net cash received from disposal of fixed assets, intangible assets and other assets	8,890,605.80	1,928,417.94	2,002,007.00	287,311.50
Net cash received from disposal of subsidiaries and other operating entities	–	–	–	–
Other cash received from activities related to investment	–	–	125,854,089.71	–
Sub-total of cash inflow from investment activities	31,386,667.35	59,326,915.51	216,019,446.26	35,049,309.68
Cash paid for purchase of fixed assets, intangible assets and other long term assets	(30,867,335.92)	(57,240,061.71)	(3,027,039.63)	(9,492,813.40)
Cash paid for investment	(32,753,330.00)	(16,850,558.34)	–	(9,653,015.00)
Net cash paid for acquiring subsidiaries and other operating entities	–	–	–	–
Other cash paid for activities related to investment	–	–	(188,900,000.00)	–
Sub-total of cash outflow from investment activities	(63,620,665.92)	(74,090,620.05)	(191,927,039.63)	(19,145,828.40)
Net cash flow from investment activities	(32,233,998.57)	(14,763,704.54)	24,092,406.63	15,903,481.28
3. Cash flow from financing activities				
Proceeds received from investing activities	–	–	–	–
Cash received from borrowings	776,000,000.00	689,642,259.14	630,000,000.00	373,212,134.14
Other cash received from financing-related activities	–	–	–	–
Sub-total of cash inflow from financing activities	776,000,000.00	689,642,259.14	630,000,000.00	373,212,134.14
Cash paid for repayment	(553,944,300.00)	(253,660,000.00)	(349,089,000.00)	(25,000,000.00)
Cash paid for dividend and profit distribution or interest repayment	(35,841,244.22)	(17,535,623.39)	(23,195,507.19)	(7,186,704.95)
Other cash paid for financing-related activities	–	–	–	–
Sub-total of cash outflow from financing activities	(589,785,544.22)	(271,195,623.39)	(372,284,507.19)	(32,186,704.95)
Net cash flow from financing activities	186,214,455.78	418,446,635.75	257,715,492.81	341,025,429.19
4. Exchange impact on cash and cash equivalents	(4,466.04)	(1,148,358.97)	–	–
5. Net increase in cash and cash equivalents	193,043,061.51	298,153,213.75	217,988,508.53	306,543,124.73

Legal representative:
Yao Yuming

Person-in-charge for accounting function:
Mao Faqing

Person in charge of accounting function:
Mao Faqing

Company and Consolidated Cash flow statement (continued)

For the half year ended 30 June 2009

Unit: RMB

Supplemental Information	Consolidated		Company	
	January to June 2009	January to June 2008	January to June 2009	January to June 2008
1. Reconciliation of net profit with cash flow from operating activities				
Net profit	(109,958,713.61)	50,769,543.02	(60,403,435.93)	25,917,187.74
Add: Provision on asset impairment	(11,726,072.02)	(16,927,544.51)	(7,736,856.20)	(8,745,089.73)
Depreciation of fixed assets	57,148,659.79	58,567,716.01	22,080,546.17	21,999,821.85
Amortisation of intangible assets	4,881,531.45	4,807,233.06	2,306,961.11	1,833,634.26
Amortisation of long-term prepaid expenses				
Losses on disposal of fixed assets, intangible assets and other long-term assets (less gains)	(2,406,022.93)	(586,701.59)	(932,995.75)	(56,550.96)
Losses (Gains) on scrapping of fixed assets				
Losses on changes in fair value (less gains)		246,093.09		
Finance expenses	20,152,363.76	5,554,479.58	9,316,089.08	(5,284,688.69)
Losses on investments (less gains)	(13,321,334.83)	(35,021,382.47)	(13,518,778.46)	(22,286,699.15)
Decrease in deferred tax assets (less increase)	5,384,466.73	613,023.69	2,365,279.47	1,062,274.30
Increase in deferred tax liabilities (less decrease)				
Decrease (Increase) in inventories	129,092,895.78	(79,000,256.48)	20,798,150.76	36,898,887.17
Decrease (Increase) in operating receivables	(120,906,182.69)	(27,919,650.39)	(8,378,903.30)	(228,378,450.46)
Increase (Decrease) in operating payables	80,725,478.91	(65,483,911.50)	(29,715,447.86)	126,653,887.93
Others				
Net cash flows from operating activities	39,067,070.34	(104,381,358.49)	(63,819,390.91)	(50,385,785.74)
2. Investing and financing activities that do not involve cash receipts and payments				
Conversion of debt into capital				
Convertible bonds due within one year				
Fixed assets under finance leases				
3. Net changes in cash and cash equivalents:				
Cash at end of year	927,752,672.06	942,452,286.51	738,530,129.43	653,039,956.38
Less: Cash at beginning of period	(734,709,610.55)	(644,299,072.76)	(520,541,620.90)	(346,496,831.65)
Cash equivalents at end of period				
Less: Cash equivalents at beginning of period				
Net increase/(decrease) in cash and cash equivalents	<u>193,043,061.51</u>	<u>298,153,213.75</u>	<u>217,988,508.53</u>	<u>306,543,124.73</u>

 Legal representative:
Yao Yuming

 Person in charge of accounting function:
Mao Faqing

 Person in charge of accounting department:
Mao Faqing

Consolidated Statement of Changes in Shareholders' Equity
 For the half year ended 30 June 2009
 Unit: RMB

Items	Amount for the year						Shareholders' equity in total
	Share capital	Owner's equity attributable to the Parent Capital reserve	Surplus reserve	Unallocated profit	Others	Minority interests	
I. Balance at the end of the previous year	603,800,000.00	1,253,404,487.37	562,405,127.51	434,150,573.02	(2,878,374.23)	220,999,857.74	3,071,881,671.41
Add: Change in accounting policies	-	-	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-	-	-
II. Balance at the beginning of this year	603,800,000.00	1,253,404,487.37	562,405,127.51	434,150,573.02	(2,878,374.23)	220,999,857.74	3,071,881,671.41
III. Increase or decrease for this period	-	(9,619,136.80)	-	(104,925,306.09)	-	(30,839,155.73)	(145,383,598.62)
(I) Net profit	-	-	-	(98,887,306.09)	-	(11,071,407.52)	(109,958,713.61)
(II) Profit and losses directly taken to owner's equity	-	(9,619,136.80)	-	-	-	(19,767,748.21)	(29,386,885.01)
1. Net changes in the fair value of financial assets available for sale	-	-	-	-	-	-	-
2. Effect on changes in other owner's equity in the investees under the equity method	-	-	-	-	-	-	-
3. Effect on income tax related to the items taken to owner's equity	-	-	-	-	-	-	-
4. Others	-	(9,619,136.80)	-	-	-	(19,767,748.21)	(29,386,885.01)
Sub-total for (I) and (II) above	-	(9,619,136.80)	-	(98,887,306.09)	-	(30,839,155.73)	(139,345,598.62)
(III) Capital injected and reduced by the owner	-	-	-	-	-	-	-
1. Capital injected by the owner	-	-	-	-	-	-	-
2. Settlement by shares taken to owner's equity	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-
(IV) Profit appropriation	-	-	-	(6,038,000.00)	-	-	(6,038,000.00)
1. Withdrawal from surplus reserve	-	-	-	-	-	-	-
2. Allocation to owner (or shareholder)	-	-	-	(6,038,000.00)	-	-	(6,038,000.00)
3. Others	-	-	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-	-	-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-	-	-	-
2. Transfer of surplus reserve to capital (or share capital)	-	-	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
IV. Balance at the end of this period	<u>603,800,000.00</u>	<u>1,243,785,350.57</u>	<u>562,405,127.51</u>	<u>329,225,266.93</u>	<u>(2,878,374.23)</u>	<u>190,160,702.01</u>	<u>2,926,498,072.79</u>

Legal representative:
Yao Yuming

Person in charge of accounting function:
Mao Faqing

Person in charge of accounting department:
Mao Faqing



Consolidated Statement of Changes in Shareholders' Equity
For the six months ended 30 June 2009
Unit: RMB

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

Legal representative:
Yao Yuming

Person in charge of accounting function:
Mao Faqing

Person in charge of accounting department:
Mao Faqing

Statement of Changes in Shareholders' Equity of the Company
 For the half year ended 30 June 2009
 Unit: RMB

Items	Amount for the year				Shareholders' equity in total
	Share capital	Capital reserve	Surplus reserve	Unallocated profit	
I. Balance at the end of the previous year	603,800,000.00	1,244,713,617.49	360,552,598.75	76,404,207.11	2,285,470,423.35
Add: Change in accounting policies	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-
II. Balance at the beginning of this year	603,800,000.00	1,244,713,617.49	360,552,598.75	76,404,207.11	2,285,470,423.35
III. Increase or decrease for this period	-	-	-	(66,441,435.93)	(66,441,435.93)
(I) Net profit	-	-	-	(60,403,435.93)	(60,403,435.93)
(II) Profit and losses directly taken to owner's equity	-	-	-	-	-
1. Net changes in the fair value of financial assets available for sale	-	-	-	-	-
2. Effect on changes in other owner's equity in the investees under the equity method	-	-	-	-	-
3. Effect on income tax related to the items taken to owner's equity	-	-	-	-	-
4. Others	-	-	-	-	-
Sub-total for (I) and (II) above	-	-	-	(60,403,435.93)	(60,403,435.93)
(III) Capital injected and reduced by the owner	-	-	-	-	-
1. Capital injected by the owner	-	-	-	-	-
2. Settlement by shares taken to owner's equity	-	-	-	-	-
3. Others	-	-	-	-	-
(IV) Profit appropriation	-	-	-	(6,038,000.00)	(6,038,000.00)
1. Withdrawal from surplus reserve	-	-	-	-	-
2. Allocation to owner (or shareholder)	-	-	-	(6,038,000.00)	(6,038,000.00)
3. Others	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-	-
2. Transfer of surplus reserve to capital (or share capital)	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-
4. Others	-	-	-	-	-
IV. Balance at the end of this period	<u>603,800,000.00</u>	<u>1,244,713,617.49</u>	<u>360,552,598.75</u>	<u>9,962,771.18</u>	<u>2,219,028,987.42</u>

Legal representative:
Yao Yuming

Person in charge of accounting function:
Mao Faqing

Person in charge of accounting department:
Mao Faqing

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

For the six months ended 30 June 2009

Unit: RMB

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

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

Notes to the Financial Statements

For the half year ended 30 June 2009

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

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

I. BASIC INFORMATION

Jingwei Textile Machinery Company Limited (the “Company”) is established on 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 manufacturing and sale of textile machinery.

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

II. 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 30 June 2009, and the Company’s and Consolidated results of operations and cash flows for the first six months of 2009.

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

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

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.

Classification and measurement of financial assets

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

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.

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.

Acquisition of minority interests

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.

Notes to the Financial Statements

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

III. 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.

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 initially 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.



Notes to the Financial Statements

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

III. 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.

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 from 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.

Notes to the Financial Statements

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**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: expenditures for the asset are being incurred; borrowing costs are being incurred; and 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.

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 be 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.

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.



Notes to the Financial Statements

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

III. 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.

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.

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

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

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.

