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

(a joint stock limited company incorporated in the People's Republic of China)
Stock Code: 0350.HK 000666.SZ

ANNUAL REPORT

2009

IMPORTANT NOTES

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

Vocation International Certified Public Accountants Co., Ltd. (the PRC Certified Public Accountants) and UHY Vocation HK CPA Limited (Hong Kong Certified Public Accountants) have audited the financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2009 in accordance with the PRC Corporate Accounting Standards and Hong Kong Financial Reporting Standards, respectively, and have given unqualified audit opinions on both financial statements.

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

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

Contents

Chapter I Company Profile

1.	Statutory name of the Company	:	經緯紡織機械股份有限公司
	Name of the Company in English	:	Jingwei Textile Machinery Company Limited
	Abbreviation of Company's Chinese name	:	經緯紡織
	Abbreviation of Company's English name	:	JWTM
2.	Legal representative of the Company	:	Liu Haitao
3.	Company Secretary to the Board of Directors	:	Ye Xuehua
	Telephone	:	8610 84534078-8188
	E-mail address	:	yxh@jwgf.com
	Stock representative	:	Qiu Lin
	Telephone	:	8610 84534078-8501
	E-mail address	:	ql@jwgf.com
	Correspondence address	:	Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Postal Code	:	100125
	Facsimile no.	:	8610 84534135
4.	Registered address of the Company	:	8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC
	Postal Code	:	100176
	Business address of the Company	:	Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Postal Code	:	100125
	Worldwide website	:	http://www.jwgf.com
	E-mail address	:	jwgf@jwgf.com
5.	Newspapers for corporate information disclosure in the PRC	:	Securities Times
	Websites on which the Company's annual report is posted	:	http://www.cninfo.com.cn http://www.hkex.com.hk http://www.jwgf.com
	Place where the annual report is available	:	Secretariat to the Board
6.	Stock Exchanges on which shares of the Company are listed and stock codes		
	A Shares		
	Place of listing	:	Shenzhen Stock Exchange
	Stock abbreviation	:	Jingwei Textile
	Stock code	:	000666
	H Shares		
	Place of listing	:	The Stock Exchange of Hong Kong Limited
	Stock abbreviation	:	Jingwei Textile
	Stock code	:	0350
7.	Other relevant information of the Company		
	(1) Incorporation and registration		
	Date and place of incorporation of the Company	:	15 August 1995 at Taiyuan, Shanxi, the PRC
	Dates and places of changes to registration particulars	:	29 March 1996 at Taiyuan, Shanxi, the PRC 5 September 1996 at Taiyuan, Shanxi, the PRC 4 December 1996 at Taiyuan, Shanxi, the PRC 31 October 2000 at Taiyuan, Shanxi, the PRC 8 October 2003 at Beijing, the PRC 9 April 2007 at Beijing, the PRC
	Business licence registration number of enterprise legal person	:	110000450005710
	Tax registration certificate number	:	GSJZ110192110052522
	Organization code	:	11005252-2
	(2) Auditors		
	PRC	:	Vocation International Certified Public Accountants Co., Ltd. 2/F., Building B, Huatong Mansion, No. 19 Chegongzhuang West Road Yi, Haidian District, Beijing, The PRC
	Hong Kong	:	UHY Vocation HK CPA Limited 3/F., Malaysia Building, 50 Gloucester Road, Wanchai, Hong Kong
	(3) Hong Kong legal advisers	:	Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
	(4) Registrar and transfer office for H shares	:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Chapter II Summary of Accounting and Business Data

Section I Key operating data for the year

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

	2009 *RMB*
Operating profit	-160,062,244.10
Total profit	-85,236,919.63
Net profit attributable to shareholders of the Company	-78,890,775.73
Net profit attributable to shareholders of the Company after extraordinary gains/losses	-269,524,336.54
Net cash flow from operating activities	321,786,374.69

2. Non-recurring profit or loss

Unit: RMB

Breakdown of non-recurring profit or loss	**Amount for current period**	**Notes**
Profit or loss from disposal of non-current assets (including the elimination portion of assets impairment provision)	76,326,513.98	–
of which: investment gain arising from disposal of equity investment	63,266,413.86	–
Governmental subsidies included in current profit or loss, which is closely related to the business of the Company, excluding the fixed amount or fixed proportion governmental subsidies granted according to certain standards and requirements of the national policy	53,690,194.57	–
Capital occupation income charged on non-financial enterprise credited to current profit or loss	1,786,743.26	–
Profit or loss on debt restructuring	760,246.66	–
Profit or loss on changes in fair value arising from held-for-trading financial assets and held-for-trading financial liabilities (excluding the valid hedging business relating to the Company's business), as well as investment gains from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets	2,568,038.30	–
Profit or loss from external trusted loan	4,670,533.99	–
Other non-operating income and expense except the above	7,511,236.93	–
Other non-recurring profit or loss	54,230,000.00	–
Net income and expenses arising from donation	-983,700.00	–
Total non-recurring profit or loss	200,559,807.69	–
Less: Impact of income tax	1,429,822.61	–
Non-recurring profit or loss after income tax	199,129,985.08	–
Of which: non-recurring profit or loss attributable to the shareholders of parent company	190,633,560.81	–
Non-recurring profit or loss attributable to minority interest	8,496,424.27	–

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

1. Key accounting data

Unit: RMB

	2009	2008	Increase/Decrease of current year over previous year (%)	2007
Operating income	3,571,472,295.37	3,707,895,439.97	-3.68	5,432,661,954.93
Total profit	-85,236,919.63	50,396,248.96	-269.13	202,119,727.22
Net profit attributable to shareholders of the parent company	-78,890,775.73	25,855,511.70	-405.12	162,206,513.23
Net profit attributable to shareholders of the parent company after extraordinary gains/losses	-269,524,336.54	-113,583,767.60	137.29	51,937,068.42
Net cash flow generated from operating activities	321,786,374.69	40,518,810.06	694.17	122,924,903.07

	End of 2009	End of 2008	Increase/Decrease of current year-end over previous year-end (%)	End of 2007
Total assets	6,817,098,155.77	6,010,576,706.82	13.42	6,386,010,247.94
Equity attributable to the shareholders of the listed company	2,756,917,886.87	2,850,881,813.67	-3.30	2,827,915,964.95
Share capital	603,800,000.00	603,800,000.00	0.00	603,800,000.00

2. Key financial indicators

Unit: RMB

	2009	2008	Increase/Decrease of current year over previous year (%)	2007
Basic earnings per share (RMB/share)	-0.13	0.04	-425.00	0.27
Diluted earnings per share (RMB/share)	-0.13	0.04	-425.00	0.27
Basic earnings per share after extraordinary gains/losses (RMB/share)	-0.45	-0.19	136.84	0.09
Weighted average net return on assets (%)	-2.81	0.91	decrease by 3.72 percentage points	5.81
Weighted average net return on assets after extraordinary gains/losses (%)	-9.78	-4.10	decrease by 5.68 percentage points	1.90
Net cash flow per share generated by operating activities (RMB/share)	0.533	0.067	695.52	0.204

	End of 2009	End of 2008	Increase/Decrease of current year-end over previous year-end (%)	End of 2007
Net asset per share attributable to shareholders of the Company (RMB/share)	4.566	4.722	-3.30	4.684

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

Consolidated Statement of Comprehensive Income

	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*
For the year ended 31 December					
Turnover	3,498,019	3,645,693	5,370,325	5,523,945	4,241,912
(Loss)/profit before taxation	(82,439)	53,522	202,119	230,540	177,549
Income tax expense	(29,224)	(25,750)	(26,513)	(23,574)	(17,141)
(Loss)/profit for the year	(111,663)	27,772	175,606	206,966	160,408
(Loss)/profit for the year attributable to:					
Owners of the Company	(78,891)	25,855	162,206	189,095	151,971
Non-controlling interests	(32,772)	1,917	13,400	17,871	8,437
	(111,663)	27,772	175,606	206,966	160,408
(Loss)/earnings per share (RMB)	(0.13)	0.04	0.27	0.31	0.25
Net assets per share (RMB)	4.57	4.72	4.68	4.50	4.24
Return on net assets (%)	(2.86)	0.91	5.74	6.97	5.94

Assets and Liabilities

	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*
At 31 December					
Total Assets	6,817,098	6,027,046	6,387,817	6,411,037	6,129,672
Total Liabilities	(3,894,207)	(2,955,164)	(3,329,803)	(3,535,276)	(3,412,433)
Shareholders' Equity	2,922,891	3,071,882	3,058,014	2,875,761	2,717,239

Chapter III Movements in Share Capital and Information on Shareholders

Section 1 Changes in the number of shares during the year

Unit : share

	Before change		Increase/Decrease (+/-)					After change	
	Number of shares	Proportion	New issue	Bonus shares	Conversion from statutory surplus reserve	Others	Sub-total	Number of shares	Proportion
I. Restricted floating shares subject to terms of lock-up	**195,661,404**	**32.41%**	**–**	**–**	**–**	**–5,351**	**–5,351**	**195,656,053**	**32.40%**
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. Shares owned by State legal person	195,640,000	32.40%	–	–	–	–	–	195,640,000	32.40%
3. Other domestic shares	–	–	–	–	–	–	–	–	–
Of which,									
Shares owned by domestic non-state legal persons	–	–	–	–	–	–	–	–	–
Shares owned by domestic natural persons	–	–	–	–	–	–	–	–	–
4. Foreign shares	–	–	–	–	–	–	–	–	–
Of which,									
Shares owned by foreign legal persons	–	–	–	–	–	–	–	–	–
Shares owned by foreign natural persons	–	–	–	–	–	–	–	–	–
5. Shares owned by senior management	21,404	0.004%	–	–	–	–5,351	–5,351	16,053	0.003%
II. Unrestricted floating shares not subject to terms of lock-up	**408,138,596**	**67.59%**	**–**	**–**	**–**	**5,351**	**5,351**	**408,143,947**	**67.60%**
1. Domestically listed domestic shares	227,338,596	37.65%	–	–	–	5,351	5,351	227,343,947	37.66%
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	180,800,000	29.94%	–	–	–	–	–	180,800,000	29.94%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	**603,800,000**	**100.00%**	**–**	**–**	**–**	**–**	**–**	**603,800,000**	**100.00%**

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

Unit: share

Name of shareholder	Number of shares subject to terms of lock-up at the beginning of the year	Number of shares released from terms of lock-up in the year	Number of new shares subject to terms of lock-up in the year	Number of shares subject to terms of lock-up at the end of the year	Reasons for terms of lock-up	Date of release from terms of lock-up
China Textile Machinery (Group) Company Limited	195,640,000	0	0	195,640,000	Share segregation reform	–
Ye Maoxin	8,580	2,145	0	6,435	Shares held by senior management	5 January 2009
Yao Yuming	10,304	2,576	0	7,728	Shares held by senior management	5 January 2009
Liu Xianming	2,520	630	0	1,890	Shares held by senior management	5 January 2009
Total	195,661,404	5,351	0	195,656,053	–	–

Note: As set forth in the above table, for the year ended 31 December 2009, except for the changes in the proportion of restricted and unrestricted floating shares of the Company, there was no change in the Company's shareholding structure. According to "Administrative Measures for Shares Held by the Directors, Supervisors and Senior Management of the Listed Company and the Changes" issued by China Securities Regulatory Commission ("CSRC") and the register of members provided by the Shenzhen branch, China Securities Depository and Clearing Corporation Limited, an aggregate of 5,351 shares of the Company held by 3 members of the senior management of the Company previously subject to lock-up were released during the reporting period, therefore such shares became unrestricted floating A shares.

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

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

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

Note: On 8 August 2009, China Textile Machinery (Group) Company Limited was granted the right to list the non-floating shares held by it 3 years after the date on which the restrictions on the non-floating shares were lifted. As at the date of despatch of this annual report, such right has not been exercised.

Section 2 Issuance of shares and listing

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

Section 3 Information on Shareholders

1. Shareholdings of substantial shareholders

As at 31 December 2009, the Company's top ten registered shareholders and the top ten holders of unrestricted floating shares are as follows:

Total number of shareholders:	33,154 shareholders including one legal-person promoter shareholder, 33,114 holders of domestically listed domestic shares held by the public (A shares), 39 holders of overseas listed foreign shares (H Shares)				
Shareholdings of top ten registered shareholders					
Name of shareholder	**Type of shareholder**	**Percentage to total share capital**	**Total number of shares held**	**Number of shares subject to terms of lock-up held**	**Number of shares under pledge or lock-up**
China Textile Machinery (Group) Company Limited *(Note i (1))*	State-owned legal person	33.83%	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited *(Note i (2))*	Overseas legal person	29.82%	180,067,599	0	–
Huang Jianhong	Domestic natural person	0.48%	2,875,824	0	–
Zhou Qianru	Domestic natural person	0.22%	1,356,600	0	–
Ye Qiaoji	Domestic natural person	0.21%	1,290,556	0	–
Peng Jiandong	Domestic natural person	0.17%	1,012,671	0	–
Li Xiaohan	Domestic natural person	0.17%	996,798	0	–
Zhang Ou	Domestic natural person	0.16%	950,021	0	–
Zheng Qiuhua	Domestic natural person	0.14%	828,600	0	–
Qiu Fei	Domestic natural person	0.13%	808,160	0	–

Shareholdings of the top ten holders of unrestricted floating shares		
Name of shareholder	**Number of unrestricted floating shares held**	**Class of shares**
HKSCC Nominees Limited	180,067,599	Overseas listed foreign shares
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed domestic shares
Huang Jianhong	2,875,824	Domestically listed domestic shares
Zhou Qianru	1,356,600	Domestically listed domestic shares
Ye Qiaoji	1,290,556	Domestically listed domestic shares
Peng Jiandong	1,012,671	Domestically listed domestic shares
Li Xiaohan	996,798	Domestically listed domestic shares
Zhang Ou	950,021	Domestically listed domestic shares
Zheng Qiuhua	828,600	Domestically listed domestic shares
Qiu Fei	808,160	Domestically listed domestic shares
Connected relationship or concert-party relationship among the above shareholders	Among the top ten registered shareholders of the Company, China Textile Machinery (Group) Company Limited is not connected with any of the other nine shareholders, nor is it a party acting in concert with any of them as defined in Administrative Measures for Information Disclosure of the Movement in Shareholdings of Listed Companies. It is not known whether other holders of unrestricted floating shares as aforesaid are connected with one another or whether any of these shareholders falls within the meaning of parties acting in concert as defined in Administrative Measures for Information Disclosure of the Movement in Shareholdings of Listed Companies.	

Section 3 Information on Shareholders (continued)

1. Shareholdings of substantial shareholders (continued)

Notes:

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

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

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

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

On 28 September 2007, the Company received a notice from China Textile Machinery (Group) Company Limited that its holding of equity interests of the Company was judicially re-frozen. As stated in the notice: upon enquiry made to Shenzhen Branch of the China Securities Depository and Clearing Corporation Limited by China Textile Machinery (Group) Company Limited, it was acknowledged that the 204,255,248 shares of the Company pledged to China Hengtian Group Company Limited was re-frozen by a judicial order of High People's Court of Beijing Municipality on 17 September 2007.

On 12 December 2007, the Company received a notice from China Textile Machinery (Group) Company Limited that its holding of equity interests of the Company was put on the pending list for freezing. As stated in the notice: as Shanghai Branch of the Export-Import Bank of China commenced action against China Textile Machinery (Group) Company Limited for assuming guarantee obligations of a third party loan, its 195,640,000 shares of the Company was put on the pending list for freezing by Shanghai No. 1 Intermediate People's Court. The applicant was Shanghai Branch of the Export-Import Bank of China.

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

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

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

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

100%

China Hengtian Group Company Limited

87.57%

China Textile Machinery (Group) Company Limited

33.83%

The Company

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

Section 3 Information on Shareholders (continued)

1. Shareholdings of substantial shareholders (continued)

ii. As at 31 December 2009, so far as the Directors, Supervisors and senior management of the Company were aware, the following person/entity (other than Directors, Supervisors or senior management of the Company) who had interests in the shares of the Company, which were required to be recorded in the register kept in accordance with section 336 of Part XV of the Securities and Futures Ordinance were as follows:

Long positions in the H shares of the Company:

	Capacity	Number of H shares (share)	Approximate % of total issued H share capital	Approximate % of total issued share capital
Zhang Sheng Hang	Beneficial Owner	10,240,000	5.00 (Note)	1.70

Note: Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21 October 2003 as shown on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000 shares, which, if correct, represents approximately 5.66%, instead of 5.00% (as stated in such notice) of the total issued H shares of the Company as at 31 December 2009. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company since 21 October 2003. The Company is also unable to ascertain the actual number of H Shares held by Zhang Sheng Hang from the register of members of the Company as none of the H Shares was registered in the name of Zhang Sheng Hang as at 31 December 2009.

Long positions in the A shares of the Company:

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

Save as disclosed above, in accordance with the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, the Company had not received any notice regarding the interests or short positions in the shares and underlying shares of the Company as at 31 December 2009.

Chapter IV Directors, Supervisors, Senior Management and Staff

Section I Directors, supervisors and senior management

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

Executive directors

Mr. Liu Haitao, aged 45, a post-graduate, a holder of EMBA and Senior Engineer, is Chairman of the Company. Since 1992, Mr. Liu has been Deputy Chief, Deputy Factory Manager, Factory Manager and Deputy Secretary of the Party Committee of production department of Zhengzhou Textile Machinery Factory, Chairman of Zhengzhou Hongda New Textile Machinery Company Limited. Mr. Liu was also the General Manager and Secretary of the Party Committee of Zhengzhou Textile Machinery Joint Stock Company Limited. He has been Deputy General Manager of China Hengtian Group Company Limited since November 2004 and Deputy General Manager of China Textile Machinery (Group) Company Limited since December 2004. Since October 2005, he has been Vice Chairman, General Manager and Deputy Secretary of the Party Committee of China Textile Machinery (Group) Company Limited, and has been Director and General Manager of China Hengtian Group Company Limited since September 2006. He has been a Director of the Company since June 2001 and Chairman of the board of the Company since December 2005.

Mr. Ye Maoxin, aged 47, a post-graduate, a holder of EMBA and Senior Engineer, is Standing Vice Chairman of the Company. Mr. Ye holds various positions, including the Chairman of Company’s subsidiaries, Shanghai Weixin Electrical and Machinery Company Limited and Hong Kong Huaming Company Limited, Vice Chairman of the equity holding company Anhui Huamao Jingwei New Type Textile Company Limited and Chief Supervisor of China Textile Machinery and Technology Import and Export Corporation. Mr. Ye has served as Deputy Chief, Chief and Assistant to Factory Manager of Technical Section of Jingwei Textile Machinery Plant since July 1990, Manager of the Chemical Fibre Machinery Department since January 1995, Deputy General Manager of the Company since August 1995, Standing Deputy General Manager of the Company since April 1997 and Director of the Company since August 1998. He was Director and General Manager of the Company from August 2000 to August 2007, Secretary of the Party Committee of the Company from July 2002 to August 2007, Deputy General Manager of China Textile Machinery (Group) Company Limited in October 2005, Vice Chairman of the Company from December 2005 to August 2007, Deputy General Manager of China Hengtian Group Company Limited since September 2006. He has been the Standing Vice Chairman of the Company since August 2007.

Mr. Fan Xinmin, aged 60, a university graduate and Senior Economist, is Vice Chairman of the Company. Since 1983, Mr. Fan has held positions including Deputy Secretary and Secretary of The Seventh Workshop of Jingwei Textile Machinery Plant, and Deputy Secretary of the Disciplinary Committee of the Plant, Head of Parts and Components Factory No. 5, Deputy General Manager of Labour Service Company of the Factory, Factory Manager of Components General Factory and General Manager and Deputy Secretary of the Sub-Party Committee of the Labour Service Company, Deputy Factory Manager, Deputy Secretary of Party Committee and Secretary to the Disciplinary Committee of Jingwei Textile Machinery Plant, Secretary of the Party Committee and Acting General Manager of the Company, and General Manager and Secretary of the Party Committee of Jingwei Machinery (Group) Company Limited. He has been Deputy General Manager of China Textile Machinery (Group) Company Limited since July 2001, Assistant to the General Manager of China Hengtian Group Company Limited since December 2005, Chief Economist of China Hengtian Group Company Limited since March 2008, and Vice Chairman of the Company since March 2000.

Mr. Yan Fuquan, aged 46, a post-graduate, PhD student and Senior Accountant, is the Executive Director of the Company. Since 1992, Mr. Yan was the Deputy Director of Chief Accountant Office, Head of Finance Department, Chief Accountant, member of the Party Committee and Factory Manager of Hengyang Textile Machinery Factory. Since June 2004, he has been Chief Accountant of China Hengtian Group Company Limited and has become Director and Chief Accountant of China Textile Machinery (Group) Company Limited since December 2004. He was Supervisor of the Company from August 2001 to April 2006 and has been the Director of the Company since April 2006.

Section I Directors, supervisors and senior management (continued)

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

Executive directors (continued)

Mr. Liu Hong, aged 51, a post-graduate, a Master Degree holder in engineering and Senior Economist, is the Executive Director of the Company. Since 1992, Mr. Liu had held positions of Assistant to Factory Manager, Deputy Factory Manager, Secretary of the Party Committee, Factory Manager of Yichang Textile Machinery Plant and Director and Vice Chairman of China Textile Machinery (Group) Company Limited. He has been Deputy General Manager of China Textile Machinery (Group) Company Limited since October 1997, Deputy General Manager of China Hengtian Group Company Limited since September 2006 and Director of the Company since August 1998.

Mr. Shi Tinghong, aged 47, a post-graduate, a holder of EMBA, Engineer, Senior Economist and Senior Information Manager, is the Executive Director of the Company. Since 1992, Mr. Shi was the Production Director, Corporate Management Director, Deputy Factory Manager, Factory Manager of Handan Textile Machinery Factory, General Manager of Hongda Chemical Fibre Technological Equipment Company Limited, Director of Strategic Management Department and Assistant to General Manager of China Textile Machinery (Group) Company Limited. Since December 2005, he has been the Director of Strategic Management Department of China Hengtian Group Company Limited. He has also been the Secretary to the Board of Directors of China Hengtian Group Company Limited since January 2007. He has been Director of the Company since June 2005.

Mr. Yao Yuming, aged 48, a post-graduate and Senior Accountant, is the Executive Director, General Manager and Secretary of the Party Committee of the Company. He is also Chairman of various subsidiaries of the Company, namely the Zhengzhou Hongda New Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited, Beijing Jingpeng Investment Management Company Limited and Shanghai Chuangan Trading Company Limited, Director of Shenyang Hongda Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Type Textile Machinery Company Limited, Wuxi Jingwei Textile Technology Testing Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited, Shanxi Jingwei Heli Machinery Manufacturing Company Limited, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited, Shanghai Weixin Electrical and Machinery Company Limited, Xianyang Jingwei Machinery Manufacturing Company Limited and Beijing Bohong Property Development Company Limited, Director and General Manager of Hong Kong Huaming Company Limited, Director of the equity holding companies including, Hongda Research Company Limited, Hongda Investment Company Limited and China Textile Machinery and Technology Import and Export Corporation, Chairman of the Supervisory Committee of Anhui Huamao Jingwei New Type Textile Company Limited. Mr. Yao has been Deputy Director of the Finance Office, Assistant to the Factory Manager and Director of the Factory's Finance Office of Jingwei Textile Machinery Factory since July 1990, Director of the Company since August 1995 and was Financial Controller of the Company from August 1995 to April 2008. He was Standing Deputy Manager of the Company from August 2000 to August 2007. He has been General Manager and Secretary of the Party Committee of the Company since August 2007.

Mr. Zhang Jianguo, aged 57, a post-graduate, a holder of EMBA, Economist and Senior Political Worker, is the Executive Director of the Company. He is Chairman of Tianjin Hongda Textile Machinery Company Limited and Tianjin Jingwei New Type Textile Machinery Company Limited, subsidiaries of the Company. Since 1976, he had been Deputy Supervisor of 2nd workshop, Deputy Head of Production Office, Supervisor of Assembling Workshop, Manager, Assistant to Plant Manager, Deputy Plant Manager, Plant Manager and Secretary of the Party Committee of the branch factory of Jin'er. He has been Chairman of Tianjin Hongda Textile Machinery Company Limited since November 1999. Since August 2005, he has been Chairman of Tianjin Jingwei New Type Textile Machinery Company Limited. He was also Secretary of the Party Committee of Tianjin Hongda Textile Machinery Company Limited from November 1999 to March 2008. He has been Director of the Company since November 1999.

Section I Directors, supervisors and senior management (continued)

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

Independent Non-Executive Directors

Mr. Gao Yong, aged 56, a university graduate, Senior Engineer, is the Independent Non-Executive Director of the Company. He is currently Vice Chairman of the PRC Textile Industry Federation, Chairman of the council member of the China Federation of Textile Machinery Industry, Officer of International Trade Office of PRC Textile Industry Federation, and is currently an Independent Director of China Textile Machinery Joint Stock Limited Company and Shanghai No. 2 Textile Machinery Joint Stock Limited Company. Mr. Gao has been Head and Deputy Director-General of the former State Textile Equipment Department and Standing Vice-President of China Textile Enterprises Federation since 1993 and an Independent Non-Executive Director of the Company since August 2004.

Mr. Zhao Xi Zi, aged 65, a postgraduate, a Professor Grade Senior Engineer, is the Independent Non-executive Director of the Company. Mr. Zhao was General Manager of The 19th Metallurgy Construction Company from 1985 to 1989. He had worked in the State Metallurgy Department since 1989 and was the Head of Construction Department of the State Metallurgy Department from 1989 to 1993, the Supervisor of Administrative Office of the State Metallurgy Department from 1993 to 1998, the member of the Party Committee and Deputy Head of the State Metallurgy Department in 1998, and the chairman of supervisory committee (vice minister level) of State-owned Key Large-scale Enterprises of the State Council from early 2001 to August 2007. He then resigned and retired in August 2007. He has been the Independent Non-executive Director of the Company since February 2008.

Mr. Chen Zhong, aged 53, PhD in Economics and researcher, is the Independent Non-Executive Director of the Company. Since 1985, Mr. Chen had been Director of Research Department of China Enterprises Association, Publisher of China Enterprise News, Secretary-General of China Business Management Science Foundation, Deputy Secretary-General of People's Government of Chongqing and Standing Vice President of China Enterprise Confederation. During the period , he was also a Member of Appraisal Committee on Management of National Natural Science Foundation, Vice Chairman of China Youth Entrepreneur Association, Vice Chairman of Chinese Society for Management Modernisation, part-time Professor of Jilin University and the University of Industry and Commerce of Beijing. He has been Chairman of New China Fund Management Company Limited (formerly known as "New Century Fund Management Company Limited") since 2008. He has been an Independent Non-Executive Director of the Company since August 2004.