Other taxation

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



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

VI. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Name	Place of registration	Business nature	Scope of operation	Registered capital RMB	Actual investment made by the Group at period end/investment made prior to acquisition or disposal RMB	Total shareholding of the Group/shareholding prior to acquisition or disposal %	Total percentage of voting rights held by the Group/voting rights held by the Group prior to acquisition or disposal %
Subsidiaries owned by the Group at the end of 2007 and during the reporting period:							
Subsidiaries acquired through merger under the same control							
Qingdao Hongda Textile Machinery Company Limited	China	Production & Sales (P&S)	Textile & Machinery (T&M)	114,000,000	111,335,820	97.663	97.663
Tianjin Hongda Textile Machinery Company Limited	China	P&S	T&M	78,500,000	76,930,000	98	98
Zhengzhou Hongda New Type Textile Machinery Company Limited	China	P&S	T&M	74,500,000	73,010,000	98	98
Shenyang Hongda Textile Machinery Company Limited	China	P&S	T&M	71,000,000	69,580,000	98	98
Changde Textile Machinery Company Limited	China	P&S	T&M	42,349,900	40,232,400	95	95
Wuxi Jingwei Textile Technology Testing Company Limited	China	Tech R&D	T&M	49,530,000	49,530,000	100	100
Shanxi Jingwei Heli Machinery Company Limited (Note 1)	China	P&S	T&M	100,000,000	30,000,000	30	71.43
Wuxi Textile Machinery Testing Company Limited	China	P&S	Carding products	1,000,000	1,000,000	100	100
Subsidiaries acquired through merger not under same control							
Xianyang Jingwei Textile Machinery Company Limited	China	P&S	T&M	75,079,600	75,079,600	100	100
Wuxi Hongda Textile Machinery Parts Company Limited (Note 2)	China	P&S	T&M	20,000,000	20,000,000	35	80
Tai Yuan Jingwei Electric Appliance Company Limited	China	P&S	T&M	5,000,000	5,000,000	100	100
Investing in newly established subsidiaries							
Tianjin Jingwei New Type Textile Machinery Company Limited	China	P&S	T&M	16,000,000	16,000,000	100	100
Hong Kong Huaming Company Limited	HK	Import&Export	T&M	HKS62,400,000	HKS62,400,000	100	100
Beijing Jingpeng Investment Management Export Company Limited	China	Investment Management	Sales/Consultation	100,000,000	100,000,000	100	100
Beijing Jingwei Textile New Technology Company Limited	China	P&S	T&M	100,000,000	100,000,000	100	100
Shanghai Weixin Mechatronics Limited	China	P&S	T&M	16,000,000	16,000,000	100	100
Shanghai Chuangan Commerce & Trade Management Consulting Company Limited	China	Sales	T&M	2,000,000	1,800,000	90	90
Yichang Jingwei Textile Company Limited	China	P&S	T&M	20,000,000	20,000,000	100	100
Jinzhong Jingwei Ring Manufacturing Company Limited	China	P&S	T&M	500,000	500,000	100	100
Shenyang Hongda Huaming Textile Machinery Company Limited	China	P&S	T&M	40,000,000	40,000,000	100	100
Shanghai Jingwei Dongxing Blomring-Carding Machinery Company Limited	China	P&S	T&M	50,000,000	50,000,000	100	100
Kunshan Jingwei Textile Machinery Company Limited	China	P&S	T&M	3,208,260	3,208,260	100	100
Jingwei Textile Machinery Yuci Materials Company Limited	China	Sales	T&M	5,000,000	5,000,000	100	100
Shanghai WSP Mould and Injection Plastic Limited (Note 3)	China	P&S	T&M	5,256,800	2,628,410.50	50	100
Beijing Hongbo Property Development Machinery Company Limited	China	Development & Sales (D&S)	Property	100,000,000	65,000,000	65	65

Notes to the Financial Statements

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

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 Hongda Textile Machinery and Special Parts Company Limited 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 Mould and Injection Plastic Limited 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.

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
1. Currency funds

	30 June 2009		1 January 2009	
	Foreign Currencies	RMB Equivalent	Foreign Currencies	RMB Equivalent
Cash				
RMB		1,991,199.88		1,061,057.54
HKD	31,850.00	28,088.21	31,850.00	28,088.52
USD	16.00	111.82	466.00	3,184.92
EURO	8,833.50	87,439.66	13,973.30	134,968.10
Yen	70,150.00	5,306.85	70,150.00	5,310.36
Pound	1,050.00	10,373.79	1,050.00	10,373.79
Swiss Franc	57.00	368.36	57.00	368.36
Bank deposit				
RMB		785,543,791.39		662,229,224.52
HKD	3,454,138.19	3,046,204.47	15,029,308.25	13,254,346.95
USD	31,930.95	223,159.02	83,679.89	571,918.58
EURO	256,493.02	2,538,921.81	251,584.94	2,430,058.94
Swiss Franc	553,330.27	3,575,896.87	540,909.58	3,495,628.16
Other currency funds				
RMB		128,901,769.37		51,446,455.63
HKD	2,041,093.73	1,800,040.56	43,798.82	38,626.18
Total		<u>927,752,672.06</u>		<u>734,709,610.55</u>

As at 30 June 2009, other currency funds included bank time deposits of RMB100,000,000.00 and the deposits of guarantee for issuance of bank's acceptance bills of RMB28,901,769.37.

2. Trading financial assets

	Fair value at end of period RMB	Fair value at beginning of period RMB
Trading financial assets	<u>1,035,746.81</u>	<u>—</u>

Trading financial assets held at end of period represented shares of other listed companies held by the Company. Please refer to note VII. 42 for details.

3. Notes receivable

	30 June 2009 RMB	1 January 2009 RMB
Bank's acceptance bill	636,986,803.78	610,430,918.32
Commercial acceptance bill	<u>82,037,490.64</u>	<u>90,377,815.99</u>
Total	<u>719,024,294.42</u>	<u>700,808,734.31</u>

On 30 June 2009, the Group has pledged RMB15,967,485.96 notes receivable. Discounted unexpired acceptance bills with the right of recourse amounted to RMB97,345,906.64 (31 December 2008: RMB136,446,636.50). Unexpired acceptance bills with the right of recourse that have been endorsed amounted to RMB268,225,715.95 (31 December 2008: RMB276,574,672.43).

Notes receivable as of 30 June 2009 did not include shareholders holding 5% and above shares.

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable

The ageing of accounts receivable is provided as follows:

	30 June 2009				1 January 2009			
	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB
Within 1 year	234,086,960.19	44	(149,148.24)	233,937,811.95	290,973,313.23	58	(151,649.61)	290,821,663.62
Within 1 to 2 years	96,444,702.76	18	(6,339,452.21)	90,105,250.55	78,283,437.41	16	(5,210,087.75)	73,073,349.66
Within 2 to 3 years	84,126,924.03	16	(7,890,690.36)	76,236,233.67	15,661,732.76	3	(9,543,681.65)	6,118,051.11
Over 3 years	117,958,961.82	22	(109,337,301.69)	8,621,660.13	118,547,599.62	23	(114,774,595.11)	3,773,004.51
Total	532,617,548.80	100	(123,716,592.50)	408,900,956.30	503,466,083.02	100	(129,680,014.12)	373,786,068.90

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

	Current Period RMB	Corresponding period of previous year RMB
Amount at beginning of year	129,680,014.12	164,451,727.46
Accrual amount of the year	1,234,419.82	1,075,341.97
Write-back amount of the year	(7,070,328.65)	(5,200,282.90)
Write-off amount of the year	(127,512.79)	(14,509,225.31)
Amount at end of year	123,716,592.50	145,817,561.22

As of 30 June 2009, top 5 debt amounts are as follows:

Top 5 debt amounts RMB	Ageing	% of accounts receivable
208,669,371.90	1 to 3 years	39

Receivables from shareholders do not include receivables from shareholders holding 5% and above equity interest of the Company.

Notes to the Financial Statements

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

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

The ageing of advances to suppliers is provided as follows:

	30 June 2009		1 January 2009	
	Amount RMB	Proportion %	Amount RMB	Proportion %
Within 1 year	242,574,573.34	99	243,310,728.56	96
Within 1 to 2 years	646,369.10	–	7,852,714.44	3
Within 2 to 3 years	708,067.28	–	341,669.80	–
Over 3 years	1,070,578.73	1	897,370.02	1
Total	244,999,588.45	100	252,402,482.82	100

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

6. Other receivables

The ageing of other receivables is as follows:

	30 June 2009				1 January 2009			
	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB
Within 1 year	62,910,165.96	68	–	62,910,165.96	32,580,790.40	61	–	32,580,790.40
Within 1 to 2 years	14,188,786.89	15	(24,873.00)	14,163,913.89	6,113,124.18	11	(25,912.40)	6,087,211.78
Within 2 to 3 years	7,004,145.62	8	–	7,004,145.62	1,003,411.51	2	(385,530.26)	617,881.25
Over 3 years	9,031,360.98	9	(8,724,277.04)	307,083.94	13,671,360.98	26	(12,762,684.83)	908,676.15
Total	93,134,459.45	100	(8,749,150.04)	84,385,309.41	53,368,687.07	100	(13,174,127.49)	40,194,559.58

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

	Current period RMB	Corresponding period of previous year RMB
Amount at beginning of the year	13,174,127.49	16,041,334.04
Accrual amount of the year	349,947.29	–
Write-back amount of the year	(4,774,924.74)	(70,000.00)
Write-off amount of the year	–	(355,577.32)
Amount at end of the year	8,749,150.04	15,615,756.72

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

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories

	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Raw materials	341,508,330.27	403,889,787.39
Unfinished products	371,159,226.25	361,945,404.95
Finished products	605,035,881.03	632,518,519.40
Property development cost	402,679,471.61	454,204,228.40
	<u>1,720,382,909.16</u>	<u>1,852,557,940.14</u>
Less: Provision for impairment	(75,127,677.36)	(78,209,812.56)
Total	<u><u>1,645,255,231.80</u></u>	<u><u>1,774,348,127.58</u></u>

Property development costs are as follows:

Project name	Commencement date	Expected completion time	Total investment <i>RMB</i>	Opening balance <i>RMB</i>	Closing balance <i>RMB</i>
Huayuanguanjuncheng	2004	Completed in stages from 2005 to 2009	<u>1,100,000,000.00</u>	<u>454,204,228.40</u>	<u>402,679,471.61</u>

RMB equivalent for borrowing costs in the category of ending inventory at end of the period is RMB13,184,007.10. Those amounts are capitalized borrowing costs. Of the inventory balance at the end of the period, RMB152,870,000.00 was used to act as the collateral for the long-term bank borrowing of RMB100,000,000.00.

Changes of provision for obsolete stocks are as follows:

	1 January 2009 <i>RMB</i>	Accrual of the year <i>RMB</i>	Write-back amount of the year <i>RMB</i>	Write-off amount of the year <i>RMB</i>	30 June 2009 <i>RMB</i>
Provision for obsolete stocks:					
Raw materials	14,907,353.48	51,965.82	-	-	14,959,319.30
Unfinished products	23,083,662.56	-	-	-	23,083,662.56
Finished products	40,218,796.52	-	(1,517,151.98)	(1,616,949.04)	37,084,695.50
Total	<u>78,209,812.56</u>	<u>51,965.82</u>	<u>(1,517,151.98)</u>	<u>(1,616,949.04)</u>	<u>75,127,677.36</u>

8. Entrusted loan

	30 June 2009 Book value <i>RMB</i>	1 January 2009 Book value <i>RMB</i>
To related parties	135,168,750.00	130,468,750.00
To third parties	50,000,000.00	50,000,000.00
	<u>185,168,750.00</u>	<u>180,468,750.00</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. Long-term equity investment**

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

Name of Investee	Initial Investment RMB	Period-beginning cost RMB	Current period new investment RMB	Current period Equity adjustment RMB	Current period cash dividends RMB	Current period Disposal RMB	Current period other releases (note) RMB	30th June 2008 RMB
Equity Method								
China Texma Tech Company Ltd	30,000,000.00	45,561,710.64	-	1,534,568.98	(557,998.84)	-	-	46,538,280.78
Hongda Research Institute Company Ltd	20,000,000.00	25,333,649.97	-	(1,553,911.46)	-	-	-	23,779,738.51
Anhui Huamao Jingwei New Textile Tech Company Ltd	25,000,000.00	12,805,139.64	-	(3,306,651.63)	-	-	-	9,498,488.01
Zhengzhou Hongda Non-woven company Ltd	17,000,000.00	11,029,448.02	-	(1,066,929.67)	-	-	-	9,962,518.35
Huangshi Jingwei Textile Machinery Company Ltd	7,500,000.00	7,500,000.00	-	-	-	-	-	7,500,000.00
Shenyang Jingxing Textile Machinery Manufacturing Company Ltd	1,000,000.00	717,312.94	-	-	-	-	-	717,312.94
Qingdao Jinyi Pressing Company Ltd	300,000.00	1,057,000.00	-	-	-	-	-	1,057,000.00
	<u>100,800,000.00</u>	<u>104,004,261.21</u>	<u>-</u>	<u>(4,392,923.78)</u>	<u>(557,998.84)</u>	<u>-</u>	<u>-</u>	<u>99,053,338.59</u>
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
Qingdao Textile Machinery Manufacturing Company Ltd	15,802,027.04	15,802,027.04	-	-	-	-	-	15,802,027.04
Qingdao Qingfeng Forging Company (Note 1)	5,000,000.00	5,000,000.00	-	-	-	-	-	5,000,000.00
Shenyang Textile Machinery Manufacturing Company Ltd	1,200,000.00	1,200,000.00	-	-	-	-	-	1,200,000.00
Jingbao Integrated Factory (Note 2)	1,898,550.55	1,898,550.55	-	-	-	-	-	1,898,550.55
BSI Management Systems Certification Co., Ltd. (Note 3)	1,450,293.56	1,450,293.56	-	-	-	-	-	1,450,293.56
Jiangsu Hongyuan Textile Machinery Company Ltd	1,422,652.84	1,422,652.84	-	-	-	-	-	1,422,652.84
Tianjin Jingwei Textile Machinery Company Ltd (Note 5)	6,750,000.00	0.00	6,750,000.00	-	-	-	-	6,750,000.00
Others	1,463,256.33	1,126,885.20	-	-	-	-	-	1,126,885.20
	<u>127,853,382.49</u>	<u>120,767,011.36</u>	<u>6,750,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,517,011.36</u>
Total	<u><u>228,653,382.49</u></u>	<u><u>224,771,272.57</u></u>	<u><u>6,750,000.00</u></u>	<u><u>(4,392,923.78)</u></u>	<u><u>(557,998.84)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>226,570,349.95</u></u>
Less: Provision for impairment		(5,986,883.87)						(5,986,883.87)
Net long-term equity investment		<u><u>218,784,388.70</u></u>						<u><u>220,583,466.08</u></u>

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. Long-term equity investment (Continued)**

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

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

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

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

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: During the period, Jingwei Textile Machinery Company Limited invested RMB6,750,000.00 in Tianjin Textile Machinery Company Limited in cash, representing a shareholding of 15%.