Mr. Yu Shiquan, aged 43, a university graduate, PRC Certified Public Accountant, Registered Tax Advisor, Economist and Accountant, is the Independent Non-Executive Director of the Company. Mr. Yu had worked in State Tax Bureau of Huaying City in Sichuan Province, Huaying Tax Firm, Huaying CPA Firm, Dongguan Qingxi Auditor's Firm in Guangdong Province, Sichuan Xingguang CPA Firm, Office of State-owned Enterprises Supervisory Committee and Chengdu Zhongcai Guozheng CPA Firm respectively, as Deputy Head, Head and Secretary, and has been an Officer of State-owned Enterprise Supervisory Committee under the State Council. He is also an Independent Director of Huafang Co., Ltd. (a company listed on the Shanghai Stock Exchange). He has been an Independent Non-Executive Director of the Company since June 2004. Mr. Yu had been independent directors of China Great Wall Computer Shenzhen Co., Ltd. (a company listed on the Shenzhen Stock Exchange), Shanghai Worldbest Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Tibet Shengdi, Co., Ltd. (a company listed on the Shanghai Stock Exchange) in the last three years.

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

Section I Directors, supervisors and senior management (continued)

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

Supervisors

Mr. Tu Kelin, aged 59, a holder of MBA and Senior Political Worker, is Chairman of the Supervisory Committee of the Company. Since 1985, Mr. Tu had been the Deputy Director and Director of Tools Department of Zhengzhou Textile Machinery Factory, Factory Manager and Secretary of the Party Committee of Henan Textile Machinery Factory and Assistant to General Manager and Head of Human Resources Department of China Textile Machinery (Group) Company Limited. From September 2001, he has been the Deputy Secretary of the Party Committee and Secretary of Disciplinary Committee of China Textile Machinery (Group) Company Limited. He has been the Supervisor of the Company since August 2001 and the Chairman of the Supervisory Committee since August 2007.

Ms. Peng Zeqing, aged 57, a university graduate and Senior Political Worker, is Vice Chairman of Supervisory Committee of the Company. She is Director of Yichang Jingwei Textile Machinery Company Limited, a subsidiary of the Company and Supervisor of a equity holding company, Hongda Research Company Limited. Since 1990, Ms. Peng had been the Deputy Factory Manager, Deputy Secretary and Secretary of the Party Committee of Yichang Textile Machinery Factory and Chairman and Secretary of the Party Committee of Yichang Textile Machinery Company Limited. Ms. Peng has been Secretary of Disciplinary Committee of the Company since July 2002, Chairman of the Labour Union of the Company since July 2004, Deputy Secretary of the Party Committee of the Company since April 2005 and Vice Chairman of the Supervisory Committee of the Company since June 2005.

Mr. Liu Jiebo, aged 46, a post-graduate, a Master Degree holder in engineering and Senior Economist, is Supervisor of the Company. Since 1997, Mr. Liu had been Director of Finance Department, Deputy Factory Manager, Factory Manager, Deputy Secretary of the Party Committee of Handan Textile Machinery Factory, Chairman of the Board and General Manager, Deputy Secretary of the Party Committee, Secretary of the Party Committee of Handan Textile Machinery Company Limited. He has been Director of Human Resources Department of China Hengtain Group Company Limited and China Textile Machinery (Group) Company Limited since 2007 and a Supervisor of the Company since August 2007.

Ms. Zhang Xiaoli, aged 45, a post-graduate, Senior Accountant and Certified Public Accountant, is Supervisor of the Company. Since 1997, Ms. Zhang had been Deputy Director of Finance Department of China Jinlong Sonxiang Group Company, and Deputy Director of the Finance Department of China Hengtian Group Company Limited. Since 2005, she has been Director of the Audit Supervision Department of China Hengtian Group Company Limited and China Textile Machinery (Group) Company Limited. She has been a Supervisor of the Company since August 2007.

Mr. Dong Min, aged 53, a post-graduate and Senior Mechanical Engineer, is Supervisor of the Company. He is Chairman of Xianyang Jingwei Machinery Manufacturing Company Limited, a subsidiary of the Company. From June 1991 to September 1997, Mr. Dong was Deputy Supervisor and Supervisor of the Preparatory Workshop and Director of Marketing Department of Xianyang Textile Machinery Plant. He had been Deputy Factory Manager of Xianyang Textile Machinery Factory since May 1997 and General Manager and Secretary of the Party Committee of Xianyang Textile Machinery Manufacturing Company Limited since November 2000, etc. Since April 2002, he had been Assistant to General Manager of the Company and has been General Manager of Textile Engineering Department of the Company since January 2003. He has been a Supervisor of the Company since June 2005 and Chairman of Xianyang Jingwei Machinery Manufacturing Company Limited since March 2007.

Section I Directors, supervisors and senior management (continued)

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

Supervisors (continued)

Mr. Lian Jinhua, aged 50, a post-graduate and Senior Accountant, is Supervisor of the Company. Mr. Lian is also the Director of the Company's subsidiaries, namely, Xianyang Jingwei Machinery Manufacturing Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited, and Huangshi Jingwei Textile Machinery Company Limited, and Chairman of the Supervisory Committee of Beijing Jingwei Textile Machinery New Technology Company Limited, Shanghai Weixin Electrical and Machinery Company Limited and Wuxi Jingwei Textile Technology Testing Company Limited, and Director of the Company's equity holding company, namely, Zhengzhou Hongda Non-woven Fabric Company Limited and Hengyang Textile Machinery Company Limited. From September 1992 to December 1996, Mr. Lian was Deputy Director of Supervisory and Auditing Department, Supervisor of the Auditing Office, Supervisor of the Supervisory and Auditing Department of Jingwei Textile Machinery Plant. He was Chief Accountant of Shanxi Textile Machinery Plant from December 1996 to March 2003. Since June 2001, he has been Head of the Property Development Department, Head of the Strategic Development Department and Head of Strategic Management Department of the Company. He has been a Supervisor of the Company since August 2004.

Mr. Li Xisheng, aged 51, a post-graduate and Senior Political Worker, is Supervisor of the Company. Mr. Li was Deputy Head and Head of the Promotion Department of Jingwei Textile Machinery Plant from January 1994 to August 1997, Deputy Secretary of the Party Committee and Secretary of the Disciplinary Committee of Xianyang Textile Machinery Plant from August 1997 to July 1998, Supervisor of Auditing Office of Jingwei Machinery (Group) Company Limited from July 1998 to October 2000 and Chairman of the Labour Union of Jingwei Machinery (Group) Company Limited from October 2000. He has been the Chairman of the Labour Union of the Yuci Branch of the Company since July 2005 and a Supervisor of the Company since August 2007.

Deputy General Managers

Mr. Lin Jianwang, aged 54, a post-graduate, a holder of EMBA and Professor Grade Senior Engineer, is Standing Deputy General Manager of the Company. He is currently Chairman of the Company's subsidiary, namely, Wuxi Jingwei Textile Technology Testing Company Limited, Director of Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Xianyang Jingwei Machinery Manufacturing Company Limited, Huangshi Jiangwei Textile Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited, Shanghai Weixin Electrical and Machinery Company Limited, and Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited, Deputy General Manager of the Company's equity holding company, namely, Hongda Research Company Limited, Director of Zhengzhou Hongda Non-woven Fabric Company Limited From July 1986 to August 1993, Mr. Lin was Deputy Head and Secretary of Party Branch of the Research Institute of Qingdao Textile Machinery Factory. Since September 1993, Mr. Lin has been Chief Engineer of Qingdao Textile Machinery Factory. From March 2000, he has been Director and General Manager of Beijing Jingwei Textile Machinery New Technology Company Limited. He was Deputy General Manager of the Company from August 2000 to June 2008. Since June 2008, he has been Standing Deputy General Manager of the Company.

Mr. Wang Weizhi, aged 52, a university graduate and Senior Political Worker, is Deputy General Manager of the Company. Mr. Wang holds various positions, including the directorship of the Company's subsidiary, namely, Beijing Jingwei Textile Machinery New Technology Company Limited. Mr. Wang was consecutively Deputy Secretary of Group Committee, Secretary of Group Committee, Secretary of Party Branch and Deputy Head of Branch Plant, Deputy Head of Organisation Department of Party Committee and Secretary of Party Branch of Chemical Fibre Machinery Department of Jingwei Textile Machinery Plant from January 1983 to July 1995, Deputy Secretary of Party Committee and Secretary of Disciplinary Committee of Jingwei Textile Machinery Plant, Deputy Secretary of Party Committee and Secretary of Disciplinary Committee and Deputy General Manager of Jingwei Machinery (Group) Company Limited from August 1995 to May 1999, Deputy Secretary of Party Committee and Secretary of Disciplinary Committee of the Company from July 1997 to August 2000, General Manager, Deputy Secretary of Party Committee and Secretary of Party Committee of Jingwei Machinery (Group) Company Limited from June 1999 to May 2002, Chairman of the Board of Directors, Secretary of Party Committee of Jingwei Machinery (Group) Company Limited, Secretary of Party Committee of Yuci Branch and Director of the Company from June 2002 to August 2003, Deputy Secretary of Party Committee of the Company from June 2002 to November 2009. He has been a Deputy General Manager of the Company since June 2002.

Section I Directors, supervisors and senior management (continued)

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

Mr. Shi Jianping, aged 47, a post-graduate and Senior Engineer, is Deputy General Manager of the Company. He is currently Chairman of Wuxi Jingwei Textile Technology Sales Company Limited, Director of Qingdao Hongda Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited and Beijing Jingwei Textile Machinery New Technology Company Limited, and Supervisor of the Company's equity holding company China Textile Machinery and Technology Import and Export Corporation. Mr. Shi was Deputy Factory Manager of Qingdao Textile Machinery Cooling Branch Factory, Deputy Head and Head of Precision Metal Plate Factory from February 1995 to August 1999, General Manager of Qingdao Hongda Textile Machinery Company Limited from August 1999 to April 2001, Factory Manager and Secretary of Party Committee of Qingdao Textile Machinery Plant, Vice Chairman and Secretary of Party Committee of Qingdao Hongda Textile Machinery Company Limited from April 2001 to October 2003 and Assistant to General Manager of the Company and General Manager of Blowing Machinery Business Department of the Company from October 2003 to June 2005. He was Supervisor of the Company from August 2004 to June 2005. He has been a Deputy General Manager of the Company since June 2005.

Mr. Liu Xianming, aged 47, a post-graduate, a master degree holder in Economics and Senior Engineer, is Deputy General Manager of the Company. He is Chairman of the Company's subsidiary Huangshi Jingwei Textile Machinery Company Limited, Director of Shenyang Hongda Textile Machinery Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited and Shanxi Jingwei Textile Machinery and Special Parts Company Limited, and Supervisor of the equity holding company Hongda Research Company Limited. Mr. Liu was Deputy Supervisor of Technology Renovation Office of Shenyang Textile Machinery Plant from May 1995 to May 1996, Deputy Factory Manager, Factory Manager and Secretary of Party Committee of Shenyang Textile Machinery Plant, Chairman and Secretary of Party Committee of Shenyang Hongda Textile Machinery Company Limited from May 1996 to May 2003 successively, Director of the Company from November 1999 to May 2003 and Vice Chairman of the Supervisory Committee and Assistant to General Manager of the Company from May 2003 to June 2005. He has been a Deputy General Manager of the Company since June 2005.

Mr. Mao Faqing, aged 40, a post-graduate, Ph.D in Economics, Senior Accountant, PRC registered accountant, PRC registered tax advisor, is the Financial Controller and Head of Finance Department of the Company. Mr. Mao is also a director of the Company's subsidiaries, namely, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Type Textile Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited and Beijing Jingpeng Investment Management Company Limited, Supervisor of Shanghai Weixin Electrical and Machinery Company Limited, Financial Controller of Beijing Jingwei Textile Machinery New Technology Company Limited and Supervisor of the equity holding company Hongda Investment Company Limited. Mr. Mao had been the accountant of the Finance Department and Deputy Supervisor of Finance Office of the Company from September 1995 to August 2000, Head of the Finance Department since September 2000 and Deputy Financial Controller of the Company since March 2008. He has been Financial Controller of the Company since April 2008.

Company Secretary

Mr. Ye Xuehua, aged 45, a post-graduate, a master degree holder in Management and Senior Engineer, is Secretary of the Board of Directors of the Company. He is Chairman of the Supervisory Committee of the Company's subsidiary, namely, Shanghai Weixin Electrical and Machinery Company Limited and Beijing Jingwei Textile New Technology Company Limited. In July 1990, Mr. Ye joined Jingwei Textile Machinery Plant. He has been Secretary to the Board since March 2000 and he had been Director of Office of General Manager of the Company during the period from September 2000 to August 2002.

Section I Directors, supervisors and senior management (continued)

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

Name	Position	Gender	Age	Beginning date of current term of office	Ending date of current term of office	Number of shares held at beginning of the year	Number of shares held at the end of the year	Reasons for change	Total remuneration received from the Company during the reporting period (RMB'0000) (before tax)	Whether salary received from the shareholder of the Company or other associated unit
Liu Haitao	Chairman	Male	45	15 August 2007	15 August 2010	–	–	–	–	Yes
Ye Maoxin	Standing Vice Chairman	Male	47	15 August 2007	15 August 2010	8,580	8,580	–	–	Yes
Fan Xinmin	Vice Chairman	Male	60	15 August 2007	15 August 2010	–	–	–	–	Yes
Yan Fuquan	Director	Male	46	15 August 2007	15 August 2010	–	–	–	–	Yes
Liu Hong	Director	Male	51	15 August 2007	15 August 2010	–	–	–	–	Yes
Shi Tinghong	Director	Male	47	15 August 2007	15 August 2010	–	–	–	–	Yes
Yao Yuming	Director General Manager	Male	48	15 August 2007 15 August 2007	15 August 2010	10,304	10,304	–	34	No
Zhang Jianguo	Director	Male	57	15 August 2007	15 August 2010	–	–	–	27	No
Gao Yong	Independent Non-executive Director	Male	56	15 August 2007	15 August 2010	–	–	–	5	No
Zhao Xi Zi	Independent Non-executive Director	Male	65	29 February 2008	15 August 2010	–	–	–	5	No
Chen Zhong	Independent Non-executive Director	Male	53	15 August 2007	15 August 2010 (Note)	–	–	–	5	No
Yu Shiquan	Independent Non-executive Director	Male	43	15 August 2007	15 August 2010	–	–	–	5	No
Tu Kelin	Chairman of Supervisory committee	Male	59	15 August 2007	15 August 2010	–	–	–	–	Yes
Peng Zeqing	Vice Chairman of Supervisory Committee	Female	57	15 August 2007	15 August 2010	–	–	–	38	No
Liu Jiebo	Supervisor	Male	46	15 August 2007	15 August 2010	–	–	–	–	Yes
Zhang Xiaoli	Supervisor	Female	45	15 August 2007	15 August 2010	–	–	–	–	Yes
Dong Min	Supervisor	Male	53	15 August 2007	15 August 2010	–	–	–	22	No
Lian Jinhua	Supervisor	Male	50	15 August 2007	15 August 2010	–	–	–	21	No
Li Xisheng	Supervisor	Male	51	15 August 2007	15 August 2010	–	–	–	15	No
Lin Jianwang	Standing Deputy General Manager	Male	54	20 June 2008		–	–	–	46	No
Wang Weizhi	Deputy General Manager	Male	52	5 June 2002		–	–	–	18	No
Shi Jianping	Deputy General Manager	Male	47	9 June 2005		–	–	–	38	No
Liu Xianming	Deputy General Manager	Male	47	9 June 2005		2,520	2,520	–	38	No
Mao Faqing	Financial Controller	Male	40	22 April 2008		–	–	–	38	No
Ye Xuehua	Company Secretary	Male	45	15 August 2007	15 August 2010	–	–	–	32	No
Total						21,404	21,404		387	

Note: On 24 March 2010, the Board accepted the resignation of Mr. Chen Zhong as an Independent Non-executive Director. The resignation will be effective after his resignation and the appointment of a new Independent Non-executive Director to fill his vacancy are approved at the general meeting.

Section I Directors, supervisors and senior management (continued)

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

Save as disclosed above, as at 31 December 2009, none of the Directors, Supervisors, senior management and their respective spouses or children under the age of 18 had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), nor had any of them been granted any rights or short positions to subscribe for any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which was required to be recorded in the register established and maintained in accordance with section 352 of the Securities and Futures Ordinance or required to be notified to the Company and the Stock Exchange in accordance with Model Code for Securities Transactions by Directors of the Listed Issuers. During the reporting period, none of the Directors, Supervisors or senior management had any material interests in the contacts executed by the Company or its subsidiaries.

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

On 16 June 2004, the general meeting of the Company approved the establishment of the Personnel Nomination and Remuneration Committee of the Board of Directors of the Company as well as the adoption of the "Implementation Rules and Regulations of the Personnel Nomination and Remuneration Committee of the Board of Directors". Accordingly, the Personnel Nomination and Remuneration Committee of the Board of Directors of the Company determined remuneration package of the Directors, Supervisors and senior management based on the major scope of work, job duty, importance of their respective positions and salary level of relevant positions compared with similar positions in other relevant enterprises. During 2009, the Company did not have share incentive scheme.

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

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

Section II Staff

As at 31 December 2009, the total number of staff of the Group was 13,346, among which 493, 1,067 and 750 were at the senior, middle and junior levels respectively, and 4,233 received tertiary education or above. Amongst the staff in the Group, 1,458 were engaged in technical, scientific research and development, 607 in sales and marketing, 1,829 in operation and management, 9,031 in production and 421 in other areas. For the year ended 31 December 2009, the total remuneration for the staff of the Group amounted to RMB457,824,000 (RMB444,524,000 for the corresponding period of last year). The remuneration is determined with reference to the standard of the position and performance of the staff. In addition, the number of retired staff of the Group was 2,942 for the year ended 31 December 2009.

Chapter V Structure of Corporate Governance

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

I. Current Structure of Corporate Governance

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

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

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

II. Performance of Independent Non-executive Directors

The "Working System for Independent Non-executive Directors" and "Working System in relation to Annual Report for Independent Non-executive Directors" were laid down by the Company to govern the qualification, nomination, election, change, rights and obligations of Independent Non-executive Directors, their independent advice, the protection given in relation to the performance of their duties as well as the responsibilities and obligations of Independent Non-executive Directors in the preparation of annual report and the disclosure-making process.

The Independent Non-executive Directors have conscientiously performed their duties in accordance with relevant laws, rules and regulations and the Articles of Association. They have participated in the work of the Board and in the discussions in respect of significant matters. They also gave advice on regulating the operation and business activities of the Company based on their professional knowledge and experience and they had no objection to such subject matters in the Company in 2009. The Independent Non-executive Directors offered their independent opinion as to whether the connected transactions were fair and equitable. They also participated in the work of Audit Committee to review the financial matters of Company. The Independent Non-executive Directors protected the overall interests of the Company as well as the legal interests of the shareholders as a whole and made positive contribution to the development of the Company.

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

Name of Independent Non-executive Directors	Number of board meetings held during the year (number)	Attendance in person (number)	Attendance by proxy (number)	Attendance by various communication means (number)	Absence (number)
Gao Yong	10	6	0	4	0
Zhao Xi Zi	10	6	0	4	0
Chen Zhong	10	5	1	3	1
Yu Shiquan	10	6	0	4	0

III. Independent Operation of the Company

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

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

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

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

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

In respect of information disclosure, the Company has set up enhanced systems and mechanisms such as the information disclosure management system, investor relationship management system and material information internal reporting system in accordance with the Listing Rules of Shenzhen Stock Exchange and the Rules Governing the Listing of Securities of the Stock Exchange and other relevant regulations set out in legal provisions so as to fulfil the responsibility regarding information disclosure to ensure the truthfulness, accuracy and completeness in all material respects of every significant aspect of information disclosure. In order to enhance the accountability of the person in charge for the disclosures in annual reports, improve the quality and transparency of such disclosures in annual reports and regulate the external information users and the management of inside information, the Company formulated "Accountability System for Material Error in the Disclosures within Annual Reports", "Management System for External Information User" and "Management System for Insider" so as to further supplement the information disclosure system of the Company. Those systems were considered and passed at the Board Meeting held on 24 March 2010.

During the year, the Company further advised the controlling shareholders and related person of laws and regulations so as to deepen their familiarity and understanding on the legal structure and basic principles of regulated operation of listed companies to prevent non-compliance. Also, the Company arranged relevant training for directors, supervisors and senior management of the Company to further raise their concept in credibility and their legal awareness. In addition, the Company carried out self-examination during the year and no new problem has been identified and the completeness and health of our internal system was assured.

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

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

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

The full text of the "Report on Self-evaluation of Internal Control System for the Year 2009" of the Company was published on the website of cninfo (http://www.cninfo.com.cn), the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.jwgf.com) for shareholders' reference. The Supervisory Committee and the Independent Non-executive Directors of the Company issued opinions regarding the self-evaluation of the Company's internal control:

1. Opinions on the "Report on Self-evaluation of Internal Control System for the Year 2009" of the Company issued by the Supervisory Committee:

   The Company has established and perfected the relevant internal control system in accordance with the related requirements set out by CSRC and Shenzhen Stock Exchange and taking into consideration its own actual state, which boosted and guaranteed the accomplishment of all operation and management objectives and the normal course of business activities of the Company. The organisation and structure of the internal control of the Company are complete with scientific installations. Its internal audit and internal control system were comprehensive, well-equipped and efficient, which guaranteed the full effect of execution and supervision on the key activities of internal control. The "Report on the Self-evaluation of Internal Control System for the Year 2009" of the Company is true and objective in reflecting the actual state of the internal control of the Company.

2. Opinions on the "Report on Self-evaluation of Internal Control System for the Year 2009" of the Company issued by the Independent Non-executive Directors:

   The Company has established a relatively comprehensive internal control system which is in compliance with the requirements of the relevant laws of the State, administrative rules and regulations and departmental measures. The internal control system is legal, reasonable and effective. The Company's activities including corporate governance, production and operation, information disclosure and substantial events were carried out in accordance with all requirements of the internal control system of the Company so that the internal or external risks which may exist in each detail of the activities were reasonably controlled. The internal control of the Company is effective. The "Report on the Self-evaluation of Internal Control System for the Year 2009" of the Company is true and objective in reflecting the actual state of internal control of the Company.

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

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

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

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

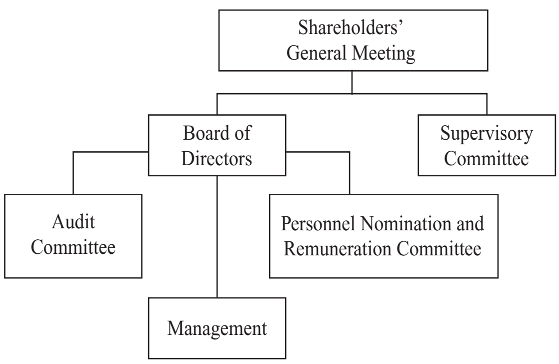
During the reporting period, except for the Code Provision B.1.1, the Company has fully complied with the Code Provisions of Codes on Corporate Governance in Appendix 14 to the Listing Rules of the Stock Exchange. Under Code Provision B.1.1., listed issuers shall establish a remuneration committee. The majority of its members should be independent non-executive directors. The Personnel Nomination and Remuneration Committee of the Board of Directors of the Company for year 2009 is composed of two Independent Non-executive Directors and two Executive Directors, which could not fully comply with the requirement in relation to the minimum percentage of independent non-executive directors under Code Provision B.1.1.. To ensure full compliance with the Code Provisions set out in Appendix 14 to the Listing Rules, it was approved to appoint Mr. Gao Yong, an Independent Non-executive Director as a member of Personnel Nomination and Remuneration Committee at the Board Meeting of the Company convened on 24 March 2010. After that, 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.

I. Corporate Governance

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

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

The Structure of Corporate Governance of the Company:



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

II. Board

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

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

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

The positions of Chairman and General Manager (Chief Executive Officer) of the Company are taken up by different persons and there is a clear division of work between the two roles. The Chairman presides at the Board meetings and reviews the implementation of the Board's resolutions. General Manager, supported by the Board and other senior management of the Company, is responsible for the management and coordination of the Group's business, and for making daily decisions in accordance with the strategy formulated by the Board. In the year 2009, Chairman of the Company is Mr. Liu Haitao and General Manager (Chief Executive Officer) of the Company is Mr. Yao Yuming.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Board (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2009, two Directors held management positions in the Company, accounting for 1/6 of the total number of Directors. This arrangement enabled the Board to review and supervise the procedure of management of the Company.

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

The Board of Directors of the Company has considered and passed the resolution in relation to Mr. Chen Zhong's resignation as an Independent Non-executive Director of the Company on 24 March 2010. The resignation will be effective after his resignation and the appointment of a new Independent Non-executive Director to fill his vacancy are approved at the General Meeting.

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

II. Board (continued)

In 2009, the Company held 10 Board meetings to discuss about the Company's overall strategic and investment proposals as well as the operation and financial performance of the Company. The Board meeting achieved efficient and timely discussions and prudent decisions . Independent non-executive Directors of the Company had no objection to the Company's decisions. Attendance percentage of the meetings was 98.93% (including attendance by other Directors as proxy) and the details are as follows:

Name of Director	Position	Total number of meetings	Attendance in person	Attendance via communication means	Attendance by proxy	Absence	Not attending in person for two consecutive meetings?	Remarks
Liu Haitao	Chairman	10	6	4	0	0	No	–
Ye Maoxin	Standing Vice Chairman	10	6	4	0	0	No	–
Fan Xinmin	Vice Chairman	10	4	4	2	0	No	–
Yan Fuquan	Executive Director	10	6	4	0	0	No	–
Liu Hong	Executive Director	10	6	4	0	0	No	–
Shi Tinghong	Executive Director	10	6	4	0	0	No	–
Yao Yuming	Executive Director, General Manager	10	6	4	0	0	No	–
Zhang Jianguo	Executive Director	10	6	4	0	0	No	–
Gao Yong	Independent non-executive Director	10	6	4	0	0	No	–
Zhao Xi Zi	Independent non-executive Director	10	6	4	0	0	No	–
Chen Zhong	Independent non-executive Director	10	5	3	1	1	Yes	Mr. Chen Zhong failed to attend the meeting as he was on a business trip.
Yu Shiquan	Independent non-executive Director	10	6	4	0	0	No	–

Number of Board meetings convened during the year		10
Of which:	Number of on-site meetings	6
	Number of meetings convened via communication means	4
	Number of on-site meetings with communication means	0

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

II. Board (continued)

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

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

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

Special Board Committees

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

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

II. Board (continued)

Audit Committee

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

As of 31 December 2009, the members of the Audit Committee under the fifth Board of the Company are Mr. Gao Yong (Chairman of the Committee) and Mr. Yu Shiquan. Both of the members are Independent Non-executive Directors. Pursuant to Rule 3.21 of the Listing Rules, all the members of the audit committee must be non-executive directors with a minimum of three members. It was approved to appoint Mr. Zhao Xi Zi, Independent Non-executive Director, as a member of Audit Committee at the Board Meeting convened on 24 March 2010. After that, the Audit Committee reached the above requirements of quorum. To date, the members of the Audit Committee under the fifth Board of the Company are Mr. Gao Yong (Chairman of the Committee), Mr. Zhao Xi Zi and Mr. Yu Shiquan. Three members are Independent Non-executive Directors.