Changes in provision for long-term equity investment impairment:

Name of Investee	Period-beginning and Period-end RMB
Qingdao Qingfeng Forging Company	5,000,000.00
Others	986,883.87
Total	<u>5,986,883.87</u>

(2) There is no restriction on the ability of the investee from where the long-term equity investment held by the company on 30 June 2009 to transfer capital to the Group.

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
10. Fixed Assets

Changes in fixed assets during the year are as follows:

	Buildings <i>RMB</i>	Machinery and equipment <i>RMB</i>	Transportation equipment <i>RMB</i>	Total <i>RMB</i>
Original value				
Amount at beginning of the period	892,240,405.22	1,638,033,037.30	126,349,923.52	2,656,623,366.04
Purchase of the period	456,257.81	7,236,758.39	2,619,946.83	10,312,963.03
Construction in progress transfer in of the period	2,595,541.20	17,201,385.28	262,093.48	20,059,019.96
Decrease of the period	(10,292,028.25)	(58,667,552.88)	(9,686,451.75)	(78,646,032.88)
Amount at end of the period	885,000,175.98	1,603,803,628.09	119,545,512.08	2,608,349,316.15
Accumulated depreciation				
Amount at beginning of period	(266,185,791.48)	(1,017,836,448.45)	(54,954,440.48)	(1,338,976,680.41)
Accrual amount of the period	(11,510,455.30)	(40,619,922.91)	(5,018,281.58)	(57,148,659.79)
Decrease of the period	2,954,300.67	45,349,359.14	5,619,620.00	53,923,279.81
Amount at end of period	(274,741,946.11)	(1,013,107,012.22)	(54,353,102.06)	(1,342,202,060.39)
Provision for impairment				
Amount at beginning of the period	(1,237,918.44)	(30,612,230.52)	-	(31,850,148.96)
Amount at beginning of the period	-	-	-	-
Write-off amount of the period	-	4,694,985.56	-	4,694,985.56
Amount at end of period	(1,237,918.44)	(25,917,244.96)	-	(27,155,163.40)
Net amount				
Amount at beginning of period	624,816,695.30	589,584,358.33	71,395,483.04	1,285,796,536.67
Amount at end of period	609,020,311.43	564,779,370.91	65,192,410.02	1,238,992,092.36
Including:				
Net assets arising out of operating lease:				
Amount at beginning of period	-	35,424,310.78	2,810,172.84	38,234,483.62
Amount at end of period	2,816,333.31	35,366,561.56	2,621,088.12	40,803,982.99
Net amount of temporarily idle fixed assets:				
Amount at beginning of period	12,762,863.73	-	-	12,762,863.73
Amount at end of period	10,623,085.55	-	-	10,623,085.55

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
11. Construction in progress

Project name	1 January 2009 RMB	Additions during the period RMB	Complete and transfer to fixed assets during the period RMB	30 June 2009 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	1,010,000.00	–	24,265,651.85	Company's own funds	60,000	40
Yuci assembly workshop project	449,900.00	3,600.00	–	453,500.00	Company's own funds	18,000	96
Machinery to be installed	10,357,744.64	11,546,347.55	(12,736,938.02)	9,167,154.17	Company's own funds	148,975	81
New plant in Tianjin industry zone	12,587,154.47	7,600,142.19	(4,991,537.35)	15,195,759.31	Company's own funds	276,000	7
Others	10,117,672.18	10,236,638.32	(2,330,544.59)	18,023,765.91	Company's own funds		
	<u>64,941,018.14</u>	<u>30,396,728.06</u>	<u>(20,059,019.96)</u>	<u>75,278,726.24</u>			
Including: capitalization of borrowing expenses	–	–	–	–			
Less: Provision for impairment	–	–	–	–			
Carrying amount of construction in progress	<u>64,941,018.14</u>			<u>75,278,726.24</u>			

12. Construction materials

	30 June 2009 RMB	1 January 2009 RMB
Equipment specialized for construction	28,029,182.88	9,163,298.10
Deposits paid for acquisition of plant and equipment	<u>258,960.00</u>	<u>2,289,688.72</u>
Total	<u>28,288,142.88</u>	<u>11,452,986.82</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****13. Intangible Assets**

	Land use right RMB	Patent rights RMB	Software RMB	Total RMB
Original value				
At beginning of period	313,206,628.46	21,453,627.93	13,330,803.49	347,991,059.88
Increase of the period	256,104.48	—	504,176.71	760,281.19
Decrease of the period	(781,611.44)	—	—	(781,611.44)
Amount at end of the period	<u>312,681,121.50</u>	<u>21,453,627.93</u>	<u>13,834,980.20</u>	<u>347,969,729.63</u>
Cumulative amortization				
At beginning of year	(42,360,247.95)	(17,170,118.27)	(6,880,964.06)	(66,411,330.28)
Accrual amount of the year	(3,225,684.76)	(552,931.98)	(1,102,914.71)	(4,881,531.45)
Decrease of the year	50,708.57	—	—	50,708.57
At end of year	<u>(45,535,224.14)</u>	<u>(17,723,050.25)</u>	<u>(7,983,878.77)</u>	<u>(71,242,153.16)</u>
Net amount				
At beginning of year	<u>270,846,380.51</u>	<u>4,283,509.66</u>	<u>6,449,839.43</u>	<u>281,579,729.60</u>
At end of year	<u>267,145,897.36</u>	<u>3,730,577.68</u>	<u>5,851,101.43</u>	<u>276,727,576.47</u>
Remaining amortization life	<u>36.1 to 49.3 years</u>	<u>4.0 to 5.8 years</u>	<u>0.3 to 4.32 years</u>	

14. Deferred income tax assets

	Deductible (taxable) temporary differences and deductible losses		Deferred income tax assets (liabilities)	
	30 June 2009 RMB	1 January 2009 RMB	30 June 2009 RMB	1 January 2009 RMB
Drawdown of provision for impairment of assets	150,861,916.89	161,221,476.31	23,249,396.32	24,829,954.85
Retirement benefits	6,309,648.83	6,814,234.97	1,409,462.24	1,459,920.85
Offset of unrealized internal profits of inventory	7,258,796.59	12,193,796.59	1,013,218.37	1,753,468.37
Provision for incentives	550,231.51	6,000,000.00	82,534.73	900,000.00
Accrued expense	3,845,000.00	5,000,000.00	576,750.00	750,000.00
Adjustment in fair value on business combination	(5,342,317.40)	(5,342,317.40)	(801,346.95)	(801,346.95)
Others	(7,617,724.37)	8,521,278.14	(869,434.53)	1,153,049.79
Total	<u>155,865,552.05</u>	<u>194,408,468.61</u>	<u>24,660,580.18</u>	<u>30,045,046.91</u>

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

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
15. Provision for assets impairment

			Decrease in period		30 June 2009 RMB
	1 January 2009 RMB	Accrual in period RMB	Write-back amount RMB	Write-off amount RMB	
Provision for bad debt	142,854,141.61	1,584,367.11	(11,845,252.97)	(127,513.21)	132,465,742.54
Provision for obsolete stocks	78,209,812.56	51,965.82	(1,517,151.98)	(1,616,949.04)	75,127,677.36
Provision for long-term equity investment impairment	5,986,883.87	-	-	-	5,986,883.87
Provision for fixed assets impairment	31,850,148.96	-	-	(4,694,985.56)	27,155,163.40
Total	258,900,987.00	1,636,332.93	(13,362,404.95)	(6,439,447.81)	240,735,467.17

16. Short-term loans

Category	30 June 2009 RMB	1 January 2009 RMB
Guarantee loans	30,000,000.00	100,000,000.00
Credit loans		
– Bank borrowings	534,000,000.00	298,849,800.70
Including: US dollar borrowings	-	88,849,800.73
– Other loans	-	16,993,712.16
Notes financing	97,345,906.64	136,446,636.50
Total	661,345,906.64	552,290,149.36

There are no overdue loans in the short-term loans in the Group as of 30 June 2009.

17. Notes payable

Category	30 June 2009 RMB	1 January 2009 RMB
Bank's Acceptance Bill	85,074,657.56	146,503,132.74
Commercial Acceptance Bill	17,423,229.36	34,763,352.14
Total	102,497,886.92	181,266,484.88

There are no payables for shareholders holding 5% and above equity interest of the Company in notes payable as of 30 June 2009.

**Notes to the Financial Statements**

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. Accounts payable**

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

Shareholder's Name	30 June 2009 RMB	1 January 2009 RMB
CTMC	<u>6,301,379.63</u>	<u>6,301,379.63</u>

19. Advances from customers

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

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

	30 June 2009		1 January 2009	
	RMB	%	RMB	%
Within 1 year	<u>60,125,159.00</u>	<u>100</u>	<u>1,747,281.00</u>	<u>100</u>

The abovementioned advance receipts are from advance receipts related to old buildings from Huayuanguanjcheng. The project is expected to be completed in stages by 2010.

20. Employee benefits payable

	1 January 2009 RMB	Accrual in period RMB	Payment in period RMB	30 June 2009 RMB
Wage, bonus, allowance and subsidy	18,885,562.89	128,395,260.79	(135,827,303.42)	11,453,520.26
Employee welfare	-	6,806,159.55	(6,412,779.34)	393,380.21
Social insurance	4,792,545.15	42,147,884.45	(29,414,000.20)	17,526,429.40
Including: medical insurance	1,380,350.03	11,023,559.97	(9,973,842.20)	2,430,067.80
basic endowment insurance	3,063,192.97	26,337,538.66	(16,470,625.12)	12,930,106.51
unemployment insurance	241,722.63	2,663,302.11	(1,540,676.42)	1,364,348.32
injury insurance	59,441.18	1,164,490.18	(688,091.72)	535,839.64
childbirth insurance	47,838.34	958,993.53	(740,764.74)	266,067.13
Housing fund	5,620,001.36	9,242,027.83	(8,324,528.17)	6,537,501.02
Labor union fund & vocational training fund	17,160,224.96	1,164,840.89	(2,541,867.48)	15,783,198.37
Compensation for the cancellation of labor relations	5,541,007.71	(5,147,029.93)	(434,531.87)	(40,554.09)
Others	<u>2,183,077.77</u>	<u>8,904,128.11</u>	<u>(4,074,537.50)</u>	<u>7,012,668.38</u>
Total	<u>54,182,419.84</u>	<u>191,513,271.69</u>	<u>(187,029,548.08)</u>	<u>58,666,143.55</u>

Notes to the Financial Statements(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****21. Tax payable**

Categories of taxes	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Value-added tax payable	169,905.83	(16,469,281.37)
Business tax payable	(318,168.91)	1,620,236.38
Enterprise income tax payable	(2,198,556.93)	4,166,832.11
Urban land use tax	6,153,278.10	3,907,845.10
Others	(70,421.05)	1,774,534.98
Total	<u>3,736,037.04</u>	<u>(4,999,832.80)</u>

22. Dividends payable

Investor's name	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
CTMC	19,650,255.40	17,607,600.00
Changde Textile Machinery Plant	1,150,783.00	1,150,783.00
Wuxi parts natural person shareholder	1,953,342.79	2,893,642.79
Shenyang Textile Machinery Plant Company Limited	205,886.00	205,886.00
Others	5,182,696.56	1,187,351.96
Total	<u>28,142,963.75</u>	<u>23,045,263.75</u>

23. Other payables

As at 30 June 2009, payables to shareholders holding 5% and above equity interest of the Company are as follows:

Shareholder's name	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
CTMC	<u>2,000,000.00</u>	<u>2,000,000.00</u>

24. Other current liabilities

	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Accrued audit fee	2,745,000.00	3,000,000.00
Accrued exhibition fee	–	1,000,000.00
Others	–	425,393.46
Total	<u>2,745,000.00</u>	<u>4,425,393.46</u>

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
25. Long-term borrowings

Categories	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Credit loan	555,000,000.00	355,000,000.00
Mortgage loan	100,000,000.00	100,000,000.00
Guaranteed loan	–	82,000,000.00
Factoring financing loans	18,091,163.33	23,091,163.32
Total	<u>673,091,163.33</u>	<u>560,091,163.32</u>
Less: Long-term loans with maturity within one year Including Mortgage loan	55,000,000.00 –	87,000,000.00 –
Long-term loans with maturity over one year	<u>618,091,163.33</u>	<u>473,091,163.32</u>

The interest rates for the above loans range from 4.860% to 8.316%.