Three meetings of the Audit Committee were held in 2009. All the matters passed by the Audit Committee have been properly recorded and filed according to the relevant rules. The Chairman of the Audit Committee reported to the Board on all the important matters.

The attendance of members of Audit Committee during 2009 is as follows:

Name of the committee member	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Gao Yong (Chairman of the Committee)	3	3	100%
Yu Shiquan	3	3	100%

The work of Audit Committee for the year include: reviewed the completeness of the 2008 Annual Report, 2009 Interim Report and the relevant accounts of the Company, and reviewed the substantial opinions on financial reporting as set out in financial statements and reports. It also reviewed the Company's internal financial reporting procedures, financial and accounting policies and practices, and conducted relevant discussions with Executive Directors, General Manager and external Auditors. The Committee examined the independence of external Auditors and considered and approved its terms of employment and remuneration. It also discussed the nature, scope and relevant reporting obligations of Auditors and provided written reports and recommendations to the Board in a timely manner.

The Audit Committee has reviewed the result of the Group for the year ended 31 December 2009.

Personnel Nomination and Remuneration Committee

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

As of 31 December 2009, the fifth Personnel Nomination and Remuneration Committee comprises two Independent Non-executive Directors and two Executive Directors, including Mr. Zhao Xi Zi (Chairman of the Committee), Mr. Liu Haitao, Mr Ye Maoxin and Mr. Yu Shiquan. It was approved to appoint Mr. Gao Yong, an Independent Non-executive Director, as a member of Personnel Nomination and Remuneration Committee at the Board Meeting convened on 24 March 2010. To date, the members of the Personnel Nomination and Remuneration Committee under the fifth Board of the Company comprises three Independent Non-executive Directors and two Executive Directors, namely Mr. Zhao Xi Zi (Chairman of the Committee), Mr. Liu Haitao, Mr. Ye Maoxin, Mr. Gao Yong and Mr. Yu Shiquan. The relevant requirements were complied with.

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

II. Board (continued)

Personnel Nomination and Remuneration Committee (continued)

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

III. Mechanism of supervision

Supervisory Committee

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

In 2009, the Supervisory Committee of the Company held 4 meetings and all the Supervisors attended the meetings and the Board meetings and have performed the duties of Supervisory Committee in a diligent manner. The Supervisory Committee reviewed matters including the financial information related to the Company's 2008 annual report and 2009 first quarterly, interim and third quarterly reports. The Committee has monitored the management of the Board and senior management of the Company and provided recommendations thereon to the management.

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

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

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

III. Mechanism of supervision (continued)

Internal Control and Internal Audit

The Board is responsible for making a balanced, clear and comprehensive assessment on the performance and prospect of the Group. The Board is also responsible for making arrangement for the preparation of accounts of the Company (including accounts for the year ended on 31 December 2009) on a going concern basis that reasonably and fairly reflect the financial conditions of the Group, as well as arranging for the announcement of price-sensitive information and financial disclosure. The management provides to the Board all relevant information and records which enables the Board to make the above evaluations and to prepare the accounts and financial disclosure. The external auditors of the Company confirms that they are responsible for preparing a report in respect of the financial statements for the year under review within the Report of the Auditors.

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

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

The Company has always placed a lot of emphasis on internal control and has established corresponding internal management mechanism and procedures in aspects of operations, finance, administration and human resources. To consistently standardize corporate governance, the Board of the Company has reviewed the effectiveness of the internal control system of the Company for the year 2009 and the review covered its financial controls, operational monitoring, compliance controls and risk management functions. Especially, the Board has considered the resources in respect of accounting and financial reporting, the sufficiency of the qualification and experience of the staff and adequacy of staff training and the related budget.

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

III. Mechanism of supervision (continued)

Fee to External Auditors and Term of Service

The Company engaged Deloitte Touche Tohmatsu (Hong Kong Certified Public Accountants) and Deloitte Touche Tohmatsu CPA Ltd. (the PRC Certified Public Accountants) as the international auditors and PRC auditors for the years 2007 and 2008 respectively.

In 2009, in accordance with the requirements of "Notice Regarding Financial Audit to be Performed on Randomly Selected Central Enterprises for the Financial Year 2009" issued by State-owned Assets Supervision and Administration Commission of State Council, on the extraordinary Board meeting of the fifth Board held on 10 November 2009 and the 2009 extraordinary general meeting held on 28 December 2009, it was considered and passed to discontinue the engagement of Deloitte Touche Tohmatsu (Hong Kong Certified Public Accountants) and Deloitte Touche Tohmatsu CPA Ltd. (the PRC Certified Public Accountants) as the respective international auditors and PRC auditors of the Company for the financial year ended 31 December 2009, and to appoint UHY Vocation HK CPA Limited (Hong Kong Certified Public Accountants) and Vocation International Certified Public Accountants Co., Ltd. (the PRC Certified Public Accountants) as the respective international auditors and PRC auditors of the Company for the financial year ended 31 December 2009. The appointment was effected starting from such discontinuance of engagement.

The aggregate remuneration to UHY Vocation HK CPA Limited and Vocation International Certified Public Accountants Co., Ltd. (as the international and PRC auditors of the Company respectively) for the year 2009 was RMB3,000,000. Other than audit related services, UHY Vocation HK CPA Limited and Vocation International Certified Public Accountants Co., Ltd. have not provided non-audit services during the year.

Financial Controller

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

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

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

Interests in shares of the Substantial Shareholders

Save as disclosed in Chapter III "Movements in share capital and information on shareholders", to the best knowledge of the Directors, Supervisors and senior management of the Company, as at 31 December 2009, no person (other than the Directors, Supervisors and senior management of the Company) holds any interests or short positions in the shares or underlying shares of the Company which shall be notified to the Company and the Stock Exchange pursuant to in Divisions 2 and 3 of Part XV of Securities and Futures Ordinance or any interests or short positions recorded in the register required to be maintained pursuant to section 336 of Securities and Futures Ordinance.

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

III. Mechanism of supervision (continued)

Shareholders, investors' relationship and other stakeholders

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

General Meeting

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

Substantial shareholder

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

Information disclosure and management of investors' relationship

The Secretary to the Board and the stock representative are responsible for information disclosure and reception of shareholders and investors. To optimise the management over investors' relationship, the Company formulated "Information Disclosure System" and "Management System of Investors Relationship" to ensure that the disclosures were open, fair and equitable so as to raise the transparency of the Company. At the same time, the Company formulated the "Accountability System for Material Error in the Disclosures in Annual Reports (年報信息披露重大差錯責任追究制度)", "Management System for External Information User" (外部信息使用人管理制度) and "Management System for Insider" (內幕信息知情人管理制度) to further regulate information management.

Evaluation and Incentive of Senior Management

The Personnel Nomination and Remuneration Committee is responsible for the appraisal of senior management. For the details, please refer to Chapter IV, "Directors, Supervisors, Senior Management and Staff".

IV. Summary

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

Chapter VI General Meetings of Shareholders

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

Meeting	Date on which meeting was held	Media on which resolutions were published	Date of announcement
2008 Annual General Meeting	18 June 2009	Websites of cninfo, and the Stock Exchange of Hong Kong Limited	18 June 2009
		Securities Times and website of the Company	19 June 2009
Class Meeting for Holders of A Shares of 2008	18 June 2009	Websites of cninfo, and the Stock Exchange of Hong Kong Limited	18 June 2009
		Securities Times and website of the Company	19 June 2009
Class Meeting for Holders of H Shares of 2008	18 June 2009	Websites of cninfo, and the Stock Exchange of Hong Kong Limited	8 June 2009
		Securities Times and website of the Company	19 June 2009
The First Extraordinary General Meeting of 2009	28 December 2009	Websites of cninfo, and the Stock Exchange of Hong Kong Limited	28 December 2009
		Securities Times and website of the Company	29 December 2009

Chapter VII Directors' Report

Section I Operation Review of the Company during the Reporting Period

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

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

In 2009, under the impact of the global financial crisis and other unfavourable factors, no observable improvement was shown in the domestic and overseas textile market whereas demands in textile machinery market were weak. As a result, the production and sales aspects of our core business has experienced a relatively substantial impact. Although the markets showed a sign of recovery in the fourth quarter and the turnover from core business increased by a larger magnitude, the turnover, operating income and the net profit attributable to the parent company of the Group still suffered a relatively substantial decrease during the reporting period as compared with last year.

For the year ended 31 December 2009 and as stated in the financial report prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), the Group's revenue amounted to RMB3,498.019 million and profit attributable to owners of the Company amounted to RMB-78.891 million, representing a decrease of 4.05% and 405.12% from that of last year respectively. As at 31 December 2009, the Group's carrying amount of bank balances was RMB1,277.692 million, borrowings due within one year was RMB648.413 million of which borrowings in the U.S. dollars amounted to US$7.504 million (equivalent to RMB51.241 million), and the balances were borrowings in Renminbi. The interest rates were in the range of 1.80% to 5.31% per annum. The Group had long-term borrowings of RMB580.444 million. The gearing ratio (long-term borrowings divided by net asset value) was 19.86%.

As at 31 December 2009, bank and cash balances of the Group of RMB54.992 million were pledged to secure bill payables granted to the Group (2008: RMB44.964 million).

As at 31 December 2009, none of the short-term investments of the Group were pledged as security for the Group's bank loans (2008: Nil).

For the year ended 31 December 2009 and as stated in the financial report prepared in accordance with the PRC Corporate Accounting Standards and System, operating revenue of the Group amounted to RMB3,571.472 million, representing a decrease of 3.68% from that of last year. Operating profit was RMB-160.062 million, representing a decrease of 749.68% from that of last year. Net profit attributable to shareholders of the parent company was RMB-78.891 million, representing a decrease of 405.12% over that of the previous year.

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

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

Among the above items:

Operating revenue of the Company was RMB2,240.572 million, representing a decrease of 10.41% over that of the previous year while its operating profit was RMB43.639 million, representing a decrease of 10.28% over that of the previous year. Net profit of the Company was RMB63.285 million, representing a decrease of 9.81% over that of the previous year.

Major controlled subsidiaries:	Operating revenue of Qingdao Hongda Textile Machinery Company Limited was RMB993.602 million while operating profit was RMB-44.871 million.
	Operating revenue of Shenyang Hongda Textile Machinery Company Limited was RMB102.968 million while operating profit was RMB-7.793 million.
	Operating revenue of Tianjin Jingwei New Type Textile Machinery Company Limited was RMB51.010 million while operating profit was RMB-8.884 million.
	Operating revenue of Changde Textile Machinery Company Limited was RMB213.332 million while operating profit was RMB-13.656 million.
	Operating revenue of Beijing Jingwei Textile Machinery New Technology Company Limited was RMB161.325 million while operating profit was RMB33.788 million.
	Operating revenue of Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited was RMB26.663 million while operating profit was RMB-0.998 million.
	Operating revenue of Wuxi Jingwei Textile Technology Testing Company Limited was RMB160.462 million while operating profit was RMB226,000.
	Operating revenue of Wuxi Hongda Textile Machinery and Special Parts Company Limited was RMB104.003 million, while operating profit was RMB5.988 million.

The major operating activities of the Group in 2009 were as follows:

(1) Obtaining new progress in product development

In 2009, the Company aggressively developed new products to facilitate the upgrade to a new generation. In 2009, 42 projects for new product development were completed, 59 patents were obtained (10 of which were invention patents) and 58 patents are now pending. Besides, the promotion of new products finished with great success. One batch of new products launched to the market in a short time; certain products received a technological upgrade to increase their stability and reliability; and the design procedure of certain products was completed. Such products are probable to be sold in bulk in 2010. During the year, the Company won various awards in competitions, including Hong Kong Sang Ma Award (First-class Prize and Second-class Prize) and the Science and Technology Award of the "Honour of Textile"（紡織之光）(Second-class Prize and Third-class Prize) by China National Textile Association. The Company and various companies received support from state policy on technological projects and the underlying fund was credited during the year, which significantly supported and promoted the technological research and development of the Company and various companies. The Company also actively organised and implemented the "technology support programme" supported by the National Development and Reform Commission, which effectively promoted the technological innovation. Furthermore, the Company entered into certain strategic cooperation agreements with well-known foreign enterprises in relation to the research, development and production of equipment. Benefited from their advanced technology, our technology standard has been advanced, product quality has been improved and production amount rose, allowing the Company to meet the higher requirement from customers. Such sample machines will be manufactured in the near future.

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

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

(2) Making breakthrough in market expansion

In 2009, the market was under increasingly severe competition. The fellow enterprises of the Company were more aggressive in capturing market share, extending sale network and establishing information management platform. Also, relative marketing strategies were formulated and quick selling products were launched to satisfy the customer demand. The number of effective contracts entered into during the year was higher than that in 2008. The Company took full advantage of its overall strength and the provision of complete set of equipment; and entered into certain effective contracts in relation to complete set of equipment of relatively substantial amount. Sale volume and turnover of the sale of complete set of equipment reached a significant amount, which drove the sale of our group companies. Under the market downturn, the Company and its group companies improved the quality of their after-sale service. Our expert team made several visits to our main business regions and our key customers to identify and solve the existing problems as well as promote our new products and parts, especially for our highlighted projects of complete set of equipment, which were followed by our particular project managers according to the own situation of our group companies. Positive feedback has been received from our customers.

(3) A new move towards adjustment of business structure

One of our focuses in 2009 was to develop non-textile machinery business, which was a strategic task to tackle with the decline in textile machinery industry and to pursue a long-term stable development for the Company. We designated our staff to have systematic examination, study and evaluation in certain business. In the extraordinary Board meeting of the fifth Broad of the Company held in January 2010, the Broad considered and passed the resolution to acquire 36% equity interest of Zhongrong International Trust Co., Ltd. (“Zhongrong Trust”) (subject to the approval at the Extraordinary General Meeting of the Company to be held on 12 April 2010), by which diversification could be achieved and the market risk arising from a single business could be reduced. The fellow companies of the Company also increased their engagements within the non-textile machinery business. Some projects are at the design, development and trial stage; and some projects have realised production or bulk production, some of which has even been contracted for supply and sale. Meanwhile, the Group deployed land and assets more effectively. Some of them have been relocated and the constructions of new plants were under progress; and some of them have established project companies and finished the reform for old plants. Due to the above mentioned activities, phrasal capital projects have been advanced. In 2009, the Company strictly controlled its risks and reasonably utilised its capital, by which the capital utilisation projects were advanced through investment, shareholding and joint-stock holding. A relatively high income was achieved for the period. All of these contributed to lowering the loss and the development of core business. Moreover, the group companies took full advantage of its processing capacity to develop the business of processing in partnership. Orders for processing in partnership within various industries increased during the year, which supplemented the insufficiency in workload, which in turn increased the revenue.

(4) Further improvement in the quality of economic operation

In 2009, the Company strengthened its operation analysis and coordination and promptly master, follow and direct the operation of its fellow enterprises. Enhanced controls over inventory and receivables secured the liquidity requirement for the operation of our Group while fully protected the capital so as to ensure the stability of our production and operation. Also, the Company reduced the cost expense through numerous measures. The annual operation expense and management cost significantly reduced as compared to that last year. Besides, the Company enhanced its management in supply chain through implementing the risk procurement and suppressing the increase in the price of materials while strengthening the extension of sales resulting in a lower sourcing cost. During the year, information management has been improved. Up till now, information technology application has been used in various areas and getting an increasing importance in production and operation activities.

(5) Increasing efforts in financial and risk management

In 2009, the Company improved its financial budget system and made it more realistic to get a better result. In addition, to enhance the corporate governance and risk prevention and meet the governing requirement in relation to the evaluation of internal control of listing company, the Company carried out evaluation on internal control in May 2009, thus laying down foundation for establishing the evaluation system of internal control in 2010 in general. Since 2009, the Company has used standardised financial audit as the basis for the purposes of optimising internal control management, preventing operational risk and securing corporate asset, with a view to extend its scope of audit continuously, practically improve its audit quality and to promote regulating operation within the Company. Also, the Company aggressively introduced scientific management in receivables to protect our creditor’s right. Overdue receivables reduced obviously as compared to that last year. The Company also enhanced the control and management over highlighted projects with satisfactory result.

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

2. Principal activities of the Company and its operation

(1) Analysis of principal activities by product

Unit: RMB'000

Items	Operating revenue	Operating cost	Operating gross profit margin (%)	Increase or decrease of operating revenue compared with last year (%)	Increase or decrease of operating cost compared with last year (%)	Increase or decrease of operating gross profit margin compared with last year (%)
Natural fibre textile machinery	2,292,981	2,185,846	4.67	-6.44	-1.67	-4.62
Chemical fibre textile machinery	90,860	69,959	23.00	-4.21	-12.92	7.70
Weaving machinery	182,463	175,474	3.83	2.02	19.60	-14.14
Others	281,329	223,089	20.70	105.74	75.83	13.49
Real estate	280,525	227,477	18.91	-10.25	-2.21	-6.67
Total	3,128,158	2,881,845	7.87	-1.44	2.57	-3.60

(2) Principal activities by region

Unit: RMB'000

Region	Operating revenue	Increase or decrease of operating revenue compared with last year (%)
PRC	2,926,219	13.82
Asia	186,739	-67.26
Africa	11,305	-48.25
Others	3,895	-64.11
Totals	3,128,158	-1.44

(3) Major customers and suppliers

For the year ended 31 December 2009, the total sales by the Group to the 5 largest customers amounted to RMB391.082 million, representing 10.95% of operating revenue for the year.

For the year ended 31 December 2009, the total purchase by the Group from the 5 largest suppliers amounted to RMB337.024 million, representing 13.91% of the total purchases for the year.

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

3. Change in the assets composition during the Reporting Period

Unit: RMB'000

Items	End of the reporting period	Beginning of the reporting period	Increase/decrease (%)	Reason for difference
Currency funds	1,277,692	734,710	73.90%	Note 1
Bill receivables	1,134,244	700,809	61.85%	Note 2
Other receivables	300,139	170,663	75.87%	Note 3
Inventories	1,336,311	1,774,348	-24.69%	Note 4
Long-term equity investments	160,728	218,784	-26.54%	Note 5
Construction in progress	115,625	64,941	78.05%	Note 6
Deferred tax assets	13,503	30,045	-55.06%	Note 7
Other non-current assets	69,606	35,909	93.84%	Note 8
Bill payables	128,018	181,266	-29.38%	Note 9
Accounts payable	1,172,325	893,709	31.18%	Note 10
Advances from customers	640,623	306,361	109.11%	Note 11
Employee benefits payables	77,975	54,182	43.91%	Note 12
Taxation payable	62,355	-5,000	1,347.14%	Note 13
Other payables	257,405	181,145	42.10%	Note 14
Long-term payables	155,923	95,117	63.93%	Note 15
Special payables	60,164	39,947	50.61%	Note 16
Other non-current liabilities	60,213	45,345	32.79%	Note 17
Financial expenses	50,401	20,716	143.30%	Note 18
Investment income	87,915	53,087	65.61%	Note 19
Less: Income tax	26,426	22,624	16.80%	Note 20

Note 1: The increase in currency funds as compared to last year was mainly due to the enhanced effort to recover accounts receivables, resulting in an increase in operating cash inflow. Besides, there were certain new addition of long-term borrowings during the year.

Note 2: The increase in bill receivables as compared to last year was mainly due to increase in using bills for settlement by various customers of the Company during the period, resulting in an increase in the balance of bill receivables as at the end of the period.

Note 3: The increase in other receivables as compared to last year was mainly due to increase in the amount for disposing the equity interest of Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd. and the increase in the deposits paid for finance leases.

Note 4: The decrease in inventories as compared to last year was mainly due to the adoption of inventory controls for accommodating to the changes in the macro-economic environment, resulting in a reduction in the utilisation of funds.

Note 5: The decrease in long-term equity investment as compared to last year was mainly due to the disposal of the investment in Langfang Hengsheng Realty Group Co., Ltd. during the year.

Note 6: The increase in construction in progress as compared to last year was mainly due to the fact that our subsidiaries were relocated and reformed to construct a new production zone in response to the appeal of local government.

Note 7: The decrease in deferred tax assets as compared to last year was mainly due to the decognition of deferred tax assets of the subsidiaries no longer qualifies.

Note 8: The increase in other non-current assets as compared to last year was mainly due to the fact that our subsidiaries relocated and reformed to construct a new production zone in response to the appeal of local government during the year.

Note 9: The decrease in bill payables as compared to last year was mainly due to the additional settlement means of bill receivables. The Company could endorse the bill receivables and transfer those amounts and suppliers, thus reducing the bills issued by the Group at the end of the period.

Note 10: The increase in accounts payable as compared to last year was mainly due to fact that the Company used more bills for settlement. For those are not yet due at the end of the period was adjusted in accordance with International Accounting Standards.

Note 11: The increase in advance from customers as compared to last year was mainly due to the increase in the amount from the presale of products and the advanced receivables from sale of property during the year.

Note 12: The increase in employee benefits payables as compared to last year was mainly due to delay in payment of social security by its subsidiaries as well as additional acquisition of Huangshi Jingwei Textile Machinery Company Limited.

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

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

Note 13: The increase in taxation payables as compared to last year was mainly due to the fact that the decrease in inventory of the Group was slightly higher than the decrease in operating income during the year, thus increasing the VAT payables as compared to last year. Besides, the taxation payables for the deposit paid for the properties developed by Beijing Bohong Property Development Company Limited, a subsidiary of the Company increased at the end of the period.

Note 14: The increase in other payables as compared to last year was mainly due to the additional acquisition of Huangshi Jingwei Textile Machinery Company Limited.

Note 15: The increase in long-term payables as compared to last year was mainly due to the additional obligation under the financing lease agreement entered into with CMB Financial Leasing Co., Ltd. during the year.

Note 16: The increase in special payables was mainly due to the tax rebate received in accordance with Cai Guan Shui No. 11 (2007) in respect of importing critical parts of automatic winding machine at the beginning of the year.

Note 17: The increase in non-current assets was mainly due to the increase in government subsidy received during the year.

Note 18: The increase in financial costs as compared to last year was mainly due to the decrease in foreign exchange income during the year. Besides, interest payment for finance costs also increased as the borrowing increased during the year.

Note 19: The increase in investment income as compared to last year was mainly due to the investment income from the disposal of the equity interest in Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd. during the year.

Note 20: The increase in income tax as compared to last year was mainly due to the derecognition of deferred tax assets of the Company's subsidiaries whose tax loss previously recognised no longer qualifies.

4. Composition of the Company's cash flow

Net cash flow from the Group's operating activities for 2009 was RMB321.786 million, representing an increase of RMB281.267 million from net cash flow of RMB40.519 million for 2008. It was mainly due to adoption of inventory controls for accommodating to the changes in the macro-economic environment resulting in a reduction in the utilisation of funds, as well as an enhanced recovery of trade receivables, resulting in an increase in operating cash inflow.

Net cash flow from investing activities was RMB-7.948 million, representing an increase of RMB324.852 million from RMB-332.800 million of net cash flow for 2008. It was mainly due to the decrease in equity investment and the disposal of the equity interest in Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd. and Langfang Hengsheng Realty Group Co., Ltd. as well as an increase in the cash flow from the recovery of investment.

Net cash flow from financing activities was RMB209.154 million, which mainly represents an additional long-term borrowings of RMB200 million. In comparison with 2008, there was a decrease of RMB129.947 million of net cash flow from financing activities from RMB339.101 million for 2008, which was mainly due to significant increase in operating cash flow as compared to last year, thus reducing the bank borrowings.

Items	**2009** *RMB'000*	**2008** *RMB'000*
Net cash flow from operating activities	321,786	40,519
Net cash flow from investing activities	-7,948	-332,800
Net cash flow from financing activities	209,154	339,101
Effect of foreign exchange rate on cash	-53	146
Net increase in cash and cash equivalents	522,939	46,965

5. Financial assets and financial liabilities in foreign currency

Unit: RMB

Item	Opening balance	Gain or loss due to change in fair value during the period	Cumulative change in fair value included in equity	Impairment provided during the period	Closing balance
Financial assets:					
Of which: 1. financial assets at fair value through current profit or loss	–	–	–	–	–
Of which: derivative financial assets	–	–	–	–	–
2. Loans and receivables	353,133.04	–	–	–	19,169,731.14
3. Financial assets available-for-sale	–	–	–	–	–
4. Held-to-maturity investment	–	–	–	–	–
Sub-total of financial assets	353,133.04	–	–	–	19,169,731.14
Financial liabilities	90,171,926.47	–	–	–	51,240,571.06

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

6. Important information relating to the Company's operation

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

(2) For the year ended 31 December 2009, new sales contracts signed by the Company for the forthcoming year amounted to RMB1.328 billion.

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

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

As at 31 December 2009, the Group's major controlled subsidiaries were as follows:

Unit: RMB'000

Name of enterprise	Principal activities	Registered capital	Equity interest held by the Group %	Total assets	Net assets	Net profit
Qingdao Hongda Textile Machinery Company Limited	Manufacture, sales, installation, repairing and leasing of special equipment for textile industry, textile machinery and related components	114,000.00	97.663	983,595	272,457	-26,319
Shenyang Hongda Textile Machinery Company Limited	Technological development and research of textile machinery and related components; manufacture and processing of electronic and electric machinery and equipment and economic technological consultancy	71,000.00	98.00	210,233	99,025	-9,602
Tianjin Jingwei New Type Textile Machinery Company Limited	Manufacture and processing of textile machinery and special accessories and electronic equipment and economic technological consultancy	16,000.00	100.00	71,762	49,389	-8,896
Changde Textile Machinery Company Limited	Manufacture and sales of textile machinery and other machinery and parts and components, metallurgy powder	42,349.90	95.00	350,579	168,659	-5,517
Beijing Jingwei Textile Machinery New Technology Company Limited	Technological development and sale of textile machinery and computer hardware and software, sale of special textile equipment, agricultural machinery, instruments and meters as well as automobile components	100,000.00	100.00	378,076	169,596	37,523
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	Manufacture and sales of blowing-carding machinery and related components	50,000.00	100.00	98,132	90,121	-1,383
Wuxi Jingwei Textile Technology Testing Company Limited	Manufacture and sales of cotton yarn; research and development in textile machinery and equipment, devices and relevant technologies	49,530.00	100.00	150,949	49,374	288
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Manufacture of new style textile machinery, other textile machinery and special parts and components as well as machinery and components for general use; sales of in-house products	20,000.00	35.00	201,368	68,313	6,766

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

8. Fixed assets

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

9. Retirement benefit scheme

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

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

10. Donations

Donations made by the Group during the year amounted to RMB984,000 (2008: RMB2,397,000).

Section II Prospects for the future development of the Company

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

In recent years, textile industry has experienced rapid development in China, the textile machinery industry has continued to grow by virtue of it. China has become one of the largest countries in textile machinery manufacturing and consumption in the world. Furthermore, the quality and technology of Chinese textile machinery have improved significantly, some of which have come up to international advanced production technology standard. Research and development level of new products required by the industry has been further enhanced. Starting from the second half of 2009, the decline in the production and sale of textile industry has slowed down, and the overall performance of the industry has shown a momentum of stable growth. However, the effect of financial crisis still existed with a higher customer default rate and rapid increase in the prices of production materials and energy, which placed textile machinery manufacturer under a great pressure arising from the increase in production cost. Besides, the problem of homogenisation within the textile machinery industry resulted in severe price competition among the manufactures, thus the profit kept decreasing.

Opportunities and challenges will probably coexist within textile machinery industry in the foreseeable future. For the opportunities, as the world economy has been gradually recovering and stablising and the macro-economic fundamentals of the domestic economy has continued to improve, as well as due to the pronouncement of the objective of "seeking structural adjustment and accelerating changes" for the domestic economic development in 2010 by "China Central Economic Works Conference", new requirements have been set for transforming and upgrading the textile machinery industry and favourable conditions for accelerating its development have been created. In 2009, the Adjustment and Revitalisation Planning for Textile Industry was launched by the State as a timely short-term adjustment in response to the global financial crisis. The successful implementation of such adjustment in textile industry will drive the recovery of textile machinery market and build up market confidence gradually, therefore bringing development opportunities to textile machinery industry. For the challenges, each international financial crisis would bring about a technological reform or a material change. The textile machinery market now demands highly-efficient, energy-saving and high value-added products. The textile machinery industry has been undergoing the critical process of restructuring. It is a rare restructuring opportunity for domestic and foreign textile machinery manufacturers and a fierce competition will commence to culminate, which will be also a formidable task for the Company.

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

2. Future development strategies of the Company

Our core business has experienced a relatively substantial impact since 2009 due to a weak demand in the textile machinery market as a result of the global financial crisis and cyclical adjustment of the textile industry. However, as the largest national cotton-weaving equipment enterprise with the largest market share in the cotton-weaving equipment market of China, the Group has maintained its market share and position. The Group will actively restructure its products to increase the competitiveness of its core business. And with firm implementation of the economic policies and the adjustment and revitalisation plan for the textile and equipment manufacturing industries by the State, the competitiveness and profitability of the Group will be strengthened continuously. Besides, the Company will adjust its business structure for diversification to obtain a new source of profit growth.

In January 2010, the Broad of the Company passed the resolution of acquiring 36% of the equity interest of Zhongrong International Trust Co., Ltd. ("Zhongrong Trust") (subject to the approval at the Extraordinary General Meeting of the Company to be held on 12 April 2010). After the completion of such acquisition, textile machinery business, being the major core business of the Group, will remain center of its focus and will grow in strength and further develop. While developing its textile machinery business, in view of Zhongrong Trust's position in the trust industry of the PRC and its solid profitability, its financial business will also become one of the Group's core businesses, which will thereby provide the Group with a new source of profit growth. At the same time, the Group may leverage on the financial platform of Zhongrong Trust to provide financial value-added services to the textile machineries customers from its core business, such as the provision of finance leases to customers. This may help expand sales of its textile machineries and thus support the textile machineries business, resulting in an increase of the overall profitability of the enlarged group. As the trust industry is ever-standardising and growing rapidly, the Group will achieve a relatively higher return on the investment and enhance its corporate value rapidly, and in turn provide better reward for shareholders.

Looking forward, the Group's operation will focus on textile machinery business, supplemented by joint development of non-textile machinery business, real estate business, financial and equity investment business. Cotton textile machinery, components and parts of textile machinery, warp knitting machines, weaving machines, twisting machines and dying machines will be the six main products. Also, the Group will take advantage of the edge of the Company in the sale of the complete set of equipment, sales network, supporting platform and the reputation of our brand to restructure its assets, products, production and manpower and strengthen its operational mechanism and corporate culture. And with the main focus on resources consolidation and development of products, the Company will enhance the function of its headquarters to accomplish the objective of being one of the top textile machinery enterprises around the world as soon as possible as well as to establish itself as a diversified, internationalised and modernised conglomerate.

3. The operational plan for the new financial year

2010 is the second year of the 3-year adjustment and revitalisation plan of the textile industry and the related equipment manufacturing industry in China. Having experienced the impact of the financial crisis and the challenge of industry consolidation, the effect of numerous successive stimulating packages totaling RMB4,000 billion introduced by the State with a view to expand the internal demand of the PRC as well as the ten industrial adjustment and revitalisation plans will be seen. The textile industry of China will enter into a new phase featuring the elimination of obsolete productivity by the quickening of upgrading of equipment. The Group, as a player of the upstream section, will benefit from the revitalisation plan for the equipment manufacturing industry in addition to that of the textile industry. The Group will capitalise on various beneficial factors and policies to speed up the adjustment of the product structure of textile machineries, thus securing the Group's leading position in the industry and strengthening the cost competitiveness of the Group as well. Accordingly, the Group's market share will be expanded continuously. Moreover, the adjustment of the industry mechanism will optimise the business structure of the Company and expand its operational scale, thereby enhancing our ability to survive challenges and our overall competitiveness.

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

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

(1) Enhancing technology innovation and be more competitive in its core business

In 2010, the Company will take full advantage of the policy and resources from national technological centre; further optimise the twin product development and research systems of the Company and its subsidiaries; increase capital for technology development; introduce senior scientific officer with a PhD and foreign scientific researcher; keep extending the scope of development; actively accelerate the development of highlighted products and simplify the procedure of bulk production. Also, we will review the State projects for which we are responsible on the original schedule and complete technology support programme, and use the completion of technological support programs as a chance to realise the upgrade of cotton textile complete sets.

(2) Increasing its marketing efforts and developing both domestic and foreign markets

As for marketing, the Company will make full use of its competitive edge in providing complete sets of equipment to meet the requirement of different clients with different preference and strengthen the promotion of new products and new techniques to market the quick selling products while following the market trend, carrying out more analysis and study on the feedback, reviewing product with a improvement plan, designing reasonable strategies for each product, consolidating and increasing market share as well as securing the market share of our main products. Besides, the Company will respond to the changes in international market by establishing a rapid responsive mechanism so as to develop foreign market.

(3) Speeding up the structural adjustment and gradually adapting to market changes

We will keep strengthening the adjustment of structure of core business to increase its competitiveness through cooperation, mergers and acquisitions, and will commence different cooperative-projects favourable to strengthening the competitiveness of our textile machinery. Also, we will speed up the adjustment of structure of business to enhance our consolidated profitability. The Company will complete the acquisition of Zhongrong Trust as soon as possible which in turn will widen its scope of business, increase its profitability and create a higher return for its shareholders. Besides, the Company will take full advantage of capital and manufacturing and proactively develop non-textile machinery business through mergers and acquisitions and co-developments. With the launch of new projects, the business grows rapidly, thus improving our profitability.

(4) Optimising the efficiency of financial management and further improving our internal control

"Refined management" will be the underlying principle of financial management of the Company, by which the quality of accounting and audit, financial management and corporate governance will be further upgraded. In 2010, the Company will focus on establishing a solid internal system, further improve the financial budget management; carry out comprehensive budget control; optimise accounting and audit; further regulate the groundwork for accounting and improve the quality of accounting information. Based on the achievement in 2009, the Company will further strengthen the health and competitiveness of its internal system as well as establish a systematic, regulated and systemised mechanism for risk evaluation and system management mechanism with reference to the regulation of corporate internal control and requirements of concrete provisions in order to enhance the control over financial issues and the financial position of the Company.

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

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

Funds for the Company's day-to-day manufacturing, operations and research and development will be mainly from self-owned funds, while the outstanding portion will be provided by bank credit facilities. Meanwhile, the Company will actively seek new investment projects to meet its strategic development needs, so as to form new streams of economic growth, such as acquisition of relevant external resources or import of technologies. The amount of funds needed will be determined with reference to the potential projects, while the source of funding may be collected in accordance with the circumstances of the possible projects including self-owned funds, bank loans or financing on the capital market. It is expected that the Company will finalise the issue of the corporate bond in 2010, thus our fund-raising channels will be further widened. We will endeavour to carry out fund raising by innovative methods and secure our funding requirement for production, operation, strategic adjustment and development of the Company through various channels and methods.

5. Inherent risks and mitigation strategies

In 2010, the textile machinery industry still face certain complicated and uncertain challenges, since the Company will still suffer from the impact of financial crisis and weak external demand in addition to the greater pressure on Chinese export arising from the depreciation of US$, Euro and the currencies of neighboring countries, the unfavourable factors such as surging price of cotton, shortage of labor supply and capital shortage as well as the effect of the macro-control promulgated by the State including the credit contraction ensued from a higher RMB reserve requirement ratio for financial institutions. At the present, the Company is one of the largest and best enterprises in China’s textile machinery industry in terms of scale of operation and assets quality. The Company has good business results and higher management standard in the industry. Its production lines are complete, sales channels are comprehensive, and it possesses high quality professional teams, and has its own competitive edge. The Company will monitor the market risk and develop strategy aggressively to maintain its leading position in the market while making good use of its own competitive edge in capital, technique and staff quality, proactively seek a new profit source to achieve multiple developments and present and resolve risks effectively.

Section III Investments of the Company

1. Use of proceeds

As at 31 December 2009, the proceeds raised previously were used up. The utilisation of accumulated proceeds from the issue of shares by the Company is set out in the 2003 Annual Report of the Company.

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

Unit: RMB'000

Name	Amount involved in the project	Progress of the project	Revenue derived from the project
Tianjin Textile Machinery Company Limited	6,750	Commenced in March 2009	Nil
Hengyang Textile Machinery Plant Company Limited	12,897	Newly commenced in October 2009	-1,544
Yichang Hengtian Development Properties Company Limited	20,000	Commenced in July 2009	-173
Huangshi Jingwei Textile Machinery Company Limited	17,402	Commenced in September 2009	-1,859
Wuxi Jingwei Textile Technology Testing Company Limited	26,003	Commenced in June 2009	Nil
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	3,708	Commenced in April 2009	Nil
Tianjin Hongda Textile Machinery Company Limited	1,570	Commenced in September 2009	Nil
Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd.	180,000	Commenced in July 2009	Nil
Total	268,330	–	–

Section IV Routine work of the Board of Directors

1. The Board meetings and the details of resolutions

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

Meeting	Date on which meeting was held	Summary of resolutions or newspapers and media on which the resolutions were published	Date of announcement
The Eleventh Meeting of the Fifth Board	30 March 2009	Websites of cninfo, and the Stock Exchange Securities Times and website of the Company	30 March 2009 31 March 2009
Extraordinary Board Meeting of the Fifth Board	14 April 2009	Websites of cninfo, and the Stock Exchange Securities Times and website of the Company	14 April 2009 15 April 2009
The Twelfth Meeting of the Fifth Board	24 April 2009	Websites of cninfo, and the Stock Exchange Securities Times and website of the Company	24 April 2009 25 April 2009
Extraordinary Board Meeting of the Fifth Board	30 April 2009	Websites of cninfo, and the Stock Exchange Securities Times and website of the Company	30 April 2009 4 May 2009
The Thirteenth Meeting of the Fifth Board	25 June 2009	Websites of cninfo, and the Stock Exchange Securities Times and website of the Company	25 June 2009 26 June 2009
The Fourteenth Meeting of the Fifth Board	19 August 2009	2009 Interim Report and its summary of the Company were considered and approved	

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

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

Extraordinary Board Meeting of the Fifth Board	14 October 2009	Websites of cninfo, and the Stock Exchange Securities Times and website of the Company	14 October 2009 15 October 2009
The Fifteenth Meeting of the Fifth Board	28 October 2009	The Third Quarterly Report of the Company was considered and approved	
Extraordinary Board Meeting of the Fifth Board	10 November 2009	Websites of cninfo, and the Stock Exchange Securities Times and website of the Company	10 November 2009 11 November 2009
Extraordinary Board Meeting of the Fifth Board	11 December 2009	Websites of cninfo, and the Stock Exchange Securities Times and website of the Company	11 December 2009 12 December 2009

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

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

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

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

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

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

(1) The Audit Committee of the Board of Directors reviewed the "2009 Audit Plan" as prepared by the Company's registered accountants for annual audit, UHY Vocation HK CPA Limited (Hong Kong Certified Public Accountant) and Vocation International Certified Public Accountants Co., Ltd. (the PRC Certified Public Accountant) and agreed to the respective audit plan and arrangements.

(2) Before the registered accountants for annual audit commenced site audit, the Audit Committee of the Board of Directors reviewed the 2009 financial statements prepared by the Company and issued written opinion. The Audit Committee of the Board of Directors considered that the financial statements of the Company was prepared in accordance with the PRC Corporate Accounting Standards, that the accounting policies were appropriately applied and accounting estimations were made reasonably, and that the financial statements were in compliance with the Corporate Accounting Standards, the Corporate Accounting System and the relevant regulatory requirements required by the Ministry of Finance. The entities included for accounts consolidation and the content of the financial statements of the Company were complete and the basis of consolidation was accurate. The financial statements of the Company were true, accurate and complete and no material mistakes or omissions were identified. Therefore, the Audit Committee of the Board of Directors agreed that the financial statements prepared by the Company be submitted to the registered accountants for annual audit.

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

(4) After the registered accountants for annual audit issued preliminary audit opinions, the Audit Committee of the Board of Directors reviewed the 2009 financial statements of the Company again and issued written opinion. The Audit Committee of the Board of Directors considered that the preliminary audit results were in compliance with the requirements of Corporate Accounting Standards. The state of affairs and the operating results of the Company for 2009 were fairly disclosed with respect to significant aspects.

(5) The Audit Committee of the Board of Directors considered that UHY Vocation HK CPA Limited (Hong Kong Certified Public Accountants) and Vocation International Certified Public Accountants Co., Ltd (the PRC Certified Public Accountants) have complied with their code of practice of being independent, objective and fair in providing audit services to the Company and have performed their duties to complete the audit of the Company for 2009.

(6) On 24 March 2010, a meeting was convened by the Audit Committee of the Board of Directors. The conclusion report for the 2009 audit of the Company carried out by the registered accountants and the recommendation to reappoint the registered accountants for 2010 were considered and approved at the meeting.

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

The Personnel Nomination and Remuneration Committee reviewed the remuneration of the Directors, Supervisors and senior management of the Company for the year 2009 and considered the remuneration standard and the evaluation of the said personnel who received remuneration from the Company were in compliance with the relevant regulations.

Section V Profit distribution proposal for the year

In 2009, the Company realised a net profit of RMB63,284,714.04, 10% of which amounting to RMB6,328,471.41 will be appropriated to the statutory surplus reserve in accordance with the Articles of Association. The distributable profit accrued for the year was RMB56,956,242.63. With the addition of the undistributed profit of RMB76,404,207.11 at the beginning of the year and the substraction of the final dividend for 2008 of RMB6,038,000 paid in 2009 from the distributable profit accrued for the year, the actual distributable profit for shareholders was RMB127,322,449.74.

In view of the net loss attributable to the parent company of the Group for 2009 and taking full consideration of shareholders' interest and the long-term development of the Company, distribution of profit for 2009 is not recommended.

Cash dividends for the previous three years of the Company:

Unit: RMB

	Amount of cash dividends (tax inclusive)	**Net profit attributable to owners of the parent company in the consolidated financial statements**	**Percentage of net profit attributable to owners of the parent company in the consolidated financial statements**	**Distributable profit for the year**
2008	6,038,000.00	25,855,511.70	23.35%	76,404,207.11
2007	6,038,000.00	162,206,513.23	3.72%	19,292,911.11
2006	48,304,000.00	189,095,795.64	25.54%	22,185,029.52
Proportion of the amount of cash dividends within the past three years to the latest annual average net profit (%)				48.00

Section VI Other reporting items

1. Directors' and Supervisors' interest in contracts

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

2. Directors' and Supervisors' Service Contracts

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

Section VI Other reporting items (continued)

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

Pursuant to the provisions of the "Notice regarding the Regulations of Certain Issues on the Movements of Funds Between Listed Companies and Related Parties and External Guarantees of Listed Companies" (CSRC [2003] No. 56) and "Notice regarding the Regulation of Certain Issues on External Guarantees of Listed Companies" (CSRC [2005] No. 120) issued by the CSRC, we, as Independent Non-executive Directors of the Company, have seriously reviewed the decision-making procedure and circumstances of the external guarantees, and declared those external guarantees of the Company are compliance with provisions of laws, regulations and the Articles of Association. For the year ended 31 December 2009, the Company had not provided any guarantees, either for the current period or on accumulative basis, to any controlling shareholder, other related parties of the Company with less than 50% shareholding, any non-legal person entities or individuals.

4. Tax Relief and Exemption

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

5. Purchase, Sale or Redemption of Shares

For the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

6. Pre-emptive Rights

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

7. Management Contract

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

8. Currency and Interest Rate Risk

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

For its financing activities, for the financial year ended 31 December 2009, the Group's short-term borrowings amounted to RMB572.705 million, of which borrowings of US$7.504 million (equivalent to RMB51.240 million) were in the U.S. dollar, while the remaining balances were in Renminbi. The interest rates were in the range from between 1.80% to 5.31% per annum. The management considers that the Group did not have any material interest rate risk.

Details of the Group's financial risks and management are set out in Note 11 to the financial statements prepared in accordance with the PRC Corporate Accounting Standards.

9. Connected transactions

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

10. Subsequent events

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

11. Reserves

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

Chapter VIII Supervisors' Report

1. Meetings and Resolutions of the Supervisory Committee

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

Meeting	Summary of matters resolved	Date of meeting	Newspapers and media on which the resolutions were published	Date of announcement
The Eighth Meeting of the Fifth Supervisory Committee	1. The 2008 Supervisors' Report of the Company was considered and approved; 2. The 2008 Financial Report of the Company was considered and approved; 3. The 2008 Annual Report of the Company and its Summary were considered and approved. The 2008 Annual Report of the Company and its Summary were true, accurate and complete in reflecting the operating results and financial status of the Company. There were no false record, misleading statements or material omissions. 4. The 2008 Evaluation Report on Self-examination of Internal Control of the Company was considered and approved.	30 March 2009	The website of cninfo The websites of Securities Times, the Company and the Stock Exchange	30 March 2009 31 March 2009
The Ninth Meeting of the Fifth Supervisory Committee	The 2009 First Quarterly Report of the Company was considered and passed.	24 April 2009		
The Tenth Meeting of the Fifth Supervisory Committee	The 2009 Interim Report of the Company was considered and passed.	19 August 2009		
The Eleventh Meeting of the Fifth Supervisory Committee	The 2009 Third Quarterly Report of the Company was considered and passed.	28 October 2009		

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

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

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

The Supervisory Committee made a diligent review on the profit distribution proposal of the Company for 2009 to be submitted by the Board of the Company for approval at the general meeting and the relevant audit materials in respect of the auditors' report for 2009 prepared by the domestic and international auditors with unqualified audit opinion. The Supervisory Committee considers that the auditors' report of the Company for 2009 reflects the financial status and operating results of the Company in an objective way.

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

During the reporting period, the Company did not utilise its proceeds.

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

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

6. Opinion of the Supervisory Committee on connected transactions

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

Chapter IX Significant Events

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

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

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

   (1) Acquisition of assets

Unit: RMB'000

Counterparty of the transaction or ultimate controller	Assets acquired or purchased	Date of acquisition	Price of transaction	Net profit attributable to the Company from the date of acquisition to the end of the year (applicable to combination of enterprises not under the same control)	Net profit attributable to the Company from the beginning of the year to the end of the year (applicable to combination of enterprises under the same control)	Whether it was a connected transaction	Pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all obligations of the liabilities concerned were completely transferred	Connected relationship with counterparty (applicable to connected transactions)
Huangshi Xinning Quality Steel Company Limited	65% equity interest in Huangshi Jingwei Textile Machinery Company Limited	25 September 2009	17,402	-1,859	–	No	–	Yes	Yes	No connected relationship
China Textile Machinery (Group) Co., Ltd.	33.45% equity interest in Wuxi Jingwei Textile Technology Testing Company Limited (Note 1)	1 June 2009	26,003	–	–	Yes	Open Tender	Yes	Yes	Holding Company
Zhou Jianghua	4.052% equity interest in Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	17 April 2009	3,708	–	–	No	–	Yes	Yes	No connected relationship
Tianjin Textile Machinery Company Limited	2% equity interest in Tianjin Hongda Textile Machinery Company Limited	15 September 2009	1,570	–	–	No	–	Yes	Yes	No connected relationship
China Railway Trust Co., Ltd.	30% equity interest in Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd. (Note 2)	2 July 2009	180,000	–	–	No	–	Yes	Yes	No connected relationship

Note 1: The parties signed a conditional acquisition agreement on 24 October 2008. On the same day, the Company made a related announcement. Such acquisition was completed on 1 June 2009.

Note 2: The parties signed a conditional acquisition agreement on 25 June 2009. On the same day, the Company made a related announcement. Such acquisition was completed on 2 July 2009.

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

(2) **Disposal of assets**

Unit: RMB'000

Counterparty of the transaction	Assets sold or disposed	Date of disposal	Price of transaction	Net profit attributable to the Company from the beginning of the year to the date of disposal	Gain/Loss from disposal	Whether it was a connected transaction	Pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all obligations of the liabilities concerned were completely transferred	Connected relationship with counterparty (applicable to the connected transaction)
Beijing Hengsheng Investment Co., Ltd.	20% equity interest in Langfang Hengsheng Realty Group Co., Ltd. (Note 1)	17 September 2009	74,800	16,797	6,800	No	–	Yes	Yes	No connected relationship
Huangshi Xinning Quality Steel Company Limited	100% equity interest in Kunshan Jingwei Machinery Manufacturing Company Limited	13 July 2009	9,522	-89	4,528	No	–	Yes	Yes	No connected relationship
Beijing Liangyou Investment Management Co., Ltd.	30% equity interest in Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd. (Note 2)	30 December 2009	226,000	0	46,000	No	–	Yes	Yes	No connected relationship

Note 1: The parties signed a disposal agreement on 17 September 2009. On the same day, the Company made a related announcement.

Note 2: The parties signed a conditional disposal agreement on 11 December 2009. On the same day, the Company made a related announcement. Such disposal was completed on 30 December 2009.

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

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

5. **Connected transactions and continuing connected transactions**

(1) **Connected transactions in 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. Pursuant to the 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 as well as the website of the Stock Exchange (http://www.hkex.com.hk) on 21 December 2007 and 10 January 2008.

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

Unit: RMB'000

Connected persons	**Sales of goods and provision of labour services to the connected persons**		**Purchase of goods and acceptance of labour services from the connected persons**	
	Transaction Amount	**Proportion to similar transaction amount %**	**Transaction Amount**	**Proportion to similar transaction amount %**
Companies controlled by the ultimate parent company	58,691	19.91	649	0.26
Companies controlled by the same parent company	96,638	32.77	246,773	98.09
Associated company of the Group	139,511	47.32	4,162	1.65
Total	294,840	100.00	251,584	100.00

Of such sum, the connected transactions arising from sales of finished goods, raw materials, parts and charge of processing fees from the Company to the companies controlled by the same parent company and companies controlled by the ultimate parent company amounted to RMB141,750,000 during the reporting period.

5. Connected transactions and continuing connected transactions (continued)

(1) Connected transactions in the course of normal operations (continued)

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions conducted by the Group for the year, and have confirmed that such transactions have been entered into:

① in the ordinary and normal course of business of the Group;

② either on normal commercial terms or terms no more favourable or less favourable than terms available to or from independent third parties;

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

The auditors of the Company have confirmed that all continuing connected transactions (1) were approved by the Board of the Company; (2) were conducted in accordance with the Group's pricing policy (for the purpose of the transactions in relation to the provision of goods and services by the Company); (3) were conducted in accordance with the terms of transactions; and (4) did not exceed the caps set out in the previous announcements.

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

(2) Connected transaction by the Group in accordance with Listing Rules of the Shenzhen Stock Exchange and Listing Rules of the Stock Exchange during the period

Acquisition of 33.45% equity of our subsidiary, Wuxi Jingwei Textile Technology Testing Company Limited ("Sale Interest"):

On 24 October 2008, our subsidiary, Beijing Jingwei Textile Machinery New Technology Company Limited (as purchaser) and China Textile Machinery (Group) Company Limited, the controlling shareholder of the Company (as promoter and vendor), entered into an agreement in relation to the purchase and sale of Sale Interest. As the Sale Interest is a state-owned asset, such transfer should be subject to the open tender process carried out in an authorised equity exchange in accordance with related PRC laws and regulations. After entering into such acquisition agreement, the Group submitted its application for acquiring and bidding for Sale Interest. The final consideration of RMB 26,003,000 was determined on the date which the bid was confirmed. The above acquisition was completed on 1 June 2009.