26. Long-term payables

	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Welfare for early retired staff	6,596,021.77	7,234,380.33
Retired persons' welfare	88,740,525.49	94,653,001.76
Total	<u>95,336,547.26</u>	<u>101,887,382.09</u>
Less: Long-term payables with maturity within one year	<u>3,444,275.39</u>	<u>6,770,787.27</u>
Long-term payables with maturity over one year	<u>91,892,271.87</u>	<u>95,116,594.82</u>

27. Special payables

	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
VAT rebate	<u>60,163,884.14</u>	<u>39,946,787.45</u>
Total	<u>60,163,884.14</u>	<u>39,946,787.45</u>

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

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. Other non-current liabilities**

Deferred income	30 June 2009	1 January 2009
	<i>RMB</i>	<i>RMB</i>
Assets-related government subsidy		
– Land purchase money infund	10,242,857.56	10,242,857.56
– Support funds	5,000,000.00	5,000,000.00
– National debt plan	38,831,548.27	27,653,048.65
Earnings-related government subsidy		
– Textile special fund from the Ministry of Finance	461,519.79	478,801.40
– Financial subsidy	–	1,970,000.00
	<hr/>	<hr/>
Total	<u>54,535,925.62</u>	<u>45,344,707.61</u>

29. Share capital

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

	1 January 2009/30 June 2009 (Share)
1. Restricted shares	
Other domestic shares held	
Including: Shares held by domestic legal persons	<hr/> 195,656,053
Total number of restricted shares	<hr/> 195,656,053
2. Non-restricted shares	
1. RMB-denominated ordinary shares	227,343,947
2. Foreign shares listed overseas	<hr/> 180,800,000
Total number of non-restricted shares	<hr/> 408,143,947
3. Total number of shares	<hr/> <u>603,800,000</u>

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

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. Capital reserve**

	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Investors' injected capital premium	1,244,363,180.48	1,244,363,180.48
Difference arising from consolidation under the same control	5,501,852.00	5,501,852.00
Difference arising from acquisition of minority interests	(6,079,681.91)	3,539,454.89
Total	<u>1,243,785,350.57</u>	<u>1,253,404,487.37</u>

31. Surplus reserve

	Statutory surplus reserve <i>RMB</i>	Free surplus reserve <i>RMB</i>	Total <i>RMB</i>
Balance at beginning of the period	384,642,081.35	177,763,046.16	562,405,127.51
Accrual of the period	—	—	—
Balance at end of the period	<u>384,642,081.35</u>	<u>177,763,046.16</u>	<u>562,405,127.51</u>

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

32. Undistributed Profit

	January to June of 2009 <i>RMB</i>	2008 <i>RMB</i>
Undistributed profit at beginning of the period	434,150,573.02	429,160,582.78
Add: Net profit of the period	(98,887,306.09)	25,855,511.70
Less: Accrual of statutory surplus reserve	—	(14,827,521.46)
Profit available for distribution	335,263,266.93	440,188,573.02
Less: Accrual of free surplus reserve	—	—
Dividends payable – last year's/previous year's cash dividends approved on the general shareholders' meeting	(6,038,000.00)	(6,038,000.00)
Undistributed profit at end of the period	<u>329,225,266.93</u>	<u>434,150,573.02</u>

Pursuant to the 2008 after tax profit distribution plan approved by the 2008 shareholders' general meeting held on 18 June 2009, the shareholders have approved a final dividend of RMB0.1 (tax inclusive) per ten shares, with an aggregate of RMB6,038,000.00. The profit distribution has been scheduled for execution on 17 July 2009.

Notes to the Financial Statements(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. Minority Shareholders' Equity**

	30 June 2009	1 January 2009
	<i>RMB</i>	<i>RMB</i>
Changde Texma Company Ltd	8,095,782.16	8,777,768.31
Wuxi Hongda Texma Parts Company Ltd	46,578,557.24	40,093,029.47
Wuxi Jingwei Textile S&T Test Company Ltd	–	16,464,484.56
Shanxi Jingwei Heli Machinery Manufacturing Company	61,500,486.81	77,980,187.94
Beijing Hongbo Property Development Company Limited	46,402,582.49	56,489,747.40
Others (RMB10 million and below)	27,583,293.31	21,194,640.06
	<u>190,160,702.01</u>	<u>220,999,857.74</u>

34. Operating income

	Current period	Corresponding period of previous year
	<i>RMB</i>	<i>RMB</i>
Main operations	1,174,596,427.05	2,137,467,535.66
Textile machinery	1,114,619,610.05	2,137,467,535.66
Real estate	59,976,817.00	–
Other operations	104,002,717.85	46,295,512.88
Operating leases	3,068,048.33	–
Sales of raw materials and accessories	100,334,669.52	46,295,512.88
Others	600,000.00	–
	<u>1,278,599,144.90</u>	<u>2,183,763,048.54</u>

Total revenues of top five clients stand at RMB212,522,840.00 (compared with RMB540,903,256.23 last year) which accounts for 17% of the total operating income, compared with 25% of last year.

35. Operating cost

	Current period	Corresponding period of previous year
	<i>RMB</i>	<i>RMB</i>
Main operations	1,086,868,164.93	1,876,586,953.49
Textile machinery	1,045,045,908.86	1,876,586,953.49
Real estate	41,822,256.07	–
Other operations	98,786,809.20	42,340,697.74
Operating leases	3,068,048.33	–
Sales of raw materials and accessories	95,688,760.87	42,340,697.74
Others	30,000.00	–
	<u>1,185,654,974.13</u>	<u>1,918,927,651.23</u>

36. Business tax and levies

	Current period	Corresponding period of previous year
	<i>RMB</i>	<i>RMB</i>
Business tax	3,892,352.97	57,959.92
Urban construction and maintenance fee	1,531,585.35	2,226,721.79
Educational surtax	568,240.53	774,622.82
Others	–	95,765.40
	<u>5,992,178.85</u>	<u>3,155,069.93</u>

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Financial expenses

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Interest rate expense	36,258,187.37	26,802,987.97
Less: Capitalized interest expenses	(13,184,007.10)	(6,499,329.00)
Less: interest income	(4,772,178.85)	(3,838,635.67)
Exchange differences	1,067,940.97	(11,887,587.96)
Others	782,421.37	977,044.24
	<u>20,152,363.76</u>	<u>5,554,479.58</u>

38. Assets impairment loss

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Loss from bad debt	(10,260,885.86)	(15,892,539.18)
Loss from impairment of inventories	(1,465,186.16)	(1,035,005.33)
	<u>(11,726,072.02)</u>	<u>(16,927,544.51)</u>

39. Gain from changes in fair value

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Trading financial assets	<u>—</u>	<u>(246,093.09)</u>

40. Investment gain

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Gain from long-term equity investment	6,689,976.22	30,979,186.45
Including: Profit announced by investee to be distributed under cost method	11,082,900.00	1,184,788.76
Gain (loss) recognized under equity method	(4,392,923.78)	(1,252,410.89)
Gain (loss) from disposal of long-term equity investment	—	31,046,808.58
Interest income from entrusted loans	6,631,358.61	2,183,582.99
Gain from investments in trading financial assets	—	1,858,613.03
	<u>13,321,334.83</u>	<u>35,021,382.47</u>

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

Notes to the Financial Statements(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****41. Non-operating income**

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Income from disposal of fixed assets	5,412,731.50	2,136,947.93
Penalty income	268,033.72	306,703.98
Government grants	11,711,720.86	11,189,427.70
Others	992,793.50	2,152,960.03
	<hr/>	<hr/>
Total	<u>18,385,279.58</u>	<u>15,786,039.64</u>

42. Non-operating income

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Loss on disposal of fixed assets	3,006,708.57	1,550,246.34
Penalty expenses	-	400,903.57
Loss on debt restructuring	5,044,640.59	2,000.00
Others	246,826.42	1,200,920.37
	<hr/>	<hr/>
Total	<u>8,298,175.58</u>	<u>3,154,070.28</u>

According to the notice of debt settlement dated 29 April 2009 issued by the manager of Shanghai Worldbest Pharmaceutical Co., Ltd., debtor of the Company, as the balance of RMB6,018,504.24 due to the Company has been settled by shares of Worldbest (which were suspended for trading) of RMB1,035,746.81 and capital funds of RMB78,576.84, the Company incurred a loss on debt restructuring of RMB5,044,640.59 during the reporting period.

43. Income tax

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Current income tax expenses	1,063,771.31	12,255,687.35
Deferred income tax expenses	1,094,165.46	756,143.78
	<hr/>	<hr/>
	<u>2,157,936.77</u>	<u>13,011,831.13</u>

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
44. EPS

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Basic EPS	<u>(0.16)</u>	<u>0.09</u>

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

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

45. Net profit after deducting extraordinary gains and losses

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Net profit	(98,887,306.09)	52,131,380.61
Add/Less: extraordinary gains and losses	(14,210,693.22)	(12,593,219.50)
– Profit or loss on disposal of non-current assets	(2,406,022.93)	(586,701.59)
– Government grants	(11,711,720.86)	(11,189,427.70)
– Gains on entrusted loans	(6,631,358.61)	(2,183,582.99)
– Profit or loss on debt restructuring	4,872,334.07	–
– Net amount of non-operating income and expenses other than the above items	(841,694.28)	(855,840.07)
– Other extraordinary gains and losses	2,507,769.39	2,222,332.85
Net profit after deducting extraordinary gains and losses	<u>(113,097,999.31)</u>	<u>39,538,161.11</u>

46. Cash and cash equivalents

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Cash	898,850,902.69	684,433,514.11
Including: Cash on hand	2,122,888.57	1,243,351.60
Bank demand deposits	794,927,973.56	681,981,177.14
Other monetary funds that can be readily withdrawn on demand	<u>101,800,040.56</u>	<u>1,208,985.37</u>
Balance of cash and cash equivalents	<u>898,850,902.69</u>	<u>684,433,514.11</u>
Restricted cash and cash equivalents of parent company and Subsidiaries of the Group	<u>28,901,769.37</u>	<u>50,276,096.44</u>

Notes to the Financial Statements

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

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**47. Supplementary information of cash flow statements**

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Reconciliation of net profit to cash flow from operating activities net profit	(109,958,713.61)	50,769,543.02
Add: Provision for assets impairment	(11,726,072.02)	(16,927,544.51)
Fixed assets depreciation	57,148,659.79	58,567,716.01
Intangible assets amortization	4,881,531.45	4,807,233.06
Amortization of long-term deferred expenses	—	—
Losses resulting from disposal of fixed assets, intangible assets or other long-term assets (less gains)	(2,406,022.93)	(586,701.59)
Fair value changes losses (less gains)	—	246,093.09
Financial costs	20,152,363.76	5,554,479.58
Investment losses (less gains)	(13,321,334.83)	(35,021,382.47)
Decrease in deferred income tax assets (less increase)	5,384,466.73	613,023.69
Inventory decrease	129,092,895.78	(79,000,256.48)
Decrease in operating receivables (less increase)	(120,906,182.69)	(27,919,650.39)
Increase in operating payables (less decrease)	80,725,478.91	(65,483,911.50)
	<u>39,067,070.34</u>	<u>(104,381,358.49)</u>
Net cash flow from operating activities		
Net changes of cash and cash equivalents at end of the year	927,752,672.06	942,452,286.51
Less: Cash at beginning of the year	(734,709,610.55)	(644,299,072.76)
Net increase of cash and cash equivalents	<u>193,043,061.51</u>	<u>298,153,213.75</u>

48. Segment Information

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

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

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

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

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

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



Notes to the Financial Statements

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

VIII. RELATED PARTIES AND TRANSACTIONS (continued)

(2) Other related parties that have dealings and transactions with the Group but have no controlling relations with it are as follows:

	Relationship with related parties
China Textile Industrial Corporation for Foreign Economic and Technological Cooperation	Controlled by the ultimate controlling parent company
Shandong KAMA Casting Company Limited	Controlled by the ultimate controlling parent company
Shandong KAMA Automobile Manufacturing Company Limited	Controlled by the ultimate controlling parent company
Hengtian Investment Company Limited	Controlled by the ultimate controlling parent company
Hongda Industries Company Limited	Controlled by the same parent company
Sales and Technical Services Company of China Textile Machinery Industry Corporation Company	Controlled by the same parent company
Hongda Investment Company Limited	Controlled by the same parent company
Jinlang Company Limited	Controlled by the same parent company
Jingwei Machinery (Group) Company Limited	Controlled by the same parent company
Jinzhong Jingwei Fibre Machinery Company Limited	Controlled by the same parent company
Jingjin Joint Package Company Limited	Controlled by the same parent company
Jingwei Machinery (Group) Packaging Company Limited	Controlled by the same parent company
Jinzhong Jingwei Mechanical and Electronic Equipment Company Limited	Controlled by the same parent company
State-owned Yichang Textile Machinery Factory	Controlled by the same parent company
Yichang Chinese Textile Industry and Trade Company Limited	Controlled by the same parent company
Zhengzhou Textile Machinery Company Limited	Controlled by the same parent company
Weinan Textile Machinery Plant	Controlled by the same parent company
Weinan Textile Machinery Company Limited	Controlled by the same parent company
Hengyang Textile Machinery Plant	Controlled by the same parent company
Shaoyang Textile Machinery Company Limited	Controlled by the same parent company
Technical Training Plant of Changde Textile Machinery Plant	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
Huangshi Jingwei Textile Machinery Company Limited	Associate
Hongda Research Institute Company Limited	Associate
Zhengzhou Hongda Non-wovens Company Limited	Associate
Qingdao Textile Machinery Jinhui Molds Company	Company in which key personnel of subsidiaries has significant influence ("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
Qingdao Luhuan Engineering Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery Jinshancheng Company	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
Shenyang Textile Machinery Company Limited	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
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

Notes to the Financial Statements

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

VIII. RELATED PARTIES AND TRANSACTIONS (continued)**(3) The Company has made the following major connected transactions with related parties from January to June 2009**

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

	January to June 2009	January to June 2008
	Amount	Amount
	<i>RMB</i>	<i>RMB</i>
Finished goods sold		
Companies controlled by the same parent company	2,639,646	4,804,847
Associates	63,218,021	368,195,750
Jointly controlled entities	–	–
Companies controlled by ultimate controlling parent company	1,220,513	34,888,562
Companies in which key personnel of subsidiaries has significant influence	1,216,694	–
	<u>68,294,874</u>	<u>407,889,159</u>
Total		
Raw materials and parts sold		
Companies controlled by the same parent company	15,513,792	100,556,335
Associates	8,945,669	–
Jointly controlled entities	–	72,006
Companies controlled by ultimate controlling parent company	2,456,083	7,821,975
Companies in which key personnel of subsidiaries has significant influence	474,413	805,398
	<u>27,389,957</u>	<u>109,255,714</u>
Total		
Processing charges		
Companies controlled by the same parent company	390,554	–
	<u>390,554</u>	<u>–</u>
Total		
Charges on provision of support services		
Controlling companies	2,946	–
Companies controlled by ultimate controlling parent company	274,012	–
Companies controlled by the same parent company	3,396,169	2,778,450
	<u>3,673,127</u>	<u>2,778,450</u>
Total		
Rental income received		
Companies controlled by the same parent company	2,599,891	2,802,461
	<u>2,599,891</u>	<u>2,802,461</u>
Total		

Notes to the Financial Statements

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

VIII. RELATED PARTIES AND TRANSACTIONS (continued)
(3) The Company has made the following major connected transactions with related parties from January to June 2009 (continued)

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

	January to June 2009 amount RMB	January to June 2008 amount RMB
Tools and molds purchased		
Associates	–	99,038
Companies controlled by the same parent company	1,663,521	5,961,957
Companies in which key personnel of subsidiaries has significant influence	–	12,149
Total	<u>1,663,521</u>	<u>6,073,144</u>
Molds purchased		
Associates	10,137,403	11,807,269
Companies controlled by the same parent company	–	19,344,538
Companies in which key personnel of subsidiaries has significant influence	22,326,819	26,960,714
Total	<u>32,464,222</u>	<u>58,112,521</u>
Energy purchased		
Companies controlled by the same parent company	28,027	308,238
Companies in which key personnel of subsidiaries has significant influence	1,325,146	–
Total	<u>1,353,173</u>	<u>308,238</u>
Packaging materials purchased		
Companies controlled by the same parent company	35,529	–
Companies in which key personnel of subsidiaries has significant influence	9,568,903	14,114,668
Total	<u>9,604,432</u>	<u>14,114,668</u>
Raw materials and parts purchased		
Associates	–	6,348,288
Companies controlled by the same parent company	11,559,891	57,062,479
Companies in which key personnel of subsidiaries has significant influence	61,418,668	87,910,475
Total	<u>72,978,559</u>	<u>151,321,242</u>
Finished goods purchased		
Companies controlled by the same parent company	69,546,972	162,551,598
Companies in which key personnel of subsidiaries has significant influence	8,189,755	4,688,405
Total	<u>77,736,727</u>	<u>167,240,003</u>
Processing fees paid		
Companies controlled by the same parent company	13,094,601	32,716,413
Companies in which key personnel of subsidiaries has significant influence	3,951,656	5,115,892
Total	<u>17,046,257</u>	<u>37,832,305</u>

Notes to the Financial Statements(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**VIII. RELATED PARTIES AND TRANSACTIONS (continued)****(3) The Company has made the following major connected transactions with related parties from January to June 2009 (continued)**

	January to June 2009 amount RMB	January to June 2008 amount RMB
Transportation services fees		
Companies controlled by the same parent company	880,120	4,623,678
Total	<u>880,120</u>	<u>4,623,678</u>
Repair and maintenance fees		
Companies controlled by the same parent company	3,709,406	8,404,254
Total	<u>3,709,406</u>	<u>8,404,254</u>
Other support fees		
Companies controlled by the same parent company	4,294,313	6,033,357
Companies in which key personnel of subsidiaries has significant influence	615,653	—
Total	<u>4,909,966</u>	<u>6,033,357</u>
Rental expenses		
Associates	—	4,242,500
Companies controlled by the same parent company	126,000	417,538
Companies in which key personnel of subsidiaries has significant influence	4,763,159	—
Total	<u>4,889,159</u>	<u>4,660,038</u>
Staff accommodation rental expenses		
Companies controlled by the same parent company	—	170,341
Total	<u>—</u>	<u>170,341</u>

IX. CONTINGENCIES

	30 June 2009 RMB	1 January 2009 RMB
Guarantee for borrowings from a third party bank	150,000,000.00	100,000,000.00
Guarantee to banks for mortgage loans on behalf of commercial building buyers	82,400,000.00	94,421,000.00
Total	<u>232,400,000.00</u>	<u>194,421,000.00</u>

On 10 October 2008, the Group provided an irrevocable guarantee for Beijing Hualian Group Investment Holding Company for a one-year bank loan in the amount of RMB100,000,000.00 and undertook joint guarantee obligation.

On 20 January 2009, the Group provided an irrevocable guarantee for Beijing Hualian Group Investment Holding Company for a short-term bank loan in the amount of RMB50,000,000.00 and undertook joint guarantee obligation.

As at 30 June 2009, Beijing Bohong Property Development Company Limited, a subsidiary of the Company, provided joint obligation guarantee to banks that provide mortgage loans in accordance with practices of the real estate industry for a secured loan amounted to RMB82,400,000.00 in respect of commodity buildings that have sold but have not obtained property title certificates.

Notes to the Financial Statements

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

X. COMMITMENTS

(1) Capital commitments

	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Contracted but not recognized in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	–	11,960,000.00
– Commitment in relation to external investment	180,000,000.00	26,003,330.00
	<u>180,000,000.00</u>	<u>37,963,330.00</u>

(2) Operating lease commitments

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

	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Minimum lease payments under non-cancellable operating leases		
The first year after balance sheet date	7,040,793.00	2,986,966.75
The second year after balance sheet date	2,457,765.00	2,306,010.41
The third year after balance sheet date	1,525,000.00	28,200.00
Future years	3,787,500.00	89,300.00
	<u>14,811,058.00</u>	<u>5,410,477.16</u>
Total	<u>14,811,058.00</u>	<u>5,410,477.16</u>

XI. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS

1. Currency funds

	30 June 2009		1 January 2009	
	<i>Amount of</i> <i>Foreign currency</i>	<i>RMB</i>	<i>Amount of</i> <i>Foreign currency</i>	<i>RMB</i>
Cash				
RMB		259,176.99		285,665.44
HKD	31,850.00	28,088.21	31,850.00	28,088.52
USD	16.00	111.82	466.00	3,184.92
EURO	8,833.50	87,439.66	13,973.30	134,968.10
Yen	70,150.00	5,306.85	70,150.00	5,310.36
Pound	1,050.00	10,373.79	1,050.00	10,372.85
Swiss Franc	57.00	368.36	57.00	368.36
Bank Deposit				
RMB		632,765,561.26		509,028,221.78
HKD	20,931.31	18,459.32	20,929.65	18,457.86
USD	3,181.62	22,235.71	3,179.94	21,733.62
Other currency funds				
RMB		<u>105,333,007.46</u>		<u>11,005,249.09</u>
Total		<u>738,530,129.43</u>		<u>520,541,620.90</u>

Notes to the Financial Statements

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

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

	30 June 2009	1 January 2009
	<i>RMB</i>	<i>RMB</i>
Bank's Acceptance Bill	455,659,978.73	473,325,659.08
Commercial Acceptance Bill	72,635,156.00	58,470,276.00
	<u>528,295,134.73</u>	<u>531,795,935.08</u>
Total	<u>528,295,134.73</u>	<u>531,795,935.08</u>

On 30 June 2009, the Group discounted unexpired acceptance bills with the right of recourse of RMB72,635,156.00 (31 December 2008: RMB61,060,276.03). Unexpired acceptance bills with the right of recourse that have been endorsed amounted to RMB285,108,637.50 (31 December 2008: RMB309,610,785.19).