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

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

(4) **In the year under review, there was no appropriation of non-operating capital occurred between the controlling shareholder of the Company and its affiliated companies and the Company, nor was there any appropriation of the non-operating balances as at 31 December 2009.**

The Company confirmed that the disclosure of the aforesaid connected transactions in 2009 were in compliance with the disclosure requirements under Chapter 14A of the Listing Rules of the Stock Exchange. Details of the connected transactions and the continuing connected transactions of the Company are set out in the notes to financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

6. **Material contracts and execution**

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

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

Unit: RMB'000

External guarantee made by the Company (excluding guarantees to subsidiaries)						
Name of guaranteed party	**Date**	**Guaranteed amount**	**Type of guarantee**	**Period of guarantee**	**Discharged or not**	**Whether in favour of any related party (yes or no)**
Beijing Hualian Group Investment Holdings Limited	10/10/2008	100,000	Joint liability	10/10/2008-9/10/2009	Yes	No
Beijing Hualian Group Investment Holdings Limited	20/1/2009	50,000	Joint liability	20/1/2009-9/10/2009	Yes	No
Beijing Hualian Group Investment Holdings Limited	15/10/2009	150,000	Joint liability	15/10/2009-14/10/2010	No	No
Total actual guaranteed amount during the reporting period			300,000			
Balance of total actual guaranteed amount at the end of the reporting period			150,000			
Guarantees in favour of subsidiaries made by the Company						
Total actual guaranteed amount to subsidiaries during the reporting period			332,000			
Balance of total actual guaranteed amount to subsidiaries at the end of the reporting period			220,000			
Total guarantees made by the Company (including the guarantees to subsidiaries)						
Total guaranteed amount			370,000			
Proportion of total guaranteed amount to net assets of the Company			13.42%			
Of which:						
Guaranteed amount provided to shareholders, parties which have beneficial control and other related parties			0			
Guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70%			0			
Total guaranteed amount in excess of 50% of net asset value			0			
Aggregate guaranteed amount of the above three items			0			
Statement on the contingent joint liability in connection with unexpired guarantees			Nil			

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

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

7. **Performance of commitments**

Commitments by the Company and their directors, supervisors or senior management personnel, shareholders with more than 5% of shareholding in the Company and their ultimate beneficial controllers during or up to the reporting period were as follows:

Commitment	Parties who made the commitment	Content	Performance status
Commitment on share segregation reform	China Textile Machinery (Group) Company Limited, the controlling shareholder	China Textile Machinery (Group) Company Limited undertakes not to trade or transfer its floating shares during the three years from the date on which its non-floating shares are granted the right to list on the Shenzhen Stock Exchange. Within 2 years after the expiry of such period, the number of originally non-floating shares to be sold through trading on the Shenzhen Stock Exchange shall not exceed 30% of the number of shares held by it on the date of the implementation of the Share Segregation Reform Proposal, and the sale price will not be less than RMB7 per share (subject to adjustment may be made in connection with declaration of dividend, distribution or re-allocation of capital reserve fund to share capital).	To be implemented

8. **Sale and purchase of shares of other listed companies**

Name of shares	Number of shares held at the beginning of the period (share)	Number of shares acquired during the reporting period (share)	Number of shares sold during the reporting period (share)	Number of shares held at the end of the period (share)	Amount of capital utilised (RMB)	Gain generated from investment (RMB)
China State Construction Engrg Corp Ltd.	0	416,800	416,800	0	2,487,100	1,536,404
Metallurgical Corporation of China Limited	0	80,000	80,000	0	435,844	62,913

Pursuant to the resolution of the 18th meeting of the fourth Board of the Company held on 28 June 2007, the Company may subscribe for new A shares in the primary market with its self-owned funds of not more than RMB500,000,000. During the reporting period, the Company subscribed for some newly-offered shares with an initial investment cost of RMB5,084,726. At the end of the reporting period, new subscribed stocks to be listed amounted to RMB278,310. Investment gain from for the year amounted to RMB2,141,857.

9. **Appointment of the auditors by the Company during the reporting period**

Vocation International Certified Public Accountants Co., Ltd. (the PRC Certified Public Accountants) and UHY Vocation HK CPA Limited (Hong Kong Certified Public Accountants) were engaged by the Company as the PRC and international auditors respectively for the reporting period. Details of which were as follows:

Accounting Firm	**2009 Audit fee** *(RMB'000)*	**Year of audit**
Vocation International Certified Public Accountants Co., Ltd. and UHY Vocation HK CPA Limited	3,000	1

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

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

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

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

12. Reception of research and visits of the Company

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

Time of reception	Place of reception	Means of reception	Subject of reception	Key content of discussion and information provided
11 February 2009	Conference room of the Company	On-site research	Harvest Fund Management 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	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
30 July 2009	Conference room of the Company	On-site research	Fortune SGAM Fund Management Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company

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

Chapter X Report of the Auditor – The PRC

Audit Report

Tianzhi (Jing) ShenZi(2010) No.961

TO THE SHAREHOLDERS OF JINGWEI TEXTILE MACHINERY COMPANY LIMITED:

We have audited the accompanying financial statements of Jingwei Textile Machinery Company Limited ("Jingwei Company"), which comprise the company and consolidated balance sheets as at 31 December 2009, and the company and consolidated income statements, the company and consolidated statements of changes in shareholder's equity and the company and consolidated cash flow statements for the year then ended, and notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements in accordance with Accounting Standards for Business Enterprises (issued by Ministry of Finance on 15 February 2006). This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

2. AUDITOR'S RESPONSIBILITY

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

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

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

3. AUDIT OPINION

In our opinion, the financial statements of Jingwei Company have been prepared in accordance with Accounting Standards for Business Enterprises (issued by Ministry of Finance on 15 February 2006), and present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2009, and the company's and consolidated results of operations and cash flows for the year then ended.

Beijing, China — CPA: **Kuang Ming**

24 March 2010 — CPA: **Wang Jijun**

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

Company and Consolidated Balance Sheets

ASSETS	Note	CONSOLIDATED 31 December 2009 *RMB*	CONSOLIDATED 31 December 2008 *RMB*	THE COMPANY 31 December 2009 *RMB*	THE COMPANY 31 December 2008 *RMB*
Current Assets:					
Currency funds	V.1	1,277,692,186.98	734,709,610.55	1,044,011,553.05	520,541,620.90
Held-for-trading financial assets	V.2	2,170,449.36	–	1,148,166.81	–
Bill receivables	V.3	1,134,243,957.54	700,808,734.31	550,786,559.74	531,795,935.08
Accounts receivable	V.4/XIV.1	399,729,671.94	373,786,068.90	278,398,711.08	300,736,711.69
Advances to suppliers	V.6	291,486,987.42	252,402,482.82	258,848,455.15	117,826,257.98
Dividends receivable		–	–	127,881,319.00	82,077,333.36
Other receivables	V.5/XIV.2	300,139,236.72	170,663,309.58	560,204,221.57	525,879,057.34
Inventories	V.7	1,336,311,280.36	1,774,348,127.58	283,370,252.63	367,086,467.21
Non-current assets amount due within one year	V.9	25,293,598.30	–	25,293,598.30	–
Other current assets	V.8	16,502,342.41	50,000,000.00	–	123,000,000.00
Total current assets		4,783,569,711.03	4,056,718,333.74	3,129,942,837.33	2,568,943,383.56
Non-current Assets					
Long-term equity investments	V.11/XIV.3	160,728,002.46	218,784,388.70	1,042,772,847.01	1,042,207,642.48
Fixed assets	V.12	1,280,427,887.85	1,285,796,536.67	365,944,112.01	462,869,108.51
Construction in progress	V.13	115,624,744.62	64,941,018.14	8,298,588.36	10,050,061.00
Construction materials		441,295.00	11,452,986.82	441,295.00	1,894,760.76
Intangible assets	V.14	358,576,612.08	281,579,729.60	84,207,772.40	88,146,783.20
Goodwill	V.15	2,258,412.00	2,258,412.00	–	–
Deferred tax assets	V.16	13,502,943.18	30,045,046.91	–	17,630,074.35
Long-term receivables	V.10	32,362,971.62	23,091,163.33	169,043,111.22	139,554,379.34
Other non-current assets	V.18	69,605,575.93	35,909,090.91	–	–
Total non-current assets		2,033,528,444.74	1,953,858,373.08	1,670,707,726.00	1,762,352,809.64
TOTAL ASSETS		6,817,098,155.77	6,010,576,706.82	4,800,650,563.33	4,331,296,193.20

Company and Consolidated Balance Sheets (continued)

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	Note	CONSOLIDATED 31 December 2009 RMB	CONSOLIDATED 31 December 2008 RMB	THE COMPANY 31 December 2009 RMB	THE COMPANY 31 December 2008 RMB
Current Liabilities					
Short-term borrowings	V.20	572,705,445.03	552,290,149.36	401,639,783.67	359,910,076.73
Bill payables	V.21	128,017,549.79	181,266,484.88	65,070,389.49	106,456,585.72
Accounts payable	V.22	1,172,324,555.10	893,709,192.58	516,974,262.76	547,624,799.95
Advances from customers	V.23	640,622,805.42	306,361,370.12	374,094,516.61	261,296,454.34
Employee benefits payables	V.24	77,974,570.33	54,182,419.84	23,961,087.43	16,361,377.71
Taxation payable	V.25	62,355,085.35	–4,999,832.80	28,107,388.15	15,626,395.84
Dividends payable	V.26	19,880,370.69	23,045,263.75	17,610,739.56	17,610,739.56
Other payables	V.27	257,404,757.92	181,144,553.75	127,076,623.09	153,083,602.68
Long-term payables due within one year	V.28	106,177,044.50	93,770,787.27	103,679,381.30	58,872,036.20
Other current liabilities		–	4,425,393.46	–	4,425,393.46
Total current liabilities		3,037,462,184.13	2,285,195,782.21	1,658,214,172.06	1,541,267,462.19
Non-current Liabilities					
Long-term borrowings	V.29	580,444,247.74	473,091,163.32	580,444,247.74	373,091,163.32
Long-term payables	V.30	155,923,224.34	95,116,594.82	136,557,929.01	71,190,356.89
Special payables	V.31	60,163,884.14	39,946,787.45	60,163,884.14	39,946,787.45
Other non-current liabilities	V.32	60,213,311.00	45,344,707.61	22,553,192.99	20,330,000.00
Total non-current liabilities		856,744,667.22	653,499,253.20	799,719,253.88	504,558,307.66
TOTAL LIABILITIES		3,894,206,851.35	2,938,695,035.41	2,457,933,425.94	2,045,825,769.85
Shareholders' Equity					
Share capital	V.33	603,800,000.00	603,800,000.00	603,800,000.00	603,800,000.00
Capital reserve	V.34	1,244,377,317.17	1,253,404,487.37	1,244,713,617.49	1,244,713,617.49
Surplus reserve	V.35	574,533,957.37	562,405,127.51	366,881,070.16	360,552,598.75
Unappropriated profits	V.36	337,092,967.43	434,150,573.02	127,322,449.74	76,404,207.11
Translation differences arising on translation of financial statements denominated in foreign currencies		–2,886,355.10	–2,878,374.23	–	–
Total shareholders' equity attributable to equity holders of the parent		2,756,917,886.87	2,850,881,813.67	2,342,717,137.39	2,285,470,423.35
Non-controlling interests		165,973,417.55	220,999,857.74	–	–
Total Shareholders' Equity		2,922,891,304.42	3,071,881,671.41	2,342,717,137.39	2,285,470,423.35
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,817,098,155.77	6,010,576,706.82	4,800,650,563.33	4,331,296,193.20

The accompanying notes form a part of these financial statements.

Company and Consolidated Income Statements

For the year ended 31 December	Note	CONSOLIDATED 2009 *RMB*	CONSOLIDATED 2008 *RMB*	THE COMPANY 2009 *RMB*	THE COMPANY 2008 *RMB*
Operating income		3,571,472,295.37	3,707,895,439.97	2,240,572,243.67	2,500,925,440.99
Less: Operating costs	V.37/XIV.4	3,263,823,104.58	3,263,869,062.00	2,143,260,337.66	2,408,445,031.81
Business taxes and levies	V.38	25,061,044.84	26,345,147.77	1,968,838.83	1,595,291.81
Selling and distribution expenses		105,202,194.38	129,851,919.36	41,635,733.87	54,394,024.58
Administrative expenses		378,091,930.89	344,699,517.06	125,020,498.25	110,536,726.73
Financial expenses	V.39	50,401,230.70	20,715,853.17	24,890,992.13	3,072,793.99
Impairment loss in respect of assets	V.41	–2,703,299.76	–5,661,047.00	–4,720,113.32	–2,877,484.35
Add: Gains from changes in fair values	V.42	426,181.53	–	–	–
Investment income	V.40	87,915,484.63	53,086,828.95	135,122,779.44	122,882,396.48
Including: Income from investment in associates and jointly controlled entities		–189,656.79	–306,183.86	5,906,973.59	–330,504.64
Operating profit		–160,062,244.10	–18,838,183.44	43,638,735.69	48,641,452.90
Add: Non-operating income	V.43	82,581,120.04	75,273,941.84	39,497,069.07	25,442,844.14
Less: Non-operating expenses	V.44	7,755,795.57	6,039,509.44	2,203,766.37	2,211,574.19
Including: Loss from disposal of non-current assets		4,699,320.27	2,579,843.95	957,705.55	866,819.71
Total profit		–85,236,919.63	50,396,248.96	80,932,038.39	71,872,722.85
Less: Income tax	V.45	26,425,627.31	22,624,027.41	17,647,324.35	1,706,838.41
Net profit		–111,662,546.94	27,772,221.55	63,284,714.04	70,165,884.44
Net profit attributable to shareholders of the parent company		–78,890,775.73	25,855,511.70	63,284,714.04	70,165,884.44
Profits and losses attributable to minority interests		–32,771,771.21	1,916,709.85	–	–
Earnings per share					
(I) Basic earnings per share		–0.13	0.04	0.10	0.12
(II) Diluted earnings per share		–0.13	0.04	0.10	0.12
Other comprehensive income	V.46	–9,035,151.07	3,148,337.02	–	4,793,502.54
Total comprehensive income		–120,697,698.01	30,920,558.57	63,284,714.04	74,959,386.98
Attributable to owners of the Company's total comprehensive income		–87,925,926.80	29,003,848.72	63,284,714.04	74,959,386.98
Attributable to non-controling interests's total comprehensive income		–32,771,771.21	1,916,709.85	–	–

The accompanying notes form part of these financial statements.

Company and Consolidated Cash Flow Statements

For the year ended 31 December	Notes	CONSOLIDATED 2009 *RMB*	CONSOLIDATED 2008 *RMB*	THE COMPANY 2009 *RMB*	THE COMPANY 2008 *RMB*
Cash flow from operating activities					
Cash receipts from sale of goods and the rendering of services		3,448,521,464.50	4,919,970,757.02	1,556,394,940.32	3,209,609,709.24
Receipts of tax refunds		24,509,478.93	1,612,623.39	19,088,980.73	–
Other cash receipts relating to operating activities	V.47.(1)	78,177,715.11	87,419,379.94	58,411,296.46	66,570,732.68
Sub-total of cash inflows from operating activities		3,551,208,658.54	5,009,002,760.35	1,633,895,217.51	3,276,180,441.92
Cash payments for goods purchased and services received		2,448,524,590.57	4,118,746,974.79	1,388,659,761.32	2,929,752,422.75
Cash payments to and on behalf of employees		407,352,901.17	499,330,958.70	129,142,740.16	180,958,558.56
Payments of all types of taxes		185,295,702.22	135,840,954.99	42,594,898.90	32,967,923.56
Other cash payments relating to operating activities	V.47.(2)	188,249,089.89	214,565,061.81	17,756,993.96	47,426,622.98
Sub-total of cash outflows from operating activities		3,229,422,283.85	4,968,483,950.29	1,578,154,394.34	3,191,105,527.85
Net cash flows from operating activities		321,786,374.69	40,518,810.06	55,740,823.17	85,074,914.07
Cash flows from investing activities					
Cash receipts from disposals of investments		251,292,222.38	85,320,125.38	303,149,505.99	27,607,227.57
Cash receipts from returns on investments		33,897,692.68	20,381,949.30	28,434,061.32	44,756,914.66
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets		10,516,553.51	42,135,990.18	2,709,079.44	26,744,304.43
Net cash received from disposals of a subsidiary and other business units		5,600,000.00	428,100.45	5,954,468.43	–
Other cash receipts relating to investing activities	V.47.(3)	35,680,000.00	–	–	–
Sub-total of cash inflows from investing activities		336,986,468.57	148,266,165.31	340,247,115.18	99,108,446.66
Cash payments to acquire fixed assets, intangible assets and other long-term assets		99,506,043.95	291,289,279.34	5,771,777.88	103,559,096.00
Cash payments to acquire investments		233,173,511.00	189,777,245.69	199,578,227.99	259,528,997.88
Net cash payments for purchase of subsidiaries and other business units		12,255,306.00	–	17,402,014.83	–
Other cash payments relating to investing activities		–	–	–	–
Sub-total of cash outflows from investing activities		344,934,860.95	481,066,525.03	222,752,020.70	363,088,093.88
Net cash flows from investing activities		–7,948,392.38	–332,800,359.72	117,495,094.48	–263,979,647.22

Company and Consolidated Cash Flow Statements (continued)

For the year ended 31 December	Notes	CONSOLIDATED 2009 *RMB*	CONSOLIDATED 2008 *RMB*	THE COMPANY 2009 *RMB*	THE COMPANY 2008 *RMB*
Cash flows from financing activities					
Capital injections from non-controlling interests		11,940,000.00	–	–	–
Cash receipts from borrowings		1,102,472,824.37	982,290,149.36	777,332,824.37	689,910,076.73
Other cash receipts relating to financing activities	V.47.(4)	150,296,730.28	–	150,079,497.07	–
Sub-total of cash inflows from financing activities		1,264,709,554.65	982,290,149.36	927,412,321.44	689,910,076.73
Cash repayments of amounts borrowed		970,846,712.16	571,594,070.22	526,064,000.00	304,971,312.31
Cash payments for interest expenses and distribution of dividends or profits		66,396,666.70	66,480,505.48	42,609,305.86	41,263,161.74
Including: cash payments to minority shareholders for distribution of dividends or profits		13,650,000.00	4,024,877.79	–	–
Other cash payments relating to financing activities	V.47.(5)	18,312,170.28	5,114,650.61	18,312,170.28	–
Sub-total of cash outflows from financing activities		1,055,555,549.14	643,189,226.31	586,985,476.14	346,234,474.05
Net cash flows from financing activities		209,154,005.51	339,100,923.05	340,426,845.30	343,675,602.68
Effect of foreign exchange rate changes on cash and cash equivalents		–53,260.19	145,812.68	–	5,333.45
Net increase (decrease) in cash and cash equivalents		522,938,727.63	46,965,186.07	513,662,762.95	164,776,202.98
Add: Opening balance of cash and cash equivalents		684,433,514.11	637,468,328.04	510,729,116.30	345,952,913.32
Closing balance of cash and cash equivalents		1,207,372,241.74	684,433,514.11	1,024,391,879.25	510,729,116.30

The accompanying notes form a part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2009

	Consolidated						
	Share Capital RMB	Capital Reserve RMB	Surplus Reserve RMB	Unappropriated Profit RMB	Translation differences arising on translation of financial statements denominated in foreign currencies RMB	Non-controlling Interest RMB	Total Shareholders' Equity RMB
I. Balance at 1 January 2009	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
II. Changes for the year	–	–	–	–	–	–	–
(I) Net profit	–	–	–	–78,890,775.73	–	–32,771,771.21	–111,662,546.94
(II) Other comprehensive income	–	–9,027,170.20	–	–	–7,980.87	–	–9,035,151.07
(III) Capital injections from non-controlling interests	–	–	–	–	–	11,940,000.00	11,940,000.00
(IV) Others	–	–	–	–	–	–20,544,668.98	–20,544,668.98
Sub-total of (I) to (IV)	–	–9,027,170.20	–	–78,890,775.73	–7,980.87	–41,376,440.19	–129,302,366.99
(V) Profit distribution							
1. Transfer to surplus reserve	–	–	12,128,829.86	–12,128,829.86	–	–	–
2. Distribution to shareholders	–	–	–	–6,038,000.00	–	–13,650,000.00	–19,688,000.00
III. Balance at 31 December 2009	603,800,000.00	1,244,377,317.17	574,533,957.37	337,092,967.43	–2,886,355.10	165,973,417.55	2,922,891,304.42

For the year ended 31 December 2008

	Consolidated						
	Share Capital RMB	Capital Reserve RMB	Surplus Reserve RMB	Unappropriated Profit RMB	Translation differences arising on translation of financial statements denominated in foreign currencies RMB	Non-controlling Interest RMB	Total Shareholders' Equity RMB
I. Balance at 31 December 2007	603,800,000.00	1,249,865,032.48	547,577,606.05	429,160,582.78	–2,487,256.36	230,098,446.77	3,058,014,411.72
1. Changes in accounting policies	–	–	–	–	–	–	–
II. Balance at 1 January 2008	603,800,000.00	1,249,865,032.48	547,577,606.05	429,160,582.78	–2,487,256.36	230,098,446.77	3,058,014,411.72
III. Changes for the year							
(I) Net profit	–	–	–	25,855,511.70	–	1,916,709.85	27,772,221.55
(II) Other comprehensive income	–	3,539,454.89	–	–	–391,117.87	–	3,148,337.02
(III) Others	–	–	–	–	–	–6,990,421.09	–6,990,421.09
Sub-total of (I), (II) and (III)	–	3,539,454.89	–	25,855,511.70	–391,117.87	–5,073,711.24	23,930,137.48
(IV) Profit distribution							
1. Transfer to surplus reserve	–	–	14,827,521.46	–14,827,521.46	–	–	–
2. Distribution to shareholders	–	–	–	–6,038,000.00	–	–4,024,877.79	–10,062,877.79
IV. Balance at 31 December 2008	603,800,000.00	1,253,404,487.37	562,405,127.51	434,150,573.02	–2,878,374.23	220,999,857.74	3,071,881,671.41

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2009

	The Company				
	Share Capital *RMB*	Capital Reserve *RMB*	Surplus Reserve *RMB*	Unappropriated Profit *RMB*	Total Shareholders' Equity *RMB*
I. Balance at 1 January 2009	603,800,000.00	1,244,713,617.49	360,552,598.75	76,404,207.11	2,285,470,423.35
II. Changes for the year	–	–	–	–	–
(I) Net profit	–	–	–	63,284,714.04	63,284,714.04
(II) Other comprehensive income	–	–	–	–	–
(III) Capital injections from non-controlling interests	–	–	–	–	–
(IV) Others	–	–	–	–	–
Sub-total of (I) to (IV)	–	–	–	63,284,714.04	63,284,714.04
(V) Profit distribution					
1. Transfer to surplus reserve	–	–	6,328,471.41	–6,328,471.41	–
2. Distribution to shareholders	–	–	–	–6,038,000.00	–6,038,000.00
III. Balance at 31 December 2009	603,800,000.00	1,244,713,617.49	366,881,070.16	127,322,449.74	2,342,717,137.39

For the year ended 31 December 2008

	The Company				
	Share Capital *RMB*	Capital Reserve *RMB*	Surplus Reserve *RMB*	Unappropriated Profit *RMB*	Total Shareholders' Equity *RMB*
I. Balance at 31 December 2007	603,800,000.00	1,239,920,114.95	353,536,010.31	19,292,911.11	2,216,549,036.37
1. Changes in accounting policies	–	–	–	–	–
II. Balance at 1 January 2008	603,800,000.00	1,239,920,114.95	353,536,010.31	19,292,911.11	2,216,549,036.37
III. Changes for the year					
(I) Net profit	–	–	–	70,165,884.44	70,165,884.44
(II) Other comprehensive income	–	4,793,502.54	–	–	4,793,502.54
(III) Others	–	–	–	–	–
Sub-total of (I), (II) and (III)	–	4,793,502.54	–	70,165,884.44	74,959,386.98
(IV) Profit distribution					
1. Transfer to surplus reserve	–	–	7,016,588.44	–7,016,588.44	–
2. Distribution to shareholders	–	–	–	–6,038,000.00	–6,038,000.00
IV. Balance at 31 December 2008	603,800,000.00	1,244,713,617.49	360,552,598.75	76,404,207.11	2,285,470,423.35

Notes to the Financial Statements
For the year ended 31 December 2009

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

I. GENERAL

Jingwei Textile Machinery Company Limited (the "Company") is established on 15 August 1995 with China Textile Machinery (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.

The registered address of the Company is 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC. The business address of the Company is Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC.

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 Hong Kong Stock Exchange 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 manufacturing and sale of textile machinery.

CTMC holds 33.83% of the Company's shares, and the remaining 66.17% of the Company's shares are widely held. As CTMC effectively controls the Company, so CTMC is the parent company of the Company. The Company's ultimate holding company is China Hengtian Group Company Limited.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

The following significant accounting policies and accounting estimates are determined in accordance with the new Corporate Accounting Standards ("new CASs").

2. Statement of compliance with the Accounting Standards for business enterprises.

The financial statements of the Company have been prepared in accordance with the new CASs, and present truly and completely, the Company's and Group's financial position as of 31 December 2009, and the Company's and Group's results of operations and cash flows for the year then ended.

3. Accounting year

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

4. Functional currency

Given the fact that Renminbi ("RMB") is the main currency of the place where the Company and domestic subsidiaries are primarily operated, the Company and domestic subsidiaries adopt RMB as their functional currency. Given the fact that Hongkong dollar ("HKD") is the main currency of the place where Hong Kong Huaming Company Limited, the overseas subsidiary of the Company, is primarily 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.

5. Basis of accounting and principle of measurement

The Group's Financial statements are prepared on actual basis. 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, provisions for asset impairment are made in accordance with relevant requirements.

6. Cash and Cash equivalents

Cash and 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.

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Translation of transactions denominated in foreign currencies

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

At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period, except for: (1) exchange differences arising from specific-purpose borrowings in foreign currencies that are eligible for capitalisation, which are capitalised during the capitalisation period and included in the cost of related assets; and (2) exchange differences arising from available for sales investment e.g.shares determinate in foreign currency and other exchange differences on monetary items between costs and carrying value is recognised in equity,all other exchange differences are included profit or loss in the period in which they arise.

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

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

8. Business combination

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

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

(1) A business combination involving enterprises under common control

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

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

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

(2) A business combination not involving enterprises under common control

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

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Business combination (continued)

(2) A business combination not involving enterprises under common control (continued)

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

(3) Goodwill

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

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

9. Preparation of consolidated financial statements

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

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

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

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

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments

(1) Classification and measurement of financial instruments.

Financial assets are recognised initially as financial assets at fair value through profit or loss ("FVTPL"), held to maturity investments, loans and receivables and available for sale financial assets. Financial assets are measured initially at fair value. For financial assets at fair value and with changes recorded into profit and loss of current period, related transaction fee shall be recorded directly into profit and loss of the current period, for other financial assets, related transaction fee shall be recorded into the initial recognised amount.

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

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit and loss and other financial liabilities. The Group's financial liabilities are mainly payables, borrowings and other financial liabilities.