3. Accounts receivable

The ageing of accounts receivable is provided as follows:

	30 June 2009				1 January 2009			
	Amount	Proportion	Bad Debt	Book Value	Amount	Proportion	Bad Debt	Book value
	<i>RMB</i>	%	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	%	<i>RMB</i>	<i>RMB</i>
Within one year	112,003,150.72	41	-	112,003,150.72	222,370,769.45	66	-	222,370,769.45
One to two years	58,955,989.23	21	(2,565,751.84)	56,390,237.39	46,130,058.52	14	(2,679,678.24)	43,450,380.28
Two to three years	76,144,949.39	28	(3,717,260.39)	72,427,689.00	31,840,968.61	9	(3,649,146.17)	28,191,822.44
Above three years	27,828,052.83	10	(22,135,278.80)	5,692,774.03	35,497,322.93	11	(28,773,583.41)	6,723,739.52
Total	<u>274,932,142.17</u>	<u>100</u>	<u>(28,418,291.03)</u>	<u>246,513,851.14</u>	<u>335,839,119.51</u>	<u>100</u>	<u>(35,102,407.82)</u>	<u>300,736,711.69</u>

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

	30 June 2009	1 January 2009
	<i>RMB</i>	<i>RMB</i>
Amount at beginning of period	35,102,407.82	49,598,881.78
Accrual amount of the period	-	321,043.11
Amount reversed during the period	(6,618,504.24)	(12,485,759.22)
Amount written off during the period	(65,612.55)	(2,331,757.85)
Amount at end of the period	<u>28,418,291.03</u>	<u>35,102,407.82</u>

4. Advances to suppliers

The aging of advances to suppliers is stated as follows:

	30 June 2009		1 January 2009	
	Amount	Proportion	Amount	Proportion
	<i>RMB</i>	%	<i>RMB</i>	%
Within one year	141,871,178.91	100	117,608,825.37	100
One to two years	494,164.77	-	76,202.50	-
Two to three years	107,042.47	-	48,534.50	-
Above three years	75,956.03	-	92,695.61	-
Total	<u>142,548,342.18</u>	<u>100</u>	<u>117,826,257.98</u>	<u>100</u>

Notes to the Financial Statements

 (Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
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**XI. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
 (continued)**
5. Other receivables

The ageing of other receivables is provided as follows:

	30 June 2009				1 January 2009			
	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB	Amount RMB	Proportion %	Provision for bad debt RMB	Book value RMB
Within 1 year	326,580,408.61	76	-	326,580,408.61	389,761,498.04	98	-	389,761,498.04
1 to 2 years	6,718,521.16	2	(24,873.00)	6,693,648.16	5,055,385.24	1	(12,683.90)	5,042,701.34
2 to 3 years	14,039,659.99	3	-	14,039,659.99	397,009.84	-	(4,298.88)	392,710.96
Over 3 years	81,604,114.72	19	(659,560.14)	80,944,554.58	945,974.36	1	(732,577.36)	213,397.00
Total	428,942,704.48	100	(684,433.14)	428,258,271.34	396,159,867.48	100	(749,560.14)	395,410,307.34

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

	30 June 2009 RMB	1 January 2009 RMB
Amount at beginning of the period	749,560.14	2,917,036.00
Accrual amount of the period	24,873.00	276,379.14
Amount reversed during the period	(90,000.00)	(2,443,855.00)
Amount at end of the period	684,433.14	749,560.14

6. Inventories

	30 June 2009 RMB	1 January 2009 RMB
Cost		
Raw materials	66,127,892.26	75,589,297.20
Unfinished products	135,172,285.26	146,642,415.24
Finished products	188,233,884.46	189,153,725.26
Less: Impairment	(43,245,745.53)	(44,298,970.49)
Total inventory	346,288,316.45	367,086,467.21

Changes of provision for obsolete stocks are as follows:

	1 January 2009 RMB	Accrual amount of the period RMB	Amount reversed during the period RMB	30 June 2009 RMB
Provision for obsolete stocks:				
Raw materials	5,203,014.54	-	-	5,203,014.54
Unfinished product	14,822,554.19	-	-	14,822,554.19
Finished products	24,273,401.76	-	(1,053,224.96)	23,220,176.80
Total	44,298,970.49	-	(1,053,224.96)	43,245,745.53

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(All amounts are stated in Rmb Yuan unless otherwise stated)**XI. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
(continued)****7. Long-term Equity Investment**

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

Name of Investee	Initial Investment cost RMB	Cost at beginning of the period RMB	Newly added investment during the period RMB	Equity adjustment during the period RMB	Cash dividends during the period RMB	Other decreases RMB	Cost at end of the period RMB
Equity method							
China Texma Tech Company Ltd	30,000,000.00	45,561,710.64	-	1,534,568.98	(557,998.84)	-	46,538,280.78
Hongda Research Institute Company	20,000,000.00	25,333,649.97	-	(1,553,911.46)	-	-	23,779,738.51
Huangshi Jingwei Textile Machinery Company Limited	7,500,000.00	7,500,000.00	-	-	-	-	7,500,000.00
Zhengzhou Hongda Non-woven Company Ltd	17,000,000.00	11,029,448.02	-	(1,066,929.67)	-	-	9,962,518.35
	<u>74,500,000.00</u>	<u>89,424,808.63</u>	<u>-</u>	<u>(1,086,272.15)</u>	<u>(557,998.84)</u>	<u>-</u>	<u>87,780,537.64</u>
Cost method							
Qingdao Hongda Textile Machinery Company Limited	44,100,000.00	96,009,790.51	-	-	-	-	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 Texma Company Limited	69,580,000.00	81,301,993.00	-	-	-	-	81,301,993.00
Tianjin Hongda Texma Company Limited	26,930,000.00	71,005,633.00	-	-	-	-	71,005,633.00
Changde Textile Machinery Company Limited	29,644,900.00	35,279,928.00	-	-	-	-	35,279,928.00
Beijing Jingwei Textile New Technology Company Limited	98,400,000.00	98,407,084.00	-	-	-	-	98,407,084.00
Tianjin Jingwei Textile Machinery Company Limited	12,000,000.00	12,000,000.00	-	-	-	-	12,000,000.00
Xianyang Jingwei Machinery Manufacturing Company Limited	57,468,693.00	61,469,929.00	-	-	-	-	61,469,929.00
Wuxi Hongda Textile Machinery Parts Company Limited	2,000,000.00	4,765,534.00	-	-	-	-	4,765,534.00
Wuxi Jingwei Textile S&T Test Company Limited	32,960,000.00	34,152,507.00	-	-	-	-	34,152,507.00
Shanxi Heli Jingwei Machinery Manufacturing Company Limited	30,000,000.00	39,288,285.00	-	-	-	-	39,288,285.00
Yichang Jingwei Textile Company Limited	15,000,000.00	15,000,000.00	-	-	-	-	15,000,000.00
Beijing Jingpeng Investment Management Company Limited	96,000,000.00	96,000,000.00	-	-	-	-	96,000,000.00
Jingwei Textile Machinery Yuci Materials Company Limited	4,960,000.00	5,000,000.00	-	-	-	-	5,000,000.00
Kunshan Jingwei Textile Machinery Manufacturing Company Limited	3,190,974.00	3,190,974.00	-	-	-	-	3,190,974.00
Shanghai Weixin Electronic & Mechanical Company Limited	14,400,000.00	14,400,000.00	-	-	-	-	14,400,000.00
Shanghai Chuangan Trade & Commerce Company Limited	1,800,000.00	1,800,000.00	-	-	-	-	1,800,000.00
Hong Kong Huaming Limited	4,966,416.00	62,559,880.00	-	-	-	-	62,559,880.00
Hongda Investment Company Limited	24,866,602.17	24,866,602.17	-	-	-	-	24,866,602.17
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
Taiyuan Jingwei Electric Appliance Company Limited	4,900,000.00	5,212,000.00	-	-	-	-	5,212,000.00
Shanghai Jingwei Dongxing Blooming-Carding Machinery Company Limited	36,974,000.00	36,974,000.00	3,383,555.00	-	-	-	40,357,555.00
	<u>706,435,088.34</u>	<u>952,782,833.85</u>	<u>3,383,555.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>956,166,388.85</u>
Total	<u>780,935,088.34</u>	<u>1,042,207,642.48</u>	<u>3,383,555.00</u>	<u>(1,086,272.15)</u>	<u>(557,998.84)</u>	<u>-</u>	<u>1,043,946,926.49</u>
Less: Provision for impairment		-					-
Net amount of long-term equity investment		<u>1,042,207,642.48</u>					<u>1,043,946,926.49</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**XI. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
(continued)****7. Long-term Equity Investment (continued)**

- (2) There is no restriction on the ability of the investee in which the long-term equity investments are held by the Company as of 30 June 2009 to transfer capital to the Group.

8. Fixed Assets

- (1) Changes in fixed assets during the year are provided as follows:

	Housing <i>RMB</i>	Machinery and equipment <i>RMB</i>	Transportation equipment <i>RMB</i>	Total <i>RMB</i>
Original value				
Amount at beginning of period	300,515,642.65	706,034,155.31	29,618,221.39	1,036,168,019.35
Purchase of the period	-	51,100.34	-	51,100.34
Transferred from construction in progress during the period	533,545.24	11,946,099.30	262,093.48	12,741,738.02
Decrease of the period	(2,931,600.32)	(44,090,296.34)	(1,919,815.27)	(48,941,711.93)
Amount at end of period	<u>298,117,587.57</u>	<u>673,941,058.61</u>	<u>27,960,499.60</u>	<u>1,000,019,145.78</u>
Accumulated depreciation				
Amount at beginning of period	(108,122,907.20)	(429,096,961.81)	(11,889,522.01)	(549,109,391.02)
Accrual amount of the period	(3,459,156.90)	(17,240,163.71)	(1,381,225.56)	(22,080,546.17)
Decrease of the period	1,111,095.82	34,784,900.17	1,665,646.49	37,561,642.48
Amount at end of period	<u>(110,470,968.28)</u>	<u>(411,552,225.35)</u>	<u>(11,605,101.08)</u>	<u>(533,628,294.71)</u>
Impairment allowance				
Amount at beginning of period	-	(24,189,519.82)	-	(24,189,519.82)
Increase of the period	-	-	-	-
Write-off of the period	-	4,694,985.56	-	4,694,985.56
Amount at end of period	<u>-</u>	<u>(19,494,534.26)</u>	<u>-</u>	<u>(19,494,534.26)</u>
Net amount				
Amount at beginning of period	<u>192,392,735.45</u>	<u>252,747,673.68</u>	<u>17,728,699.38</u>	<u>462,869,108.51</u>
Amount at end of period	<u>187,646,619.29</u>	<u>242,894,299.00</u>	<u>16,355,398.52</u>	<u>446,896,316.81</u>

Notes to the Financial Statements(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in Rmb Yuan unless otherwise stated)**XI. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
(continued)****9. Construction in Progress**

	Cost at beginning of the period <i>RMB</i>	Increase in period <i>RMB</i>	Transferred to fixed assets after completion this period <i>RMB</i>	Cost at end of the period <i>RMB</i>	Capital resources
Construction of Yuci's assembling plant Machinery to be installed	449,900.00 <u>9,600,161.00</u>	3,600.00 <u>11,231,347.55</u>	– <u>(12,741,738.02)</u>	453,500.00 <u>8,089,770.53</u>	Proprietary fund Proprietary fund
Total	<u>10,050,061.00</u>	<u>11,234,947.55</u>	<u>(12,741,738.02)</u>	<u>8,543,270.53</u>	
Less: Provision for impairment	–			–	
Net value of construction in progress	<u>10,050,061.00</u>			<u>8,543,270.53</u>	

10. Intangible Assets

	Land use right <i>RMB</i>	Patent rights <i>RMB</i>	Software <i>RMB</i>	Total <i>RMB</i>
Original value				
Amount at beginning of the period	99,144,504.38	21,413,627.93	6,699,884.00	127,258,016.31
Increase of the period	–	–	121,170.00	121,170.00
Decrease of the period	–	–	–	–
Amount at end of the period	<u>99,144,504.38</u>	<u>21,413,627.93</u>	<u>6,821,054.00</u>	<u>127,379,186.31</u>
Accumulated amortization				
Amount at beginning of the period	(20,986,716.77)	(17,130,118.57)	(994,397.77)	(39,111,233.11)
Provision of the period	(1,014,169.48)	(552,931.98)	(739,859.65)	(2,306,961.11)
Decrease of the period	–	–	–	–
Amount at end of the period	<u>(22,000,886.25)</u>	<u>(17,683,050.55)</u>	<u>(1,734,257.42)</u>	<u>(41,418,194.22)</u>
Net amount				
Amount at beginning of the period	<u>78,157,787.61</u>	<u>4,283,509.36</u>	<u>5,705,486.23</u>	<u>88,146,783.20</u>
Amount at end of the period	<u>77,143,618.13</u>	<u>3,730,577.38</u>	<u>5,086,796.58</u>	<u>85,960,992.09</u>
Remaining amortization life	<u>36.1 years to 41.5 years</u>	<u>4.8 years to 5.75 years</u>	<u>0.5 years to 3.33 years</u>	

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 (Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
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**XI. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
 (continued)**
11. Provision for asset impairment

	1 January 2009 RMB	Provision for the period RMB	Decrease of the period Amount reversed during the period RMB	Write-off amount of the period RMB	30 June 2009 RMB
Provision for bad debt	35,851,967.96	24,873.00	(6,708,504.24)	(65,612.55)	29,102,724.17
Provision for inventory obsolete stocks	44,298,970.49	–	(1,053,224.96)	–	43,245,745.53
Provision for fixed asset impairment	24,189,519.82	–	–	(4,694,985.56)	19,494,534.26
Total	104,340,458.27	24,873.00	(7,761,729.20)	(4,760,598.11)	91,843,003.96

12. Short-term borrowings

Category	30 June 2009 RMB	1 January 2009 RMB
Bank loans	430,000,000.00	298,849,800.70
Notes facilities	72,635,156.00	61,060,276.03
Total	502,635,156.00	359,910,076.73

13. Notes payable

Category	30 June 2009 RMB	1 January 2009 RMB
Bank's acceptance bills	34,911,378.94	104,071,085.72
Commercial acceptance bills	6,158,665.72	2,385,500.00
Total	41,070,044.66	106,456,585.72

14. Employee benefits payable

	1 January 2009 RMB	Provision of the period RMB	Payment of the period RMB	30 June 2009 RMB
Wage, bonus, subsidy and allowance	7,408,711.13	43,143,608.75	(48,872,964.24)	1,679,355.64
Employees' welfare	–	2,175,783.93	(1,781,951.92)	393,832.01
Social insurance	–	13,041,288.39	(6,846,361.32)	6,194,927.07
Including: Medical insurance	–	3,810,168.38	(3,148,888.79)	661,279.59
Basic pension insurance	–	7,806,828.69	(3,167,479.51)	4,639,349.18
Unemployment insurance	–	766,590.65	(296,837.50)	469,753.15
Work injury insurance	–	362,099.97	(126,628.49)	235,471.48
Birth insurance	–	295,600.70	(106,527.03)	189,073.67
Housing fund	4,618,438.07	2,175,345.60	(1,091,709.64)	5,702,074.03
Labor union and education fee	4,334,228.51	1,324,050.31	(397,121.86)	5,261,156.96
Others	–	82,323.63	(82,323.63)	–
Subtotal	16,361,377.71	61,942,400.61	(59,072,432.61)	19,231,345.71

Notes to the Financial Statements

 (Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
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**XI. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
 (continued)**
15. Tax payable

Categories of tax	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Corporate income tax payable	3,593,134.53	3,623,468.26
Value added tax payable	(4,389,000.41)	7,262,945.80
Operating tax payable	46,552.11	1,069,467.03
Urban construction payable	142,155.57	(31,884.79)
Land use tax payable	5,639,662.75	3,728,053.87
Others	(11,649.54)	(25,654.33)
	<u>5,020,855.01</u>	<u>15,626,395.84</u>

16. Long-term borrowings

Category	30 June 2009 <i>RMB</i>	1 January 2009 <i>RMB</i>
Credit loans	555,000,000.00	355,000,000.00
Guaranteed loans	–	50,000,000.00
Factoring financing loans	18,091,163.33	23,091,163.32
	<u>573,091,163.33</u>	<u>428,091,163.32</u>
Less: Long-term loans with maturity within one year	<u>55,000,000.00</u>	<u>55,000,000.00</u>
Long-term loans with maturity over one year	<u>518,091,163.33</u>	<u>373,091,163.32</u>

The interest rate for the above loans range from 4.860% – 5.400%.

17. Unallocated profits

	January to June 2009 <i>RMB</i>	2008 <i>RMB</i>
Unallocated profit at beginning of period	<u>76,404,207.11</u>	<u>19,292,911.11</u>
Add: Net profit of the period	(60,403,435.93)	70,165,884.44
Less: Accrual of statutory surplus reserve	–	(7,016,588.44)
	<u>16,000,771.18</u>	<u>82,442,207.11</u>
Less: Accrual of free surplus reserve	–	–
Dividends payable – last year's/previous year's cash dividends approved at the general meeting	<u>(6,038,000.00)</u>	<u>(6,038,000.00)</u>
Unallocated profit at end of the period	<u>9,962,771.18</u>	<u>76,404,207.11</u>

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**XI. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
(continued)**

18. Operating Income

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Principal activities	746,668,590.15	1,498,141,071.82
Other activities	22,537,454.17	17,846,237.31
Total	<u>769,206,044.32</u>	<u>1,515,987,309.13</u>

19. Operating cost

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Principal activities	743,210,759.26	1,422,112,763.29
Other activities	21,816,364.53	17,252,597.20
Total	<u>765,027,123.79</u>	<u>1,439,365,360.49</u>

20. Business tax and levies

Categories of tax	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Urban construction maintenance expense	309,170.53	544,865.75
Others	50,654.82	—
Total	<u>359,825.35</u>	<u>544,865.75</u>

21. Financial cost

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Interest expense	19,306,143.54	7,494,704.95
Less: interest income	(10,668,319.11)	(2,300,002.02)
Exchange differences	239,199.27	(11,087,584.62)
Expenses for financial institutions' proceedings	439,065.38	608,193.00
Total	<u>9,316,089.08</u>	<u>(5,284,688.69)</u>

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

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Gain on long-term equity investments	9,956,327.85	17,947,589.11
Including: Profit recognized under cost method and announced by investee to be distributed	11,042,600.00	19,200,000.00
Gain/loss recognized under equity method	(1,086,272.15)	(1,252,410.89)
Gain on entrusted loan interest	3,562,450.61	2,771,334.40
Gain on tradable financial assets	—	1,567,775.64
Total	<u>13,518,778.46</u>	<u>22,286,699.15</u>

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

23. Non-operating income

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Income from disposal of fixed assets	1,658,533.37	337,764.97
Penalty income	21,554.60	72,699.98
Government grants	2,170,000.00	2,180,000.00
Others	525,143.93	458,869.21
Total	<u>4,375,231.90</u>	<u>3,049,334.16</u>

24. Non-operating expense

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Expense from disposal of fixed assets	725,537.62	281,214.01
Loss on debt restructuring	5,042,640.59	2,000.00
Penalty expense	—	1,000.00
Others	8,481.20	600,000.00
Total	<u>5,776,659.41</u>	<u>884,214.01</u>

Please refer to note VII. 42 for details of loss on debt restructuring.

25. Income tax

	Current period <i>RMB</i>	Corresponding period of previous year <i>RMB</i>
Current income tax expenses	719,419.27	1,110,446.27
Deferred income tax expenses	1,134,956.26	(92,725.70)
Total	<u>1,854,375.53</u>	<u>1,017,720.57</u>

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

Condensed Consolidated Statement of Comprehensive Income (Prepared in Accordance with HKFRS)

	Notes	Unaudited Six months ended 30 June	
		2009 RMB'000	2008 RMB'000
Turnover	4	1,274,931	2,183,763
Cost of sales		(1,188,549)	(1,922,083)
Gross profit		86,382	261,680
Other income	5	37,366	64,378
Distribution expenses		(42,938)	(60,638)
Administrative expenses		(161,144)	(181,695)
Finance cost	6	(23,074)	(20,304)
Share of results of jointly controlled entities and associates		(4,393)	(1,252)
(Loss) Profit before taxation	7	(107,801)	62,169
Income tax expenses	8	(2,158)	(13,012)
(Loss) Profit for the period		<u>(109,959)</u>	<u>49,157</u>
Other comprehensive (loss) income			
Gain on fair value changes of held-for-trading investments		–	1,612
Total comprehensive (loss) income for the period		<u>(109,959)</u>	<u>50,769</u>
(Loss) Profit for the period attributable to:			
Owners of the Company		(98,887)	50,519
Minority interests		(11,072)	(1,362)
		<u>(109,959)</u>	<u>49,157</u>
Total comprehensive (loss) income attributable to:			
Owners of the Company		(98,887)	52,131
Minority interests		(11,072)	(1,362)
		<u>(109,959)</u>	<u>50,769</u>
Earnings per share for profit or loss attributable to the owners of the Company during the period (expressed in RMB per share)			
– basic and diluted	9	<u>(0.16)</u>	<u>0.08</u>
Dividend	10	<u>–</u>	<u>–</u>

Condensed Consolidated Statement of Financial Position
(Prepared in Accordance with HKFRS)

	<i>Notes</i>	Unaudited 30 June 2009 RMB '000	Audited 31 December 2008 RMB '000
Non-current assets			
Property, plant and equipment	11	1,342,559	1,359,901
Prepaid lease payments		260,695	264,661
Intangible assets	12	11,840	12,992
Deposits paid for acquisition of property, plant and equipment		0	12,290
Interests in associated companies		99,053	104,004
Available-for-sale investments		121,530	114,780
Deferred tax assets		24,661	30,045
		97,247	49,000
Other non-current assets		97,247	49,000
		1,957,585	1,947,673
Current assets			
Inventories	13	1,242,576	1,320,144
Properties under development for sale		402,679	454,204
Trade and other receivables	14	1,287,685	1,183,647
Prepaid lease payments		6,451	6,186
Amounts due from holding company		64	64
Amounts due from fellow subsidiaries		149,817	165,146
Amounts due from associated companies		204,913	215,273
Held-for-trading investments		1,036	0
Pledged bank balances		118,701	50,276
Bank balances and cash	15	809,052	684,433
		4,222,974	4,079,373
Current liabilities			
Trade and other payables	16	1,599,191	1,511,287
Amounts due to holding company		27,955	42,903
Amounts due to fellow subsidiaries		82,111	115,269
Amounts due to associated companies		39	5,743
Taxation payable		3,736	4,167
Borrowings – amount due within one year		716,346	622,296
		2,429,378	2,301,665
Net current assets		1,793,596	1,777,708
Total assets less current liabilities		3,751,181	3,725,381
Non-current liabilities			
Borrowings – amount due after one year		618,091	473,091
Other non-current liabilities		206,592	180,408
		824,683	653,499
Total assets less liabilities		2,926,498	3,071,882
Capital and reserves			
Share capital	17	603,800	603,800
Reserves		2,132,537	2,247,081
		2,736,337	2,850,881
Equity attributable to equity holders of the Company		2,736,337	2,850,881
Minority interests		190,161	221,001
		2,926,498	3,071,882

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

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Discretionary surplus <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Attributable to owners of the Company <i>RMB'000</i>	Minority interests <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2008 (audited)	603,800	1,249,865	369,815	177,764	(2,490)	429,161	2,827,915	230,099	3,058,014
Total comprehensive income for the period	-	-	-	-	(135)	52,131	51,996	(1,362)	50,634
At 30 June 2008 (unaudited)	<u>603,800</u>	<u>1,249,865</u>	<u>369,815</u>	<u>177,764</u>	<u>(2,625)</u>	<u>481,292</u>	<u>2,879,911</u>	<u>228,737</u>	<u>3,108,648</u>
At 1 January 2009	603,800	1,253,404	384,642	177,763	(2,878)	434,150	2,850,881	221,001	3,071,882
Total comprehensive income for the period	-	-	-	-	-	(98,887)	(98,887)	(11,072)	(109,959)
Arising on acquisition of subsidiaries	-	(9,619)	-	-	-	-	(9,619)	(19,768)	(29,387)
Dividends paid	-	-	-	-	-	(6,038)	(6,038)	-	(6,038)
At 30 June 2009 (unaudited)	<u>603,800</u>	<u>1,243,785</u>	<u>384,642</u>	<u>177,763</u>	<u>(2,878)</u>	<u>329,225</u>	<u>2,736,337</u>	<u>190,161</u>	<u>2,926,498</u>

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

	Unaudited	
	Six months ended 30 June	
	2009	2008
	<i>RMB '000</i>	<i>RMB '000</i>
Net cash used in operating activities	39,067	(104,381)
Cash flows from investing activities		
cash flow disposal of equity and financial investment, net	(10,258)	40,548
purchases of property, plant and equipment	(30,867)	(57,240)
disposal of property, plant and equipment	8,891	1,928
Net cash flows from investing activities	(32,234)	(14,764)
Cash flows from financing activities		
dividends paid and interest paid	(35,841)	(17,536)
cash of borrowings	776,000	689,642
repayment of borrowings due	(553,945)	(253,660)
Net cash flows from financing activities	186,214	418,446
Net decrease in cash and cash equivalents	193,047	299,301
Cash and cash equivalents at 1 January	734,710	644,299
Effect of foreign exchange rate changes	(4)	(1,148)
Cash and cash equivalents at 30 June	927,753	942,452
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalent	927,753	942,452
Time deposits with maturity of more than three months	100,000	100,000
	<u>827,753</u>	<u>842,452</u>

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

1 GENERAL INFORMATION

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

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

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008. In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009.

Presentation of financial statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions ³
HKFRS 3 (Revised in 2008)	Business Combinations ¹
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁴

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

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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

3 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 (HKAS 34), *Interim Financial Reporting*.

4 SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group is currently organised into three divisions – (a) manufacturing and sales of textile machinery; (b) sales of materials, parts and components; and (c) sales of developed properties.