(a) Financial assets at fair value through profit and loss

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

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

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

(b) Loans and receivables

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

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

(c) Other financial liabilities

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

(2) Fair value method for financial instruments

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

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(3) Transfer and measurement of financial asset

When the Group transfers a financial asset, it shall evaluate the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

(a) If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group shall derecognise the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

(b) If the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group shall continue to recognise the financial asset.

(c) If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset. In this case:

(i) If the Group has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

(ii) If the Group has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

(4) Impairment of financial assets

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

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

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

(5) Impairment of loans and receivables

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

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(6) Derecognition of a financial asset and financial liabilities

An entity shall derecognize a financial asset if, and only if, the following conditions are met:

(1) The contractual right to the cash flow from a financial asset expires;

(2) The entity has transferred a financial asset and also substantially all risks and rewards of ownership of the financial asset;

(3) The entity has transferred a financial asset, although the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity has not retained control of a financial asset

An entity shall derecognize a financial liability (or a part of a financial liability) from its Statement of Financial Position when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(7) Netting off between financial asset and financial liability

When the Group has the legitimate right to offset a financial asset and a financial liability that the right could be executed, and at the same time the Group plans to use net off value on settlement or cash in the financial asset and repay the financial liability at the same time, the financial asset and financial liability could be netted off and disclosed in the Statement of Financial Position in net amount. Otherwise, a financial asset and a financial liability shall be disclosed separately in the Statement of Financial Position without netting off.

11. Inventories

(1) Classification of Inventory

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

(2) Basis of measurement on issued inventories

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

(3) Provision for decline in value of inventories

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

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

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

(4) Perpetual inventory system

The perpetual inventory system is adopted for stock count.

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investment

(1) Recognition of initial cost of 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 other than through a business combination is initially measured at its cost.

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

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

(2) Method in subsequent valuation and profit or loss recognition

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

Under the cost method, a long-term equity investment is measured at initial investment cost.Except for purchase price actually paid or the consideration of investment includes cash dividends have been declared but not yet paid or profits, the investing enterprises shall entitle to recognise the investee enterprise cash dividends declared or profits as its return on investment regardless of the net profit pre-or-post investment.

(2) A long-term equity investment accounted for using the equity method

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

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

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

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investment (continued)

(2) Method in subsequent valuation and profit or loss recognition (continued)

(3) Acquisition of non-controlling interests

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

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

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

(4) Disposal of a long-term equity investment

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

3. Basis of determining common control and significant influence

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

13. 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	9-50years	5%	1.9%-10.56%
Machinery and equipment	5-22years	5%	4.32%-19.00%
Motor vehicles	5-14years	5%	6.79%-19.00%

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.

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Fixed assets and depreciation (continued)

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

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

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

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

(a) The lease transfers ownership of the asset to the lessee by the end of the lease term;

(b) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;

(c) The lease term is for the major part of the economic life of the asset even if title is not transferred (usually accounted for 75% or more of economic life);

(d) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (90% or more);

(e) The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

14. 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.

15. Borrowing costs

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

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

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

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Borrowing costs (continued)

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

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

16. 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 fails to meet the recognition criteria is charged to profit or loss when incurred.

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

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

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

The useful life of such an asset should be reviewed each reporting period determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate.

For intangible asset that has no contractual or legal requirement in respect of its useful life, the Group considers the circumstances of other enterprises in the same industry, experiences on historical events or consultation from experts etc, in order to establish the economic useful life of the relevant intangible asset.

If the Group cannot establish the economic useful life of this intangible asset by using the above methods, this intangible asset is regarded as intangible asset with indefinite useful life, which shall not be amortised. The Group shall review its useful life during each accounting period. If the useful life remains uncertain as at the end of the accounting period, the Group shall carry out impairment test in each accounting period as required and estimate its recoverable amount. If the recoverable amount is lower than its book value, impairment loss should be included in the profit or loss for the current period.

17. Research and development (“R&D”) expenditure

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

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

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

(1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

(2) Its intention to complete the intangible asset and use or sell it;

(3) How the intangible asset will generate economic benefits. Among other things, the Group can demonstrate the existence of a market of the output of the intangible asset or the intangible asset itself or, if it to be used internally, the usefulness of the intangible asset;

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Research and development ("R&D") expenditure (continued)

(4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and

(5) Its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

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

18. Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, fixed assets, construction in progress, construction materials and intangible assets may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs.

If the recoverable amount of an asset is less than its carrying amount, the difference is recognised as an impairment loss and charged to profit or loss for the current period.

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

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

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

19. Revenue recognition

(1) 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 recognised when the benefits associated with the sold completed properties will flow to the enterprises.

(2) 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.

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Employee benefits

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

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

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

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

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

The retirement welfare cost recognised in the consolidated statement of financial position is calculated as the present value of the beneficiary's obligation.

21. 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.

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

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

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

22. 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.

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Deferred tax assets and deferred tax liabilities (continued)

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

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

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

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

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

23. Leases

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

(1) Recording of operating leases by the Group as lessee

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

(2) Recording of operating leases by the Group as lessor

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

(3) Recording of finance leases by the Group as lessee

At the commencement of the lease term, lessees shall recognise finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.The date of commencement of the lease refers to the date when the Group has the right to use the leased asset.

Finance cost should be amortised over the lease term. It is the Group's policy to use effective interest rate method to determine the finance cost to be charged for the period.

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Leases (continued)

(3) Recording of finance leases by the Group as lessee (continued)

A finance lease gives rise to depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets that are owned, and the depreciation recognised shall be calculated in accordance with fixed assets of the Group. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Contingent lease payment shall be charged as expenses in the periods in which they are incurred.

24. Changes in accounting policies and accounting estimates

(1) Changes in accounting policies

During the reporting period, the Group has made changes to the following principal accounting polices under the Ministry of Finance "Accounting Standards interpretation No. 3" ("Interpretation No.3 ") requirements issued in 2009:

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

Under the cost method, a long-term equity investment is measured at initial investment cost. Investment income to be recognised for the period is limited to the amount attributable to the Group out of accumulated net profits of the investee arising after the investment was made. According to " Interpretation No.3" requirement, which became effective as of 1 January 2009, unless the purchase price actually paid or the consideration of investment already includes cash dividends declared but not yet paid or profits, investing enterprises shall entitle to recognise's the investee declared cash dividends or profits as return on investment regardless of the profit pre or post investment.After the Group recognises investment income in accordance with the above provisions, the Group considers of book value of the long-term equity investment is greater than its share of book value of net assets of the investee (including the related goodwill).If the book value of investment is greater, then in accordance with note II. 18 as described in "Accounting Standards No. 8 - Impairment of assets" and carryout impairment testing on the long-term equity investments, if the recoverable amount is less than the book value of long-term equity investments the Group shall recognition of impairment loss in the profit or loss for the period.

According to the requirement in "Interpretation No.3", The Group has not made retroactive adjustment arose from the changes in costing method .The change of this accounting policy has no material effect on the results and the financial position of the Group for 2009.

(b) Presentation of financial statements

In respect of the presentation of the consolidated statement of comprehensive income, the Group has added "other comprehensive income" and "total comprehensive income" after "earnings per share". "Other comprehensive income" represents unrecognised gains and losses after tax in accordance with the new CASs. "Total comprehensive income" represents total of net profit and other comprehensive income. The new CASs also require total comprehensive income attributable to non-controlling interests and owners of the parents to be disclosed separately in the statement of comprehensive income as allocations for the period. The Group has changed the presentation of the consolidated statement of comprehensive income in compliance with the new requirement.

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated Statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Changes in accounting policies and accounting estimates (continued)

(1) Changes in accounting policies (continued)

(c) Determination and presentation of operating segments

In accordance with the "Interpretation No.3" requirements, the Group's directors should consider segment disclosures based on the Group's circumstances and management adopts.The operating result reported for each segment should be consistent with the Group's own evaluation on the segmental operating results and decision making.This requirement changes the presentation of operating segments from previous years. Previously,it was required that the operating segments should be divided based on relevant products and services or the region of in which the Group operates.However, the Group's recognition and presentation of operating segments have already met "Interpretation No.3", therefore there is no significant change in presentation.

(2) Changes in accounting estimates

The Group has no changes in accounting estimates during the financial year.

25. Prior period adjustment

The Group has no prior period adjustment for the financial year.

26. Other major accounting policies, accounting estimates and the compilation of the financial statements.

In the process of applying of the Group's accounting policies, which are described in Note II, 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 uncertainly in certain operating activities. These judgements, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key Sources of estimation uncertainty

In the process of applying the entity's accounting policies which are described in note 3, the directors of the Company have made the following judgment that has a significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(1) Provision for bad debt

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

(2) Estimated net realisable value of inventories.

Provision for inventory impairment is recognised based on net realisable value of inventories. Provision for inventory impairment needs to be recognised when there is sign showing that the net realisable value is lower than cost. The determination of net realisable value involves significant judgment and estimation. If the new estimated result differs from current estimation, such difference will affect the book value of inventories for the corresponding period.

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II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Other major accounting policies, accounting estimates and the compilation of the financial statements. (continued)

Key Sources of estimation uncertainty (continued)

(3) Useful life of fixed assets and estimated net residual value

The Group reasonably determines the useful life of fixed assets and estimated net residual value of fixed asset. Such estimates are based on experience on actual useful life and residual value of certain fixed assets of similar nature and function, and adjust for have major changes due to technology evolution and competitors' response to the severe business environment. As described in Note II to the financial statements, the Group will review the useful life, estimated net residual value of fixed assets at least once at every year end. When the new estimated useful life and net residual value is less than the previous estimates, the Group will increase depreciation rate or write off the fixed assets that become obsolete.

(4) Recognition of deferred tax asset

As at 31 December 2009, a deferred tax assets of RMB13,502,943.18 in relation to temporary timing differences and unused tax losses have been recognised in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of comprehensive income in the period such a reversal takes place. At 31 December 2009, the Group has unrecognised deferred tax assets accounting of RMB175,274,690.98 due to uncertainty in the timing that the relevant tax losses can be utilised.If in the future the actual assessable profits generated is more than expected, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognised, and include the adjustment in the profits or losses for the relevant period. More over, when calculating the deferred tax asset, the Group has made estimates on applicable tax rate for the period when the relevant deferred tax assets is settled relevant liabilities is repaired. Where the estimated tax rate differs from actual rate, such difference will affect the income tax expense and deferred income tax asset during the period when such judgment was made.

(5) Actuarial Valuation on Employees' Retirement Benefit costs.

The Group made actuarial valuation on the liabilities and expenses arising from retirement benefit plan provided by the Group as follows:

(a) Supplementary pension benefit for retired and resigned personnel and families of the deceased;

(b) Reimbursement for medical treatment or payment to commercial medical insurance for retired personnel after retirement;

(c) The continuous benefits off-post payroll for early retired personnel during the early retirement period.

Such post retirement benefits cost and liability amount is calculated using to various assumptions, including discount rate, expenses increase rate and other factors during the retirement period. The difference between actual result and assumptions shall be treated according to the above-mentioned accounting policy of the relevant year. Although the management believes such assumptions are true and fair, changes in actual experience and assumptions will affect related costs and liability balance of employees' retirement benefit plan of the Group.

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III. TAXATION

1. 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.

2. Income Taxes

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

Pursuant to the approval document No. GR200811000616 jointly issued by four government authorities including Beijing Municipal Administration of State Taxation, the Company is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2009.

Pursuant to the approval document No. GR200811000221 jointly issued by four government authorities including Beijing Municipal Administration of State Taxation, Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Technology"), a subsidiary of the Company is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2009.

Pursuant to the approval document No. GR200812000351 jointly issued by four government authorities including National Taxation Bureau of Tianjin Municipal, Tianjin Hongda Textile Machinery Company Limited ("Tianjin Hongda"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2009.

Pursuant to the approval document No. GR200837100066 jointly issued by four government authorities including National Taxation Bureau of Qingdao Municipal, Shandong, Qingdao Hongda Textile Machinery Company Limited ("Qingdao Hongda"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2009.

Pursuant to the approval document No. GR200821000083 jointly issued by four government authorities including National Taxation Bureau of Liaoning province, Shenyang Hongda Textile Machinery Company Limited ("Shenyang Hongda"), a subsidiary of the Company is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% for 2009.

Pursuant to the approval document No. GR200831000239 jointly issued by four government authorities including National Taxation Bureau of Shanghai Municipal, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited ("Shanghai Dongxing"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2009.

Pursuant to the approval document No. GR200843000079 jointly issued by four government authorities including National Taxation Bureau of Hunan Municipal, Changde Textile Machinery Company Limited ("Changde Textile Machinery"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2009.

Tianjin Jingwei New Type Textile Machinery Company Limited ("Tianjin Jingwei"), a subsidiary of the Company, is qualified as a foreign investment production enterprise, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2006 to 2010. In 2009, it enjoys a preferential income tax rate of 10%.

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

Yichang Jingwei Textile Machinery Company Limited ("Yichang Jingwei"), a subsidiary of the Company, is qualified as a foreign investment production enterprise, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2007 to 2011. In 2009, it enjoys a preferential income tax rate of 12.5%.

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III. TAXATION (CONTINUED)

2. Income Taxes (continued)

Shanghai WSP Mould and Injection Plastic Company Limited ("Shanghai WSP"), a subsidiary of the company, is qualified as a Sino-foreign joint venture, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2005 to 2009. In 2009, it enjoys a preferential income tax rate of 10%.

Shanghai Chuangan Trading Company Limited ("Shanghai Chuangan"), a subsidiary of the company is an enterprise registered in Shanghai Pudong New Zone, and enjoys transitional rate of 20% applicable for 2009 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39).

Shenyang Hongda Huaming Textile Machinery Company Limited ("Shenyang Hongda Huaming"), a subsidiary of the company, qualifies as a foreign investment production enterprise established in a Science and Technology Development zone, and enjoys transitional rate of 20% applicable for 2009 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39). In accordance with the approval of State Taxation Bureau of Shenyang Municipal Economic and Technological Development Zone, Shenyang Hongda Huaming Textile Machinery Company Limited enjoys two years exemption from income taxes followed by three year of 50% tax reduction as a foreign investment production enterprise during the preferential period from 2006 to 2010. In 2009, the company enjoys preferential income tax rate of 10%.

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

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

3. Other Taxation

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

(a) Business tax is charged at 5%.

(b) City construction tax rate is charged at 7%.

(c) Educational surcharge tax is charged at 3%.

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IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidated financial statement

(1) Investing in newly established subsidiaries

Name of Company	Type	Place of incorporation	Nature of business	Registered capital	Major products/ service	Actual investment made by the Group at end year *RMB*	Total shareholding of the Group (%)	Total percentage of voting rights held by the Group (%)	Whether consolidated	Non-controlling interests *RMB*
Beijing Jingpeng Investment Management Co.Limited	Limited Company	Beijing	Investment Consultation	100,000,000.00	Sales/ Consultation	100,000,000.00	100.00	100.00	Yes	–
Beijing Bohong Property Development Co.Limited	Limited Company	Beijing	D&S	100,000,000.00	Property	65,000,000.00	65.00	65.00	Yes	47,728,412.52
Shenyang Hongda Huaming	Limited Company	Liaoning	P&S	40,000,000.00	T&M	40,000,000.00	98.50	100.00	Yes	82,739.68
Beijing New Technology	Limited Company	Beijing	P&S	100,000,000.00	T&M	100,000,000.00	100.00	100.00	Yes	–
Yichang Jingwei	Limited Company	Hubei	P&S	20,000,000.00	T&M	20,000,000.00	100.00	100.00	Yes	–
Tianjin Jingwei	Limited Company	Tianjing	P&S	16,000,000.00	T&M	16,000,000.00	100.00	100.00	Yes	–
Shanghai Chuangan	Limited Company	Shanghai	Sales	2,000,000.00	T&M	1,800,000.00	90.00	90.00	Yes	288,842.00
Shanghai Weixin Electrical and Machinery Company Limited	Limited Company	Shanghai	Sales	16,000,000.00	T&M	16,000,000.00	100.00	100.00	Yes	–
Shanghai Dongxing	Limited Company	Shanghai	P&S	50,000,000.00	T&M	46,247,088.00	100.00	100.00	Yes	–
Shanghai WSP	Limited Company	Shanghai	P&S	5,256,800.00	T&M	2,628,410.50	50.00	100.00	Yes	3,835,244.60
Jingwei Textile Machinery Yuci Materials Co. Limited	Limited Company	Shanxi	Sales	5,000,000.00	T&M	5,000,000.00	99.92	100.00	Yes	529.10
Shanxi Jingwei Textile Machinery and Special Parts Co.Limited	Limited Company	Shanxi	P&S	40,000,000.00	T&M	35,860,000.00	89.65	89.65	Yes	4,198,394.11
Hong Kong Huaming Company Limited	Limited Company	HongKong	Import & Export	USD7,700,000.00	T&M	USD7,700,000.00	100.00	100.00	Yes	–
Jinzhong Jingwei Foundry Company Limited	Limited Company	Shanxi	P&S	25,000,000.00	T&M	–	68.80	68.80	Yes	7,803,413.70
Yichang Hengtian Development Properties Company Limited	Limited Company	Hubei	D&S	20,000,000.00	Property	20,000,000.00	100.00	100.00	Yes	–

Note: D&S represents Development and Sales.
P&S represents Producet and Sales.
T&M represents Textile and Machinery.

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IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Scope of consolidated financial statement (continued)

(2) Subsidiaries through a business combination involving enterprises under common control

Name of Company	Type	Place of incorporation	Nature of business	Registered capital *RMB*	Major products/ service	Actual investment made by the Group at end year *RMB*	Total shareholding of the Group (%)	Total percentage of voting rights held by the Group (%)	Whether consolidated	Non-controlling interests *RMB*
Shenyang Hongda	Limited Company	Liaoning	P&S	71,000,000.00	T&M	69,580,000.00	98.00	98.00	Yes	1,980,509.82
Shanxi Jingwei Heli Machinery Manufacturing Company Limited	Limited Company	Shanxi	P&S	100,000,000.00	T&M	30,000,000.00	30.00	71.43	Yes	37,265,804.62
Changde Textile Machinery	Limited Company	Hunan	P&S	42,349,900.00	T&M	40,232,400.00	95.00	95.00	Yes	8,432,940.57
Tianjin Hongda	Limited Company	Tianjing	P&S	78,500,000.00	T&M	78,500,000.00	100.00	100.00	Yes	50,000.00
Qingdao Hongda	Limited Company	Shandong	P&S	114,000,000.00	T&M	111,335,820.00	97.663	97.663	Yes	6,367,331.30
Wuxi Jingwei Textile Technology Testing Company Limited	Limited Company	Jiangsu	Technology R&D	49,530,000.00	T&M	49,530,000.00	100.00	100.00	Yes	–
Wuxi Jingwei Textile Technology Sales Company Limited	Limited Company	Jiangsu	Sales	1,000,000.00	T&M	1,000,000.00	100.00	100.00	Yes	–
Zhengzhou Hongda New Textile Machinery Company Limited	Limited Company	Henan	P&S	74,500,000.00	T&M	73,010,000.00	98.00	98.00	Yes	1,648,519.18

(3) Subsidiaries through a business combination involving enterprises not under common control

Name of Company	Type	Place of incorporation	Nature of business	Registered capital *RMB*	Major products/ service	Actual investment made by the Group at end year *RMB*	Total shareholding of the Group (%)	Total percentage of voting rights held by the Group (%)	Whether consolidated	Non-controlling interests *RMB*
Wuxi Special Parts	Limited Company	Jiangsu	P&S	20,000,000.00	T&M	7,000,000.00	35.00	51.25	Yes	44,198,841.84
Xianyang Jingwei Machinery Manufacturing Company Limited	Limited Company	Shanxi	P&S	75,079,600.00	T&M	75,079,600.00	100.00	100.00	Yes	–
Taiyuan Jingwei Electrical Company Limited	Limited Company	Shanxi	P&S	5,000,000.00	T&M	5,000,000.00	100.00	100.00	Yes	–
Huangshi Jingwei Textile Machinery Company Limited	Limited Company	Hubei	P&S	30,000,000.00	T&M	24,902,014.83	90.00	90.00	Yes	2,091,894.51

Note 1: During the year, the Group has no loss applicable to the non-controlling interests that exceeds the non-controlling interests in a subsidiary's equity.

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IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Description of change in scope of consolidation

The company acquired 65% stake of Huangshi Jingwei Textile Machinery Company Limited ("Huangshi Jingwei") from Huangshi Xinning Quality Steel Company Limited at September 25 ,2009, The Company now holds 90% stake of Huangshi Jingwei after the acquisition. It is included into the consolidated financial statements for 2009.

Beijing Jingpeng Investment Management Company and Yichang Jingwei, both are subsidiaries of the company, have jointly set up Yichang Hengtian Development Properties Company Limited during the year. It is included into the consolidated financial statements for 2009.

The Company and Union Committee of Jinzhong Jingwei Foundry Company Limited ("Jingzhong Jingwei"), JingMingChang and 19 other natural persons co-funded Jingzhong Jingwei. Constitution of Jingzhong Jingwei provides that the Company would invest RMB17.2 million, which amounting to 68.8% shareholding of Jingzhong Jinwei. It is included into the consolidated financial statements for 2009.

The Group transferred 100% shareholding of Kunshan Jingwei Machinery Manufacturing Company Limited ("Kunshan Jingwei") during the year, hence Kunshan Jingwei is excluded from the scope of consolidation this year.

3. Description of the total shareholding of the Group less than 50% but included into the scope of consolidated financial statement

The shareholding that the Group has in Shanxi Jingwei Heli Machinery Manufacturing Company Limited ("Shanxi Heli") directly and via its subsidiaries is less than 50%. But pursuant to the Articles of Association of Shanxi 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.

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

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

4. Subsidiaries newly acquired during the year and subsidiary disposed of during the year

(a) Subsidiaries newly acquired during the year

Name of Company	Net assets at 31 December 2009 *RMB*	Net profit to 31 December 2009 since date of acquisition *RMB*
Jinzhong Jingwei	7,803,413.70	3,413.70
Huangshi Jingwei	20,918,945.09	-1,858,513.05
Yichang Hengtian Development Properties Company Limited	19,826,681.35	-173,318.65

(b) Subsidiary disposed of during the year

Name of Company	Net asset on date of disposal *RMB*	Net profit for the period to date of disposal *RMB*
Kunshan Jingwei	4,994,174.67	-89,481.97

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IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Subsidiaries newly acquired during this year through a business combination involving enterprises not under common control

Acquiree	Goodwill	Goodwill calculation
Huangshi Jingwei	–	–

6. Subsidiary disposed of during the year by sales

Name of subsidiary company	Date of disposal
Kunshan Jingwei	13 July 2009

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	2009			2008		
Item	Foreign currency	Exchange rate	RMB equivalent	Foreign currency	Exchange rate	RMB equivalent
Cash			1,028,131.30			1,243,351.59
RMB	917,276.87	1.0000	917,276.87	1,061,057.54	1.0000	1,061,057.54
USD	16.00	6.8282	109.25	466.00	6.8346	3,184.92
HKD	31,849.28	0.8805	28,043.29	31,850.00	0.8819	28,088.52
Euro	6,698.24	9.7971	65,623.33	13,973.30	9.6590	134,968.10
Yen	70,132.93	0.0738	5,175.81	70,150.00	0.0757	5,310.36
Pound	1,050.00	10.9780	11,526.90	1,050.00	9.8798	10,373.79
CHF	57.00	6.5938	375.85	57.00	6.4625	368.36
Bank Deposit			1,199,541,715.10			681,981,177.15
RMB	1,184,642,435.11	1.0000	1,184,642,435.11	662,229,224.52	1.0000	662,229,224.52
USD	444,952.70	6.8282	3,038,226.02	83,679.89	6.8346	571,918.58
HKD	7,101,352.17	0.8805	6,252,740.59	15,029,308.25	0.8819	13,254,346.95
Euro	201,259.30	9.7971	1,971,757.53	251,584.94	9.6590	2,430,058.94
CHF	551,511.40	6.5938	3,636,555.85	540,094.58	6.4723	3,495,628.16
Other Currency funds			77,122,340.58			51,485,081.81
RMB	77,118,858.22	1.0000	77,118,858.22	51,446,455.63	1.0000	51,446,455.63
HKD	3,954.98	0.8805	3,482.36	43,798.82	0.8819	38,626.18
Total			1,277,692,186.98			734,709,610.55

Note: At the balance sheet date, others currency funds mainly included pledged bank balances, refundable deposits and credit card deposits. Pledged bank balances mainly included deposits pledged to banks for bill payables of RMB54,991,864.90 (2008: RMB44,963,989.29), deposits pledged to banks for guarantee for mortgage bank loans of customers of RMB15,328,080.34 (2008: RMBnil), deposits pledged to banks for letter of credit of RMBnil (2008: RMB5,312,107.15)

2. Held-for-trading financial assets

(1)

Item	Fair value at 31 December 2009 *RMB*	Fair value at 31 December 2008 *RMB*
Listed securities:		
– Equity securities – PRC	2,170,449.36	–
Total	2,170,449.36	–

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bill receivables

(1) Category

	2009 *RMB*	2008 *RMB*
Bank guaranteed bills	1,063,843,957.54	610,430,918.32
Commercial bills	70,400,000.00	90,377,815.99
Total	1,134,243,957.54	700,808,734.31

Note: As at 31 December 2009, there has unexpired bill receivables amounted to RMB458,727,609.96 have been endorsed to certain creditors. Discounted unexpired bills amounted to RMB130,465,661.36.

(2) Pledged bill receivables

Drawer	Date of draft	Due date	Amount *RMB*
Pledged bill receivables			
Hu Bei Fengshu Xianye Ltd.	2009/10/15	2010/04/14	5,500,000.00
Hunan The Sixth Engineering Ltd.	2009/10/29	2010/04/29	4,000,000.00
Suzhou Zhenlun Cotton Ltd.	2009/10/28	2010/04/28	3,070,000.00
Shanxian Lusha Textiles Ltd.	2009/10/22	2010/04/22	2,520,000.00
Suzhou Zhenlun Cotton Ltd.	2009/11/03	2010/05/03	1,434,509.41
Others			9,500,000.00
Total			26,024,509.41

Note: At the balance sheet date, the pledged bill receivables were used for bills splitting.