The following is an analysis of the Group's revenue and results by operating segment for the period:

	Manufacturing and sales of textile machinery <i>RMB'000</i>	Sales of materials, parts and components <i>RMB'000</i>	Property development <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2009					
Turnover					
External sales	1,114,619	100,335	59,977	–	1,274,931
Inter-segment sales	–	268,380	–	(268,380)	–
	<u>1,114,619</u>	<u>368,715</u>	<u>59,977</u>	<u>(268,380)</u>	<u>1,274,931</u>
Total	<u>1,114,619</u>	<u>368,715</u>	<u>59,977</u>	<u>(268,380)</u>	<u>1,274,931</u>
Inter-segment sales are charged at prevailing market rates.					
Result					
Segment result	(90,956)	(12,679)	13,214	–	(90,421)
Unallocated income					18,358
Unallocated expenses					(8,298)
Finance costs					(23,074)
Share of results of jointly controlled entities and associates					<u>(4,393)</u>
Loss before taxation					(107,801)
Taxation					<u>(2,158)</u>
Loss for the period					<u><u>(109,959)</u></u>

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

4 SEGMENT INFORMATION (continued)

	Manufacturing and sales of textile machinery <i>RMB'000</i>	Sales of materials, parts and components <i>RMB'000</i>	Property development <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended 30 June 2008					
Turnover					
External sales	2,137,468	46,295	–	–	2,183,763
Inter-segment sales	–	236,753	–	(236,753)	–
	<u>2,137,468</u>	<u>283,048</u>	<u>–</u>	<u>(236,753)</u>	<u>2,183,763</u>
Inter-segment sales are charged at prevailing market rates.					
Result					
Segment result	77,628	(1,488)	(5,047)	–	71,093
	<u>77,628</u>	<u>(1,488)</u>	<u>(5,047)</u>	<u>–</u>	<u>71,093</u>
Unallocated income					15,786
Unallocated expenses					(3,154)
Finance costs					(20,304)
Share of results of jointly controlled entities and associates					<u>(1,252)</u>
Profit before taxation					62,169
Taxation					<u>(13,012)</u>
Profit for the period					<u>49,157</u>

Segment result represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of jointly controlled entities and associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5 OTHER INCOME

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from banks	4,772	3,839
Interest income due from related parties	6,631	2,183
Government subsidies	11,712	11,189
Investment gain	0	31,047
Net exchange (loss) gain	(1,068)	11,888
Dividends income from available-for-sale investments	11,083	1,185
Gain on disposal of property, plant and equipment	2,406	587
Others	1,830	2,460
	<u>37,366</u>	<u>64,378</u>

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

6 FINANCE COST

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses:		
Bank loans due within five years	<u>23,074</u>	<u>20,304</u>

7 (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) Profit before taxation had credited and charged the following items		
Amortisation of intangible assets	1,656	1,550
Amortisation of land use rights	3,226	3,258
Depreciation of property, plant and equipment	57,149	58,568
Auditor's remuneration	346	1,300
Write back for doubtful debts	(10,261)	(15,892)
Write back for inventories	(1,465)	(1,035)
Operating lease expense-land and buildings	3,310	4,691
Research and development costs	23,882	25,213
Staff costs, include directors' and supervisors' emoluments	<u>191,513</u>	<u>258,553</u>

8 INCOME TAX EXPENSES

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	1,064	12,256
Deferred tax		
Charge for the year	<u>1,094</u>	<u>756</u>
	<u>2,158</u>	<u>13,012</u>

Hong Kong profits tax has not been provided as the Group had no taxable profits in Hong Kong for the period (January to June 2008: Nil). The Company and its subsidiaries are subject to PRC Enterprise Income Tax assessed based on their taxable profits in accordance with the relevant tax law applicable in the PRC.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's loss for the period attributable to the owners of the Company of RMB 98,887,000 (January to June 2008: RMB50,519,000) and 603,800,000 (January to June 2008: 603,800,000) shares in issue during the period.

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

10 DIVIDEND

No dividend was proposed by the Company for the six months ended 30 June 2009 (January to June 2008: nil).

Pursuant to the 2008 after tax profit distribution plan approved by the 2008 shareholders' annual general meeting held on 18 June 2009, the shareholders have approved a final dividend of RMB0.1 (tax inclusive) per ten shares, with an aggregate of RMB6,038,000.00. The profit distribution has been implemented on 17 July 2009.

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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2009					
Net amount at the beginning of the period	624,817	589,584	71,395	74,105	1,359,901
Additions	456	7,237	2,620	49,521	59,834
Assigned assets after construction	2,596	17,201	262	(20,059)	–
Depreciation	(11,510)	(40,620)	(5,018)	–	(57,148)
Disposals and other reductions	(7,339)	(8,623)	(4,066)	–	(20,028)
As at 30 June 2009					
Net amount at the end of the period	<u>609,020</u>	<u>564,779</u>	<u>65,193</u>	<u>103,567</u>	<u>1,342,559</u>
As at 1 January 2008					
Net amount at the beginning of the period	483,600	643,799	55,988	72,013	1,255,400
Additions	2,569	8,261	5,297	81,664	97,791
Assigned assets after construction	5,120	10,714	56	(15,890)	–
Depreciation	(10,757)	(41,931)	(5,880)	–	(58,568)
Disposals and other reductions	–	(6,626)	(565)	–	(7,191)
As at 30 June 2008					
Net amount at the end of the period	<u>480,532</u>	<u>614,217</u>	<u>54,896</u>	<u>137,787</u>	<u>1,287,432</u>

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

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

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

12 INTANGIBLE ASSETS

	Patents and licences <i>RMB'000</i>	Software <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2009				
Net amount at the beginning of the period	<u>4,284</u>	<u>6,449</u>	<u>2,259</u>	<u>12,992</u>
Additions	–	504	–	504
Amortisation	<u>(553)</u>	<u>(1,103)</u>	<u>–</u>	<u>(1,656)</u>
As at 30 June 2009				
Net amount at the end of the period	<u><u>3,731</u></u>	<u><u>5,850</u></u>	<u><u>2,259</u></u>	<u><u>11,840</u></u>
As at 1 January 2008				
Net amount at the end of the period	<u>5,430</u>	<u>4,757</u>	<u>2,259</u>	<u>12,446</u>
Additions	725	–	–	725
Amortisation	<u>(310)</u>	<u>(1,240)</u>	<u>–</u>	<u>(1,550)</u>
As at 30 June 2008				
Net amount at the end of the period	<u><u>5,845</u></u>	<u><u>3,517</u></u>	<u><u>2,259</u></u>	<u><u>11,621</u></u>

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

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

Patents and licences	10 years
Software	5 years

13 INVENTORIES

	30 June 2009 <i>RMB'000</i>	31 December 2008 <i>RMB'000</i>
Raw materials	326,549	388,983
Work in progress	348,076	338,862
Finished goods	<u>567,951</u>	<u>592,299</u>
	<u><u>1,242,576</u></u>	<u><u>1,320,144</u></u>

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

14 TRADE AND OTHER RECEIVABLES

	30 June 2009	31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	372,150	341,405
Less: Provision for doubtful debts	<u>(123,717)</u>	<u>(129,680)</u>
Bills receivables	248,433	211,725
Prepayments, deposits and other receivables	<u>705,174</u>	<u>672,733</u>
	<u>334,078</u>	<u>299,189</u>
	<u><u>1,287,685</u></u>	<u><u>1,183,647</u></u>

15 BANK BALANCES AND CASH

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

	30 June 2009	31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong dollars	3,074	13,321
Swiss Franc	3,576	3,496
United States dollars	223	575
Euro	2,626	2,565
Others	<u>16</u>	<u>16</u>

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

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

16 TRADE AND OTHER PAYABLES

	30 June 2009	31 December 2008
	<i>RMB '000</i>	<i>RMB '000</i>
Trade payables	870,476	806,220
Bills payable	102,498	178,616
Accrued charges and other payables	626,217	526,451
	<u>1,599,191</u>	<u>1,511,287</u>

17 SHARE CAPITAL

	Number of shares		Amount	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Registered, issued and fully paid				
A shares, RMB 1.00 each				
restricted	195,656,053	195,656,053	195,656	195,656
others	227,343,947	227,343,947	227,344	227,344
H shares, RMB 1.00 each	180,800,000	180,800,000	180,800	180,800
	<u>603,800,000</u>	<u>603,800,000</u>	<u>603,800</u>	<u>603,800</u>

18 CONTINGENT LIABILITIES

	30 June 2009	31 December 2008
	<i>RMB '000</i>	<i>RMB '000</i>
Guarantees for bank loans of third party	150,000	100,000
Guarantees for mortgage bank loans of customers	82,400	94,421
	<u>232,400</u>	<u>194,421</u>

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

19 COMMITMENTS

(a) Capital commitments

	30 June 2009	31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
Authorised but not provided for	180,000	37,963
	<u>180,000</u>	<u>37,963</u>

(b) Lease commitments

	30 June 2009	31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
Land and buildings		
Within one year	7,041	2,987
In the second to fifth years inclusive	7,770	2,423
	<u>14,811</u>	<u>5,410</u>

20 RELATED PARTIES TRANSACTIONS

For the six months period ended on 30 June 2009, the Group has the following transactions with its related companies:

(1) Transactions with holding companies

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Supporting services income received	3	–
	<u>3</u>	<u>–</u>

(2) Transactions with fellow subsidiaries

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	3,860	39,694
Sale of materials, parts and components	17,970	108,378
Processing fee received	391	–
Other supporting services income received	3,670	2,778
Rental income received	2,600	2,802
	<u>28,491</u>	<u>153,652</u>
Purchases of goods and services		
Purchase of finished goods	69,547	162,552
Purchase of materials, parts and components	11,560	57,062
Purchase of tools module	1,664	5,962
Purchase of castings	–	19,345
Purchase of package	36	–
Purchase of energy	28	308
Processing fee paid	13,095	32,716
Transportation services expense paid	880	4,624
Repairs and maintenance services expense paid	3,709	8,404
Other supporting services expense paid	4,294	6,033
Rental expense paid	126	417
Staff accommodation rental expense paid	–	170
	<u>104,939</u>	<u>297,593</u>

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

20 RELATED PARTIES TRANSACTIONS (continued)

(3) Transactions with associates

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	63,218	368,196
Sale of materials, parts and components	8,946	–
Processing fee received	–	–
	<hr/>	<hr/>
	72,164	368,196
Purchases of goods and services		
Purchase of materials, parts and components	–	6,348
Purchase of tools module	–	99
Purchase of castings	10,137	11,807
Processing fee paid	–	–
Rental expense paid	–	4,243
	<hr/>	<hr/>
	10,137	22,497

(4) Transactions with jointly controlled entities

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of finished goods	–	–
Sale of materials, parts and components	–	72
	<hr/>	<hr/>
	–	72

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

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods and services		
Sale of finished goods	1,217	
Sale of materials, parts and components	474	805
	<hr/>	<hr/>
	1,691	805
Purchase of goods and services		
Purchase of finished goods	8,190	4,688
Purchase of materials, parts and components	61,419	87,910
Purchase of tools module	–	12
Purchase of castings	22,327	26,961
Purchase of energy	1,325	–
Purchase of package	9,569	14,115
Processing fee paid	3,951	5,116
Other supporting services fee paid	615	–
Rental expense	4,763	–
	<hr/>	<hr/>
	112,159	138,802

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

20 RELATED PARTIES TRANSACTIONS (continued)

(6) Transactions with other state-owned entities

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	82,986	271,451
Sale of materials, parts and components	<u>25,974</u>	<u>9,424</u>
	108,960	280,875
Purchases of goods and services		
Purchase of finished goods	77,653	5,136
Purchase of materials, parts and components	106,217	86,537
Purchase of energy	1,557	17,879
Processing fee paid	15,993	2,298
Purchase of tools module	1,664	20
Purchase of castings	<u>32,805</u>	<u>2,931</u>
	235,889	114,801

21 COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other short-term employee benefits	8,198	9,576
Post-employment benefits	<u>149</u>	<u>92</u>
	<u>8,347</u>	<u>9,668</u>

Chapter VIII Documents Available for Inspection

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

1. The interim report for year 2009 which bears the original signature of the Chairman of the Board of Directors;
2. The financial reports which bear the original signatures and seal of by the officer in charge of the Company, the officer in charge of the Company's accounting matter and the person in charge of accounting firm;
3. All documents which were publicly disclosed in the newspapers and magazines specified by the China Securities Regulatory Commission during the reporting period; and
4. Articles of Association of the Company.

Jingwei Textile Machinery Company Limited
Board of Directors

19 August 2009