(3) Unexpired bill receivables endorsed

Drawer	Date of draft	Due date	Amount *RMB*
Total			458,727,609.96
Top 5:			
Mengjiayuan Group Ltd.	2009/11/17	2010/05/17	6,000,000.00
Shanxian Lusha Textiles Ltd.	2009/09/15	2010/03/15	3,738,000.00
Suzhou Zhenlun Cotton Ltd.	2009/09/11	2010/03/11	3,560,000.00
Changle City Fujian Province Jinxin Textiles Ltd.	2009/10/28	2010/04/28	3,300,000.00
Changle City Fujian Province Jinxin Textiles Ltd.	2009/08/18	2010/02/18	3,130,000.00

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) Disclosure of accounts receivable balances by client categories is as follows:

	2009				2008			
Category	Amount *RMB*	Proportion (%)	Provision for bad debt *RMB*	Provision rate (%)	Amount *RMB*	Proportion (%)	Provision for bad debt *RMB*	Provision rate (%)
Individually significant accounts	187,693,153.34	37.75	–	–	208,889,598.57	41.49	–	–
Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics	84,242,794.72	16.95	84,242,794.72	100.00	114,774,595.12	22.8	114,774,595.12	100
Other insignificant accounts	225,228,960.07	45.30	13,192,441.47	5.86	179,801,889.33	35.71	14,905,419.00	8.29
Total	497,164,908.13	100.00	97,435,236.19		503,466,083.02	100.00	129,680,014.12	

Note 1: Accounts receivable balance over RMB10,000,000.00 was classified as individually significant accounts.

Note 2: For accounts receivable balance fall due over 3 years with objective evidence that the amounts are irrecoverable they are classified as"Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics". These accounts receivable balances are provided in full. This is in accordance with note II(18).

(2) The aged analysis of accounts receivable is as follows:

	2009				2008			
Age	Amount *RMB*	Proportion (%)	Provision for bad debt *RMB*	Provision rate (%)	Amount *RMB*	Proportion (%)	Provision for bad debt *RMB*	Provision rate (%)
Less than 1 year	362,561,665.90	72.92	266,481.96	0.07	290,973,313.23	57.79	151,649.61	0.05
1-2 years	29,219,836.02	5.88	4,916,650.05	16.83	78,283,437.41	15.55	5,210,087.75	6.66
2-3 years	20,088,577.47	4.04	8,009,309.46	39.87	15,661,732.76	3.11	9,543,681.65	60.94
Over 3 years	85,294,828.74	17.16	84,242,794.72	98.77	118,547,599.62	23.55	114,774,595.11	96.82
Total	497,164,908.13	100.00	97,435,236.19		503,466,083.02	100.00	129,680,014.12	

(3) Accounts receivable balance which were provided for as bad debt in previous periods but recovered in 2009

Name of customer	Amounts *RMB*	Reasons for recovering	Reasons for provision as bad debt in previous periods
Mazuoli Dongtai Textile Machinery Ltd.	3,379,517.95	From legal proceedings	Expired, uncollectible
Anhui Huayuan Development Ltd.	2,600,000.00	Collected	Expired, uncollectible
Qingdao Associated Textile Group No.6 Cotton Mill	1,232,300.00	Collected	Expired, uncollectible
Shanghai Huayuan Investment & Development Group Ltd.	1,200,719.70	Collected	Expired, uncollectible
Shanghai Huayuan Industry Ltd.	914,494.80	Collected	Expired, uncollectible
Xinjiang Qiyi No.2 Textile Factory	623,904.76	Collected	Expired, uncollectible

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(4) Accounts receivable balances written off in 2009:

Name of Company	Amounts *RMB*	Nature of business	Reasons for written off	Related parties (yes/no)
Total	21,796,125.76			
Including:				
1.Shanghai Huayuan Co.Ltd.	4,904,180.59	Trading	Bankruptcy reorganisation	No
2.Xinjiang Kuitun Qingtian Textile ltd.	1,459,396.48	Trading	Bankrupcy or deregistration	No
3.Binzhou Textile Industy Corporation	1,276,896.74	Trading	Bankrupcy or deregistration	No
4.Wulumuqi Jingxinda Textile Ltd	1,174,168.68	Trading	Bankrupcy or deregistration	No
5.Puyu XiangxuTextile Ltd.	1,141,346.75	Trading	Uncollectible	No

(5) Accounts receivable do not have balances from shareholders who hold 5% and above equity interest in the Company. The accounts receivable balances from other related parties please refer to note VI (6).

(6) Top five accounts receivable balance outstanding as at 31 December 2009 as follows:

Name of Company	Relationship with the Group	Amount *RMB*	Age	Proportion (%)
1.Jingwei Machinery (Group) Co. Ltd	Fellow subsidiaries	58,570,163.35	Less than 1 year	11.78
2.Beida Xianxing Antai Techonology Industry Corporation	Third party	48,789,967.00	Less than 1 year	9.81
3.Beijing Hualian Hypermarket Co. Ltd	Third party	34,457,105.51	Less than 1 year	6.93
4.China Textile Machinery and Technology Import and Export Corporation	Associates	18,003,309.74	Less than 1 year	3.62
5. Suzhou Zhenlun Cotton Ltd.	Third party	14,332,990.59	Less than 1 year	2.88
Total		174,153,536.19		35.02

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables

(1) Disclosure of other receivables by categories is as follows:

Category	2009 Amount RMB	2009 Proportion (%)	2009 Provision for bad debt	2009 Provision rate (%)	2008 Amount RMB	2008 Proportion (%)	2008 Provision for bad debt	2008 Provision rate (%)
Individually significant accounts	247,470,595.88	78.49	–	–	130,468,750.00	70.97	–	–
Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics	14,157,271.83	4.49	14,157,271.83	100.00	12,762,684.83	6.94	12,762,684.83	100.00
Other insignificant accounts	53,651,375.10	17.02	982,734.26	1.83	40,606,002.24	22.09	411,442.66	1.01
Total	315,279,242.81	100.00	15,140,006.09		183,837,437.07	100.00	13,174,127.49	

Note 1: Other receivables balance over RMB10,000,000.00 was classified as individually significant accounts.
Note 2: For other receivable balance fall due over 3 years with objective evidence that the amounts are irrecoverable they are classified as "Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics". These other receivables balances are provided in full. This is in accordance with note II(18).

(2) The aged analysis of other receivables balance is as follows:

Age	2009 Amount RMB	2009 Proportion (%)	2009 Provision for bad debt	2009 Provision rate (%)	2008 Amount RMB	2008 Proportion (%)	2008 Provision for bad debt	2008 Provision rate (%)
Less than 1 year	160,384,446.36	50.87	205,074.29	0.13	83,878,112.19	45.63	–	–
1-2 years	63,599,313.01	20.17	24,873.00	0.04	32,284,552.39	17.56	25,912.40	0.08
2-3 years	27,293,012.79	8.66	752,786.97	2.76	29,003,411.51	15.78	385,530.26	1.33
Over 3 years	64,002,470.65	20.30	14,157,271.83	22.12	38,671,360.98	21.03	12,762,684.83	33.00
Total	315,279,242.81	100.00	15,140,006.09		183,837,437.07	100.00	13,174,127.49	

(3) Other receivables do not have balances from shareholders who hold 5% and above equity interest in the Company.The balances with other related parties please refer to note VI (6).

(4) Top five other receivables balances outstanding as at 31 December 2009 are as follows:

Name of Company	Relationship with the Group	Amounts RMB	Nature	Age	Proportion (%)
1.Anhui Huamao Jingwei New Type Textile Co., Ltd.	Associates	134,470,595.88	Loan and borrowing	1-4years	42.65
2.Beijing liangyou Investment Government Ltd.	Third party	113,000,000.00	Share transfer	Less than 1 year	35.84
3.Zhaoyin Finance Leasing Ltd.	Third party	7,500,000.00	Deposits pledged to banks	Less than 1 year	2.38
4.Beijing Ruifeng Hengtai Coal Sales Ltd.	Third party	3,572,270.40	Inter Company funds	Over 3 years	1.13
5.Qili Development Ltd.	Third party	3,256,000.00	Inter Company funds	Over 3 years	1.03
Total		261,798,866.28			83.03

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Advances to suppliers

(1) The aged analysis of advances to suppliers is as follows:

	2009			2008	
Age	Amounts *RMB*	Proportion (%)	Provision for bad debt *RMB*	Amounts *RMB*	Proportion (%)
Less than 1 year	289,807,234.44	99.29	–	243,310,728.56	96.40
1-2 years	790,256.02	0.27	32,417.75	7,852,714.44	3.11
2-3 years	302,202.73	0.10	16,941.64	341,669.80	0.13
Over 3 years	992,938.62	0.34	356,285.00	897,370.02	0.36
Total	291,892,631.81	100.00	405,644.39	252,402,482.82	100.00

(2) Top five outstanding amounts are as follows:

Name of Company	Relationship with the Group	Amounts *RMB*	Age	Reasons for non-settlement
Zhejiang Huayou Cobalt Industry Co.Ltd	Third party	79,900,000.00	Less than1 year	Advance payment for goods
Tianjin Textile Machinery Ltd.	Key personnel control or influence	37,636,039.29	Less than 1 year	Advance payment for goods
Lida Zhonggon Ltd.	Third party	22,500,000.00	Less than 1 year	Advance payment for goods
Zhengzhou Textile Machinery Co., Ltd.	Fellow subsidiaries	25,528,741.41	Less than 1 year	Advance payment for goods
USTER TECHNOLOGY	Third party	14,972,248.54	Less than 1 year	Advance payment for goods
Total		180,537,029.24		

(3) Advance to suppliers do not have receivables from shareholders who holds 5% and above equity interest in the Company.For balances with other related parties please refer to note VI (6).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

(1)

Categories	At 1 January 2009 *RMB*	Additions *RMB*	Reductions *RMB*	At 31 December 2009 *RMB*
Raw materials	401,832,469.61	2,560,175,142.66	2,659,707,640.41	302,299,971.86
Work-in-progress	361,945,404.95	5,056,344,163.21	5,080,742,472.69	337,547,095.47
Finished goods	632,518,519.40	4,812,851,990.87	4,926,106,835.22	519,263,675.05
Revolving materials	2,057,317.78	103,515,845.78	103,076,167.68	2,496,995.88
Completed properties for sale	281,753,707.90	9,078,683.14	203,961,782.28	86,870,608.76
Properties under development for sale	172,450,520.50	11,183,777.99	7,499,612.95	176,134,685.54
Total	1,852,557,940.14	12,553,149,603.65	12,981,094,511.23	1,424,613,032.56

Note: The above completed properties for sale and properties under development for sale as at 31 December 2009 are the Huanyuan guanjuncheng project belonging to Beijing Bohong Property Development Company Limited, a subsidiary of the Company. During the year, the total capitalised borrowing costs was RMB10,258,604.97 (2008: RMB15,952,833.99). The rate used to determine the amount of borrowing costs to be capitalised was 5.93%.

(2) Provision for decline in value of inventories

Category	At 1 January 2009 *RMB*	Increase in Provision *RMB*	Additions from business combinations *RMB*	Reductions: Reversals *RMB*	Reductions: Written off *RMB*	At 31 December 2009 *RMB*
Raw materials	14,880,669.75	2,776,456.37	1,812,939.49	585,455.64	3,507,331.66	15,377,278.31
Work-in-progress	23,083,662.56	12,362,567.97	–	–	200,000.00	35,246,230.53
Finished goods	40,218,796.52	4,946,878.58	1,639,459.07	2,441,293.49	6,720,533.97	37,643,306.71
Revolving materials	26,683.73	8,252.92	–	–	–	34,936.65
Total	78,209,812.56	20,094,155.84	3,452,398.56	3,026,749.13	10,427,865.63	88,301,752.20

8. Other current assets

Category	2009 *RMB*	2008 *RMB*
Entrusted loan	–	50,000,000.00
Prepaid business tax	9,650,492.66	–
Prepaid city construction tax	482,524.63	–
Prepaid education surcharge tax	289,514.78	–
Prepaid land appreciation tax	1,930,098.52	–
Prepaid income tax	4,149,711.82	–
Total	16,502,342.41	50,000,000.00

Note: At 31 December 2009, the other assets balance include prepaid taxes,which represent related taxes payable in respect of deposit payment from customers purchasing properties from Beijing Bohong Property Development Company Limited, a subsidiary of the Company.

9. Non-current assets-amount due within one year

	2009 *RMB*	2008 *RMB*
China Trust Ltd	9,642,797.11	–
Kuitun Huanzhou Cotton Ltd.	15,650,801.19	–
Total	25,293,598.30	–

Note: Relevent information please refer to V(10).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term receivables

	2009 *RMB*	2008 *RMB*
China Trust Ltd (note 1)	4,614,247.74	23,091,163.33
Kuitun Huanzhou Cotton Ltd. (note 2)	27,748,723.88	–
Total	32,362,971.62	23,091,163.33

Note 1: Long-term accounts receivable amounted RMB30,000,000 was factored to obtain bank advances pursuant to an agreement with a bank entered into by the Group in 2008. According to the factoring agreement, if the counterparty fails to repay the accounts receivable duly, the Group shall unconditionally repurchase the accounts receivable. As at 31 December 2009, the counterparty has repaid RMB15,000,000. The factored accounts receivable and the amount received from the factoring of accounts receivable of the Group were reflected in the long-term receivables and long-term borrowing at the year-end respectively, as the risks and rewards associated with the accounts receivable have not been fully transferred.

Note 2: The Group has entered into a sales contract amounting to RMB61,206,509 which was agreed to be settled by instalment with Kuitun Huanzhou Cotton Industry Co.Ltd. during the year. As at 31 December 2009, the counterparty has repaid RMB15,126,509, and the remaining principal was RMB46,080,000.The receivable is pledged to France's Societe Generale to obtain a long-term bank borrowing Please refer to V(19).

Note 3: The long-term receivable due within one year relating to the sales contract in note 2 above is disclosed as non-current assets-amount due within one year in the financial statements.Please refer to note V(9).

11. Long-term equity investments

Note of Investee	Cost *RMB*	At 1 January 2009 *RMB*	Additions *RMB*	Reductions *RMB*	At 31 December 2009 *RMB*	Proportion of ownership held by the Group	Provision for impairment loss *RMB*	Cash dividends *RMB*
(1) Using the cost method:								
Hongda Investment Company Ltd	24,866,602.17	24,866,602.17	–	–	24,866,602.17	9.38%	–	–
Langfang Hengsheng Realty Group Co., Ltd	68,000,000.00	68,000,000.00	–	68,000,000.00	–	20%		16,797,000.00
Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd	180,000,000.00	–	180,000,000.00	180,000,000.00	–	30%	–	–
Shenyang Textile Machinery Manufacturing Co., Ltd	1,200,000.00	1,200,000.00	–	–	1,200,000.00	10%	–	–
BSI Management Systems Certification Company Limited (note1)	1,450,293.56	1,450,293.56	–	–	1,450,293.56	50%	–	–
Tianjin Textile Machinery Manufacturing Co., Ltd	6,750,000.00	–	6,750,000.00	–	6,750,000.00	15%	–	–
Qingdao Textile Machinery Manufacturing Co., Ltd	15,802,027.04	15,802,027.04	–	–	15,802,027.04	17%	–	850,000.00
Qingdao Jinyi Pressing and casting Company Ltd (Note3)	1,057,000.00	1,057,000.00	–	–	1,057,000.00	27%	–	31,710.00
Qingdao Qingfeng Forging Company (Note2)	5,000,000.00	5,000,000.00	–	–	5,000,000.00	25%	5,000,000.00	–
Jiangsu Hongyuan Textile Machinery Co., Ltd	1,422,652.84	1,422,652.84	–	–	1,422,652.84	0.70%	–	40,000.00
Others	–	3,025,435.75	816,587.50	1,898,951.91	1,943,071.34	–	1,356,883.87	–
(2) Using the equity method								
Huangshi Jingwei	7,500,000.00	7,500,000.00	–	7,500,000.00	–	25%	–	–
ChinaTextile Machinery and Technology Import and Export Corporation ("China Texma Tech")	30,000,000.00	45,561,710.64	8,978,200.34	557,998.87	53,981,912.11	25%	–	557,998.87
Hongda Research Company Limited	20,000,000.00	25,333,649.97	268,000.00	3,166.05	25,598,483.92	40%	–	3,166.05
Zhengzhou Hongda Non-woven Fabric Company Limited	17,000,000.00	11,029,448.02	–	2,109,963.65	8,919,484.37	23.74%	–	–
Hengyang Textile Machinery Company Limited	12,896,800.00	–	12,896,800.00	1,544,458.70	11,352,341.30	49%	–	–
Anhui Huamao Jingwei New Type Textile Company Limited	12,500,000.00	12,805,139.64	–	5,064,121.96	7,741,017.68	25%	–	–
Shenyang Jingxing Textile Machinery Company Limited	1,000,000.00	717,312.94	–	717,312.94	–	31.25%	–	–
Total		224,771,272.57	209,709,587.84	267,395,974.08	167,084,886.33		6,356,883.87	18,279,874.92

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (Continued)

Note 1: Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Technology"), a subsidiary of the Company, holds 50% equity interest of BSI Management Systems Certification Company Limited. As the cooperation agreement entered into between Beijing New Technology and BSI Management Systems Certification Company Limited expressively stipulated that Beijing New Technology was not entitled to decision-making power, and hence it did not participate in the daily operation and management of the investee company, therefore, the investment in BSI Management Systems Certification Company Limited has always been accounted for by cost method.

Note 2: Qingdao Hongda Textile Machinery Company Limited ("Qingdao Hongda"), a subsidiary of the Company, holds 25% equity interest of Qingdao Qingfeng Forging Company. As there was dispute over the progress and quality of plant construction of Qingdao Qingfeng Forging Company and consensus could not be reached after several negotiations, the agreement entered into between Qingdao Hongda and Qingdao Qingfeng Forging Company failed to be executed. As such, the investment is exposed to greater risk and is therefore accounted for by cost method with and that impairment loss has been provided in full.

Note 3: Qingdao Hongda Textile Machinery Company Limited ("Qingdao Hongda"), a subsidiary of the Company, holds 27% equity interest of Qingdao Jinyi Pressing and Casting Company Ltd. As Qingdao Hongda did not participate in the daily operation and management of the investee company, therefore, the investment in Qingdao Jinyi Pressing and Casting Company Limited has always been accounted for by cost method.

Note 4: During the year, there is no difference between proportion of ownership held by the Group that is inconsistence with the proportion of voting right held.

Note 5: There are no significant restrictions on transferring of investment income from investee.

12. Fixed Assets

(1) Details of fixed assets are as follows:

	At 1 January 2009 *RMB*	Addition *RMB*	Reduction *RMB*	At 31 December 2009 *RMB*
Cost	2,656,623,366.04	617,307,601.31	552,715,947.71	2,721,215,019.64
Buildings	892,240,405.22	100,412,967.09	15,179,410.86	977,473,961.45
Machinery and equipment	1,638,033,037.30	506,353,912.51	517,020,488.62	1,627,366,461.19
Motor vehicle	126,349,923.52	10,540,721.71	20,516,048.23	116,374,597.00
Accumulated depreciation	1,338,976,680.41	394,082,880.22	315,227,665.09	1,417,831,895.54
Buildings	266,185,791.48	70,105,353.24	3,137,036.00	333,154,108.72
Machinery and equipment	1,017,836,448.45	296,739,792.20	299,319,040.83	1,015,257,199.82
Motor vehicle	54,954,440.48	27,237,734.78	12,771,588.26	69,420,587.00
Provision for impairment	31,850,148.96	9,037.83	8,903,950.54	22,955,236.25
Buildings	1,477,261.32	–	–	1,477,261.32
Machinery and equipment	30,372,887.64	–	8,903,950.54	21,468,937.10
Motor vehicle	–	9,037.83	–	9,037.83
Net book value	1,285,796,536.67	–	–	1,280,427,887.85
Buildings	624,577,352.42	–	–	642,842,591.41
Machinery and equipment	589,823,701.21	–	–	590,640,324.27
Motor vehicle	71,395,483.04	–	–	46,944,972.17

Note: The newly addition in fixed assets was mainly due to machinery and equipment acquired through finance lease during the year. The cost of related assets under finance lease was RMB378,772,075.94 and the accumulated depreciation was RMB191,224,965.82, hence the increase in net book value was RMB187,547,110.12. During the year,the amount transferred from construction in progress to fixed assets was RMB39,692,298.94.

The reduction in fixed assets was mainly due to a sales and lease back transaction relating to the machinery and equipment under finance lease as above. The cost of related assets under finance lease was RMB378,772,075.94 and the accumulated depreciation was RMB191,224,965.82, hence the decrease in net book value was RMB187,547,110.12.

The total depreciation change for the year amounted to RMB113, 599,232.61.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets (Continued)

(2) Temporarily idle fixed assets

	Cost *RMB*	Accumulated depreciation *RMB*	Provision for impairment *RMB*	Net book value *RMB*	Notes
Buildings	9,771,780.41	5,041,831.77	–	4,729,948.64	–

(3) Leased fixed assets under finance lease

	Cost *RMB*	Accumulated depreciation *RMB*	Net book value *RMB*
Machinery and equipment	378,772,075.94	233,840,477.58	144,931,598.36

(4) Fixed assets leased out under operating leases

	Net book value *RMB*
Machinery and equipment	27,797,552.73
Motor vehicle	2,162,243.33

(5) Fixed assets without certificates of ownership of property

At 31 December 2009, the certificates of ownership of certain buildings of the Group at carrying value of RMB115,608,055.09 (2008: RMB203,784,148.87) situated in the PRC have not been passed to the Group. This is due to the relevant buildings were transferred from construction in progress and in process to apply for certificate of ownership.

13. Construction in progress

(1) Details of construction in progress are as follows:

Project name	At 31 December 2009 Amounts *RMB*	Provision for impairment *RMB*	Net book value *RMB*	At 1 January 2009 Amounts *RMB*	Provision for impairment *RMB*	Net book value *RMB*
New plant in Tianjin industry zone	48,910,782.34	–	48,910,782.34	12,587,154.47	–	12,587,154.47
Phase I, New Plant Area Project of Wuxi Hongda Textile Machinery and Special Parts Company Limited	42,749,737.33	–	42,749,737.33	23,255,651.85	–	23,255,651.85
Qingdao Laoshan Winder Industrial Park Project	2,623,929.00	–	2,623,929.00	–	–	–
Machinery to be installed	–	–	–	10,357,744.64	–	10,357,744.64
Others	21,340,295.95	–	21,340,295.95	18,740,467.18	–	18,740,467.18
Total	115,624,744.62	–	115,624,744.62	64,941,018.14	–	64,941,018.14

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in progress (Continued)

(2) Movements on significant construction in progress

Project name	Budget RMB	At 1 January 2009 RMB	Additions RMB	Complete and transfer to fixed assets RMB	Others reduction RMB	Proportion of construction investment in budget RMB
Phase I, New Plant Area Project of Wuxi Hongda Textile Machinery and Special Parts Company Limited	48,000,000.00	23,255,651.85	19,494,085.48	–	–	89.06%
New plant in Tianjin industry zone	64,400,000.00	12,587,154.47	41,551,665.22	4,609,096.47	618,940.88	84.07%

Project name	Progress	Total amount of interest capitalised RMB	Amount of interest capitalised in 2009 RMB	Rate of Capitalisation	Funding	At 31 December 2009 RMB
Phase I, New Plant Area Project of Wuxi Hongda Textile Machinery and Special Parts Company Limited	89%	–	–	–	Own funds	42,749,737.33
New plant in Tianjin industry zone	84%	–	–	–	Own funds	48,910,782.34

14. Intangible assets

(1) Details of intangible assets are as follows:

	At 1 January 2009 RMB	Additions RMB	Reductions RMB	At 31 December 2009 RMB
Cost	347,991,059.88	89,443,902.78	16,155,241.21	421,279,721.45
Land use right	310,936,915.46	86,716,154.27	2,092,476.60	395,560,593.13
Computer Software	13,330,803.49	2,727,748.51	2,099,372.00	13,959,180.00
Patents	18,084,159.93	–	11,963,392.61	6,120,767.32
Non-patent technology	3,369,468.00	–	–	3,369,468.00
Others	2,269,713.00	–	–	2,269,713.00
Accumulated amortisation	66,411,330.28	11,503,816.01	15,212,036.92	62,703,109.37
Land use right	41,679,332.84	7,930,255.45	1,149,272.31	48,460,315.98
Computer Software	7,622,069.15	2,224,625.36	2,099,372.00	7,747,322.51
Patents	13,075,646.57	1,105,863.96	11,963,392.61	2,218,117.92
Non-patent technology	3,353,368.00	16,100.00	–	3,369,468.00
Others	680,913.72	226,971.24	–	907,884.96
Net book value	281,579,729.60	–	–	358,576,612.08
Land use right	269,257,582.62	–	–	347,100,277.15
Computer Software	5,708,734.34	–	–	6,211,857.49
Patents	5,008,513.36	–	–	3,902,649.40
Non-patent technology	16,100.00	–	–	–
Others	1,588,799.28	–	–	1,361,828.04

Note 1: The total amortisation change for the year amounted to RMB 10,511,859.88.

Note 2: At balance sheet date, the intangible assets increased by RMB76,996,882.48 when compared with 2008, which is mainly due to Qingdao Hongda, a subsidiary of the Company, purchased land use right amounting to RMB20,497,000.00 during the year, There is also addition in land use right amounting to RMB65,881,049.79 due to changes in consolidation scope.

Note 3: At 31 December 2009, the certificates of ownership of certain newly acquired land use right of the Group, at carrying value of RMB20,292,030, situated in the PRC have not been passed to the Group.

Note 4: At the balance date all intangible assets have defined economic.

(2) Research and development expenses

	At 1 January 2009 RMB	Additions RMB	Reductions: Recognised as current expense for 2009 RMB	Reductions: Recognised as intangible assets RMB	At 31 December 2009 RMB
Research and development expenses	–	62,548,774.60	62,548,774.60	–	–
Total	–	62,548,774.60	62,548,774.60	–	–

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Goodwill

Name of investee	Source	At 1 January 2009 RMB	Additions RMB	Reductions RMB	31 December 2009 RMB	Provision for impairment RMB
Xianyang Jingwei Machinery Manufacturing Company Limited	Combinations not under common control	1,882,417.00	–	–	1,882,417.00	–
Wuxi Hongda Textile Machinery and Special Parts Co.Ltd	Combinations not under common control	375,995.00	–	–	375,995.00	–
Total		2,258,412.00	–	–	2,258,412.00	–

16. Deferred tax assets and Deferred tax liabilities

(1) Deferred tax assets and Deferred tax liabilities

Item	Recognised temporary differences and losses		Deferred tax assets (liabilities)	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB
Provision for impairment	16,268,070.67	161,221,476.31	2,440,210.60	24,829,954.85
Offset of unrealised profits of inventory	12,486,492.76	12,193,796.59	2,366,561.85	1,753,468.37
Deductible losses	57,494,471.53	–	8,624,170.73	–
Others	480,000.00	20,993,195.71	72,000.00	3,461,623.69
Total	86,729,034.96	194,408,468.61	13,502,943.18	30,045,046.91

(2) The deductible temporary differences not recognised in finance statements are as follows:

Item	2009 RMB	2008 RMB
Other temporary differences	256,479,918.10	97,679,510.69
Tax losses	175,274,690.98	61,246,299.47
Total	431,754,609.08	158,925,810.16

(3) Tax losses not recognised as deferred tax assets will be matured in the following years:

Years	2009 RMB	2008 RMB
2009	–	1,652,102.62
2010	2,389,767.53	2,389,767.53
2011	3,857,599.64	3,857,599.64
2012	15,214,091.76	15,214,091.76
2013	38,132,737.92	38,132,737.92
2014	115,680,494.13	–
Total	175,274,690.98	61,246,299.47

17. Provision for impairment loss of assets

	At 1 January 2009 RMB	Increase in provision for the year RMB	Others additions RMB	Increase though business combination for the year RMB	Reversals RMB	Reductions Written-off RMB	Others RMB	At 31 December 2009 RMB
Bad debt provision	142,854,141.61	3,087,785.29	–	11,710,768.70	22,858,491.76	21,796,125.76	17,191.41	112,980,886.67
Provision for decline in value of inventories	78,209,812.56	20,094,155.84	–	3,452,398.56	3,026,749.13	10,427,865.63	–	88,301,752.20
Provision for impairment loss of long-term equity investment	5,986,883.87	–	–	370,000.00	–	–	–	6,356,883.87
Provision for impairment loss of fixed assets	31,850,148.96	–	9,037.83	–	–	8,903,950.54	–	22,955,236.25
Total	258,900,987.00	23,181,941.13	9,037.83	15,533,167.26	25,885,240.89	41,127,941.93	17,191.41	230,594,758.99

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Other non-current assets

Item	**2009** *RMB*	**2008** *RMB*
Rental collection right	16,905,386.91	25,909,090.91
Prepayments for acquisition of property	–	10,000,000.00
Prepayments for construction costs	52,700,189.02	–
Total	69,605,575.93	35,909,090.91

Note: The rental collection right relates to a financing arrangement between a subsidiary of the Company and a third party (the "Landlord") in June 2008 amounted to RMB16,905,386.91. The Group is entitled to receive rentals from two tenants (the "Tenants") for a period of 44 to 48 months according to the terms set out in the original Rental Agreements. This has been amended to a period of 36 months from the commencement date in the original agreement, according to the supplementary agreement with the Landlord dated 25 December 2009.

19. Assets with restrictions on ownership

	At 1 January 2009 *RMB*	**Additions** *RMB*	**Reductions** *RMB*	**At 31 December 2009** *RMB*
Assets under guarantee				
Inventories	454,204,228.40	–	454,204,228.40	–
Pledged long-term receivables	–	46,080,000.00	–	46,080,000.00
Pledged bill receivables	–	26,024,509.41	–	26,024,509.41
Fixed assets under finance lease	–	144,931,598.36	–	144,931,598.36
Deposits pledged to banks for bills	44,963,989.29	10,027,875.61	–	54,991,864.90
Letter of Credit Margin	5,312,107.15	–	5,312,107.15	–
Deposits pledged to banks for guarantee for mortgage bank loans of customers	–	15,328,080.34	–	15,328,080.34
Total	504,480,324.84	242,392,063.72	459,516,335.55	287,356,053.01

Note: Beijing Bohong Property Development Company Limited, a subsidiary of the Company, has obtained a long-term loan of RMB 100 million by plegdging construction area of No. 1 and No. 2 buildings in No. 36 courtyard, Datun Road, Chaoyang District, Beijing, and the amortised land use right to a bank. As at 31 December 2009, the long-term loan was fully repaid.The release of pledge has not been completed at 31 December 2009.

20. Short-term borrowings

Category	**2009** *RMB*	**2008** *RMB*	**Guarantor**
Credit loans	312,239,783.67	315,843,512.86	
Guaranted loans	130,000,000.00	100,000,000.00	Jingwei Textile Machinery Group Corporation Ltd.
Discounted bills	130,465,661.36	136,446,636.50	
Total	572,705,445.03	552,290,149.36	

21. Bill payables

Category	**2009** *RMB*	**2008** *RMB*
Bank bills under acceptance	104,999,184.31	146,503,132.74
Commercial bills under acceptance	23,018,365.48	34,763,352.14
Total	128,017,549.79	181,266,484.88

Note: The amount of RMB128,017,549.79 of bill payables will be matured at the next accounting period.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Accounts payable

(1) At 31 December 2009, accounts payable included an amount RMB6,301,379.63 payable to CTMC, a shareholder holds 33.83% of voting right in the Company. For payable balance due to other related parties please refer to note VI (6).

(2) At 31 December 2009, there was accounts payable balance remains unsettled aged over one year amounted to 49,529,454.17.

23. Advances from customers

(1) Advances from customers do not have advances from shareholders holding 5% and above equity interest in the Company. For balances from other related parties please refer to note VI (6).

(2) The advances from customers aged over one year are as follows:

Name of Company	Amounts *RMB*	Reason of not reversed
Tushukeshi Yongan Cotton Textile Co.Ltd.	6,199,000.00	Contract deposits
Alaer Tianfeng Textile Ltd.	3,293,767.20	Goods not delivered
Xinjiang Tiansheng Industry Ltd.	2,590,000.00	Goods not delivered
Linfen Guangxiu Industry Ltd.	2,000,000.00	Under final acceptance
Alaershi Cotton Ltd	1,567,295.60	Goods not delivered
Yunchengxian Yashi Textile Group Ltd.	1,033,860.00	Contract deposits
Ruianshi Huafei Qingfang Ltd.	1,005,000.00	Goods not delivered
Total	17,688,922.80	

24. Employee benefits payable

	At 1 January 2009 *RMB*	Additions *RMB*	Reductions *RMB*	At 31 December 2009 *RMB*
Wages or salaries, bonus, allowance and subsidies	18,885,562.89	302,083,101.83	297,251,065.78	23,717,598.94
Staff welfare	–	18,389,272.15	18,389,272.15	–
Social security contributions	4,792,545.15	93,580,906.49	80,339,336.45	18,034,115.19
Including:				
Premiums or contributions on medical insurance	1,380,350.03	22,436,163.91	22,236,358.91	1,580,155.03
Basic pensiol contribution	3,063,192.97	62,468,204.33	51,334,469.24	14,196,928.06
Annuity payments	–	3,523.16	3,523.16	–
Unemployment insurance	241,722.63	4,780,160.61	3,025,046.23	1,996,837.01
Work injury insurance	59,441.18	2,255,085.08	2,169,355.68	145,170.58
Maternity insurance	47,838.34	1,637,769.40	1,570,583.23	115,024.51
Housing funds	5,620,001.36	21,153,872.19	19,962,431.92	6,811,441.63
Union running costs and employee education costs	17,160,224.96	5,554,214.46	8,079,589.90	14,634,849.52
Non-monetary benefits	–	87,424.00	87,424.00	–
Compensation to employees for termination of employment relationship	5,541,007.71	16,874,210.53	7,730,092.20	14,685,126.04
Including:Compensation to employees for severing labour relationship	–	16,759,980.26	7,730,092.20	9,029,888.06
Others	2,183,077.77	100,811.92	2,192,450.68	91,439.01
Total	54,182,419.84	457,823,813.57	434,031,663.08	77,974,570.33

Note: Wages or salaries, bonus, allowance and subsidies outstanding and expected to be paid in the next year.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Taxation payable

Category of taxes	2009 *RMB*	2008 *RMB*
Income tax	13,113,997.61	4,166,832.11
VAT	22,212,518.23	-16,469,281.37
Business tax	5,856,221.19	1,620,236.38
Urban land use tax	11,264,938.67	3,907,845.10
Property Tax	1,064,346.26	463,327.89
Urban maintenance and construction tax	1,810,337.52	197,159.86
Surcharge for education	3,626,256.45	633,354.22
Personal income tax collected to be remitted	533,670.29	186,954.30
Others	2,872,799.13	293,738.71
Total	62,355,085.35	–4,999,832.80

26. Dividends payable

Investor	2009 *RMB*	2008 *RMB*	Reasons of non-payment over one year
CTMC	17,607,600.00	17,607,600.00	unpaid
Changde Textile Machinery Plant	1,150,782.25	1,150,782.25	unpaid
Wuxi Special Parts natural person shareholder	–	2,893,642.79	unpaid
Others	1,121,988.44	1,393,238.71	unpaid
Total	19,880,370.69	23,045,263.75	

27. Other payables

(1) At 31 December 2009, other payables included an amount of RMB16,562,395.89 payable to CTMC, shareholder holding 33.83% voting right of the Company. For payables to other related parties please refer to note VI (6).

(2) At 31 December 2009, other payables aged over one year amounted to RMB153,192,922.44, not yet settled.

(3) Some significant other payables are as follows:

Name of Company	Nature	Amounts *RMB*
Wuxibinhu City Investment and Development Ltd.	Removal compensations	27,889,480.13
Changde Textile Machinery Plant Company	Inter Company balance	12,674,771.83
Collected Deed tax payments to be remitted	Deed tax	9,927,753.33
Xianyang Textile Machinery Plant Company	Inter Company balance	9,165,045.16
Employee‘s housing allowance payable	House allowance	7,364,805.00
Total		67,021,855.45

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Long-term payables due within one year

(1)

Category	2009 *RMB*	2008 *RMB*
Long-term borrowing due within one year	75,707,797.11	87,000,000.00
Long-term payables due within one year	30,469,247.39	6,770,787.27
Total	106,177,044.50	93,770,787.27

(2) Long-term borrowings due within one year by category

Category	2009 *RMB*	2008 *RMB*
Credit loans	50,000,000.00	5,000,000.00
Guaranteed loans	–	82,000,000.00
Pledged loans	16,065,000.00	–
Factoring financing loan	9,642,797.11	–
Total	75,707,797.11	87,000,000.00

(3) Long-term borrowing due within one year by lender

			31 December 2009		
Lender	Start date	End date	Interest rate (%)	Foreign currency	RMB equivalent
Industrial and Commercial Bank of China Jinzhong Jingwei Branch	2007/02/08	2010/02/05	Floating rate	RMB	50,000,000.00
France's Societe Generale Beijing Branch	2009/08/03	2010/12/31	4.86	RMB	16,065,000.00
Guangdong Development Bank Olympic Village Branch	2009/12/25	2010/12/31	4.86	RMB	9,642,797.11

(4) Long-term payable due within one year

Category	2009 *RMB*	2008 *RMB*
(1)Retirement and supplemental benefit obligation	3,127,663.20	6,770,787.27
– Early retired staff welfare	1,247,663.20	1,690,787.27
– Retired staff welfare	1,880,000.00	5,080,000.00
(2)CMB Finance Lease Ltd.	27,341,584.19	–
– Principal	34,248,681.12	–
– Unrecognised financing charges	-6,907,096.93	–
Total	30,469,247.39	6,770,787.27

Note: Relevant information refers to Note V (30).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Long-term borrowings

(1)

Category	**2009** *RMB*	**2008** *RMB*
Credit loans	550,000,000.00	350,000,000.00
Collateral loans	–	100,000,000.00
Pledged loans	25,830,000.00	–
Factoring financing loans	4,614,247.74	23,091,163.32
Total	580,444,247.74	473,091,163.32

(2) Top five outstanding balance as at 31 December 2009 are as follows:

			31 December 2009			1 January 2008		
Lender	Start date	End date	Interest rate	Currency	Amount	Interest rate	Currency	Amount
China Construction Bank Xidan Branch	2008/05/20	2011/05/19	5.40%	RMB	200,000,000.00	7.56%	RMB	200,000,000.00
China Construction Bank Xidan Branch	2009/2/27	2011/02/26	4.86%	RMB	200,000,000.00	–	RMB	–
Huaxia Bank Dengshikou Branch	2008/10/13	2011/10/13	4.86%	RMB	100,000,000.00	5.103%	RMB	100,000,000.00
Guangdong Development Bank Olympic Village Branch	2009/12/25	2012/12/25	4.86%	RMB	50,000,000.00	–	RMB	–
Societe Generale Bank Beijing Branch	2009/08/03	2012/06/08	4.86%	RMB	25,830,000.00	–	RMB	–

30. Long-term payables

	2009 *RMB*	**2008** *RMB*
(1)Retirement and supplemental benefit obligation	39,265,295.33	95,116,594.82
– Early retired staff welfare	2,400,824.30	5,543,593.06
– Retired staff welfare	36,864,471.03	89,573,001.76
(2)CMB Finance Lease Ltd.	116,657,929.01	–
– Principal	128,432,554.20	–
– Unrecognised financing charges	-11,774,625.19	–
Total	155,923,224.34	95,116,594.82

Note 1: In 2009, the Group has reversed retirement and supplemental obligation amounted to RMB 53,360,444.71.This is due to the decision of the management of the Company to revise the existing policies of retirement benefits during the year. The revision among other changes, include the reduction of the supplemental benefits payments and cancellation of benefits of certain retired employees.

Note 2: During the year, the Group has entered into a sales and leaseback transaction with a financial institute in the PRC in return for a loan under non-cancellable finance lease agreement. The lease term is 5 years and the ownership of the assets remains within the Group. Obligation under finance lease due within one year is disclosed as long-term payables due within one year,and the unrecognised finance charges will be amortised by effective interest rate method. Please refer to note V (28).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Special payables

	At 1 January 2009 *RMB*	Additions *RMB*	Reductions *RMB*	At 31 December 2009 *RMB*
VAT rebate	39,946,787.45	20,217,096.69	–	60,163,884.14
Total	39,946,787.45	20,217,096.69	–	60,163,884.14

Note: This special payable is a tax rebate, amounting to RMB60,163,884.14, which is provided for the import for key components of automatic winding machines according to the relevant regulations of the "Circular of the Ministry of Finance, the National Development and Reform Commission, the General Customs Administration and the State Administration of Taxation on Import Taxes Policies Related to Implementing the 'Certain Opinions of the State Council on Speeding up and Rejuvenating the Equipment Manufacturing Industry'" (Cai Guan Shui No. 11 (2007)). As required by the relevant documents, such tax rebate will be transferred and used to increase the State capital of the Company, thus, the Group has included such tax rebate in special payables on a temporary basis with a view to transferring such amount to the State capital in the future.

32. Other non-current liabilities

	2009 *RMB*	2008 *RMB*
Assets-related government grant		
– Land purchase money refund (Note 1)	10,036,556.30	10,242,857.56
– Development and industralization investment grant for Efficient intelligent coarse spinner series products	5,000,000.00	5,000,000.00
– Project of New type textile machine significant Technology equipment special project	3,128,996.43	1,942,901.72
– Investment grant on project Jingwei Textile science and technology	1,000,000.00	1,000,000.00
– Investment grant on the project of High point twisting machine	5,451,250.00	–
– Investment grant on the project of Efficient modernization cotton textile complete equipment industrialization	24,282,195.69	24,710,146.93
– Investment grant on Research on Textile production line on account of coordinated emulate technology	1,500,000.00	–
– Investment grant on new product plan JWF 1530 ring spinning machine project	520,000.00	–
– Investment grant on the project of Textile machinery special precise super-speed bearing and spindle	4,350,000.00	–
– Investment grant on the project of new type super speed warp knitting machine industrialization	2,633,435.32	–
– Others	630,000.00	–
Earnings-related government grant		
– Financial subsidy of textile machine and weaving machine expansion project	1,324,715.75	–
– Financial subsidy of Efficient modernization cotton textile complete equipment industrialization project	–	1,970,000.00
– Others	356,161.51	478,801.40
Total	60,213,311.00	45,344,707.61

Note 1: Wuxi Special Parts, a subsidiary of the Company has obtained land purchase money refund of RMB10, 315,063.00 in 2006 and was amortised over the term of land use right.

Note 2: Please refer to note V.43 for details of the above mentioned deferred income.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Share capital

	At 1 January 2009 RMB	New issue RMB	Bounce issue RMB	Additions/ Reversals Reserve transfer to shares RMB	Others RMB	Total RMB	At 31 December 2009 RMB
Restricted tradable shares	195,661,404.00	–	–	–	-5,351.00	-5,351.00	195,656,053.00
1. State-owned shares	195,640,000.00	–	–	–	–	–	195,640,000.00
2. Other domestic shares held	21,404.00	–	–	–	-5,351.00	-5,351.00	16,053.00
Including: Domestic natural person shares	21,404.00	–	–	–	-5,351.00	-5,351.00	16,053.00
Tradable shares	408,138,596.00	–	–	–	5,351.00	5,351.00	408,143,947.00
1. Ordinary shares denominated in RMB	227,338,596.00	–	–	–	5,351.00	5,351.00	227,343,947.00
2. Foreign capital shares listed overseas	180,800,000.00	–	–	–	–	–	180,800,000.00
Total shares	603,800,000.00	–	–	–	–	–	603,800,000.00

Note: As at 31 December 2009, the Group's equity structure has not changed. According to 'Listed company directors, supervisors and senior managerial personnel held its own shares and change management rules" issued by China Securities Regulatory Commission and Share Register provided by China Securities Depository and Clearing Corporation Limited. Restricted tradable shares amounting to RMB5,351.00 held by three senior management personal has become unrestricted A Tradable shares during the year.

34. Capital reserve

	At 1 January 2009 RMB	Additions RMB	Reductions RMB	At 31 December 2009 RMB
Share Premium	1,253,404,487.37	613,615.36	9,640,785.56	1,244,377,317.17
Total	1,253,404,487.37	613,615.36	9,640,785.56	1,244,377,317.17

The increase and decrease in capital reserve for the year represent the difference between the long-term equity investment cost on acquisition of non-controlling interests and the net assets of the newly acquired shares as from date of investment.

35. Surplus reserve

	At 1 January 2009 RMB	Additions RMB	Reductions RMB	At 31 December 2009 RMB
Statutory surplus reserve	384,642,081.35	12,128,829.86	–	396,770,911.21
Discretionary surplus reserve	177,763,046.16	–	–	177,763,046.16
Total	562,405,127.51	12,128,829.86	–	574,533,957.37

36. Unappropriated Profit

	2009 RMB	2008 RMB
Unappropriated profit at the end of the last year	434,150,573.02	429,160,582.78
Adjustments of unappropriated profit at beginning of the year	–	–
Adjusted unappropriated profit at beginning of the year	434,150,573.02	429,160,582.78
Add: Net profit of the year	-78,890,775.73	25,855,511.70
Less: Appropriation to statutory surplus reserve	12,128,829.86	14,827,521.46
Profit available for distribution to shareholders	6,038,000.00	6,038,000.00
Unappropriated profit at end of the year	337,092,967.43	434,150,573.02

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Operating income and operating cost

(1) Operating income and operating cost

	2009 *RMB*	2008 *RMB*
Principal operating income	3,128,157,613.57	3,173,895,645.33
Other operating income	443,314,681.80	533,999,794.64
Total	3,571,472,295.37	3,707,895,439.97
Principal operating cost	2,881,845,057.95	2,809,575,665.42
Other operating cost	381,978,046.63	454,293,396.58
Total	3,263,823,104.58	3,263,869,062.00

(2) Disclosure of operating income and operating cost by operating activities as follows:

	2009		2008	
Industry's name	Operating income *RMB*	Operating cost *RMB*	Operating income *RMB*	Operating cost *RMB*
(1) Principal operating activities	3,128,157,613.57	2,881,845,057.95	3,173,895,645.33	2,809,575,665.42
Textile machinery	2,847,632,421.57	2,654,368,020.87	2,861,328,304.33	2,561,774,586.49
Property development	280,525,192.00	227,477,037.08	312,567,341.00	247,801,078.93
(2) Other operating activities	443,314,681.80	381,978,046.63	533,999,794.64	454,293,396.58
Operating leases	13,626,816.78	6,198,671.21	8,853,622.32	6,999,990.10
Sales of raw materials, parts and components	369,861,707.79	334,300,290.63	471,797,026.99	414,355,673.15
Others	59,826,157.23	41,479,084.79	53,349,145.33	32,937,733.33
Total	3,571,472,295.37	3,263,823,104.58	3,707,895,439.97	3,263,869,062.00

(3) Disclosure of operating income and operating cost by geographical location

	2009		2008	
Geographical	Operating income *RMB*	Operating cost *RMB*	Operating income *RMB*	Operating cost *RMB*
Domestic	3,369,533,227.00	3,078,039,161.68	3,104,806,401.78	2,727,119,818.01
Overseas	201,939,068.37	185,783,942.90	603,089,038.19	536,749,243.99
Total	3,571,472,295.37	3,263,823,104.58	3,707,895,439.97	3,263,869,062.00

(4) Operating income from the top five customers:

Name of Customers	Operating Income *RMB*	Proportion (%)
China Textile Machinery and Technology Import and Export Corporation	139,415,413.18	3.90
Beijing Hualian Hypermarket Co. Ltd	70,019,357.16	1.96
Zhengzhou Hongye Textile Co.Ltd	67,092,136.73	1.88
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	55,650,030.78	1.56
Beida Xianxing Antai Techonology Industry Corporation	58,904,773.52	1.65
Total	391,081,711.37	10.95

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Sales taxes and levies

Taxes	2009 RMB	2008 RMB	Charge rate Standards
Business tax	15,259,388.26	15,711,842.10	5%
City construction tax	4,810,274.73	5,152,878.38	1%, 5%, 7%
Education surcharge tax	1,780,505.67	2,025,555.66	3%, 4%
Land appreciation tax	2,798,051.93	3,125,673.41	1%
Others	412,824.25	329,198.22	
Total	25,061,044.84	26,345,147.77	

39. Financial expenses

	2009 RMB	2008 RMB
Interest expense	60,093,352.56	41,085,314.15
Less: interest income	12,219,701.05	10,052,325.38
Exchange loss	1,023,973.70	1,266,517.72
Less:Exchange income	120,346.01	12,736,895.64
Others	1,623,951.50	1,153,242.32
Total	50,401,230.70	20,715,853.17

40. Investment income

(1)

Source of income	2009 RMB	2008 RMB
Long-term equity investment income under cost method	17,718,710.00	1,161,610.68
Losses recognised under equity method	–189,656.79	–306,183.86
Gain on disposal of long-term equity investments	63,266,413.86	31,770,591.80
Gain on disposal of held-for-trading financial assets	2,141,856.77	1,428,705.32
Others	4,978,160.79	19,032,105.01
Total	87,915,484.63	53,086,828.95

(2) **Long-term equity investment income under cost method:**

Investee	2009 RMB	2008 RMB	Reason for changes
Langfang Hengsheng Realty Group Co., Ltd	16,797,000.00	–	Unappropriated dividends last year
Qingdao Textile Machinery Manufacturing Co., Ltd	850,000.00	–	Unappropriated dividends last year
Qingdao Jinyi Pressing and casting Co., Ltd	31,710.00	–	Unappropriated dividends last year
Jiangsu Hongyuan Textile Machinery Co., Ltd	40,000.00	–	Unappropriated dividends last year
Others	–	1,161,610.68	Unappropriated dividends this year
Total	17,718,710.00	1,161,610.68	

Note: The Group has made gain on disposal amounted to RMB 63,266,413.86 on disposal of long-term equity investment.This includes: Gain of RMB6,800,000.00 by disposing of equity investment in Langfang Hengsheng Realty Group Co., Ltd, gain of RMB46,000,000.00 by disposing of equity investment to Langfang Development Zone Jiaxuan Real Estate Development Co. Ltd.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Impairment loss in respect of assets

	2009 *RMB*	2008 *RMB*
Bad debt losses	-19,770,706.47	-23,990,616.77
Written-down of inventories	17,067,406.71	17,552,634.97
Impairment on fixed assets	–	776,934.80
Total	-2,703,299.76	-5,661,047.00

42. Gains from changes in fair values

Source	2009 *RMB*	2008 *RMB*
Held-for-trading financial assets	426,181.53	–
Total	426,181.53	–

43. Non-operating income

(1)

	2009 *RMB*	2008 *RMB*
Gains on disposal of non-current assets	17,759,420.39	4,502,914.05
Including: Gains on disposal of fixed assets	17,759,420.39	4,502,914.05
Profit on debt restructuring	760,246.66	–
Government grants	54,477,440.76	47,886,560.87
Waiver of trade and other payables	7,768,902.94	14,878,094.73
Penalty income	180,005.38	3,405,469.07
Others	1,635,103.91	4,600,903.12
Total	82,581,120.04	75,273,941.84

(2) Government grants

Category		2009 *RMB*	2008 *RMB*
(1) Received government grants related to assets:			
High point twisting machine project investment grant	Note 1	4,800,000.00	–
Textile machinery special precise super-speed bearing and spindle project investment grant	Note 1	4,350,000.00	–
New type super speed warp knitting machine industrialization project investment grant	Note 1	4,330,000.00	–
Research on Textile production line on account of coordinated emulate technology investment grant	Note 2	1,500,000.00	–
Intelligent high-speed jet loom, spinning equipment production line project investment grant		–	28,860,000.00
Significant technology equipment and intelligent coarse spinner project investment grant		–	1,000,000.00
(2) Received government grants related to income			
PLM Enterprise information system integration project support fund	Note 3	2,000,000.00	–
Registered tax enterprise rewards in Beijing majuqiao town	Note 4	1,982,793.04	–
Flow loan Financial subsidy for Industrial enterprises	Note 5	4,610,000.00	–
Industrial economy operation Adjustment special fund	Note 6	7,500,000.00	–
Financial subsidy of Efficient modernization cotton textile complete equipment industrialization project	Note 7	10,780,000.00	12,000,000.00
Financial subsidy of textile machine and weaving machine expansion project	Note 8	2,000,000.00	–
Research and development grant	Note 9	12,610,000.00	10,890,822.00
VAT rebate	Note 10	1,058,108.11	1,612,623.39
National Technology Support Program	Note 11	2,350,000.00	8,850,000.00
Torch Development Fund		–	6,000,000.00
Other grants		6,294,557.00	3,838,002.28
Total		66,165,458.15	73,051,447.67
Government grants recognised in profit or loss for the period		54,477,440.76	47,886,560.87
Government grants recognised in deferred profit or loss		60,213,311.00	45,344,707.61

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Non-operating income (continued)

(2) Government grants (continued)

Note 1: Pursuant to the "Notice of the National Development and Reform Commission on the Issue of the Investment Plan 2008 with Special Fund in the Central Government's Budget for Industrial technology progress (Fa Gai Tou Zi No. 3482 [2008]), Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited and Wuxi Hongda Textile Machinery and Special Parts Company Limited,the subsidiaries of the Group, received special grants amounting to RMB13,480,000.00 in 2009 for the "project of High point twisting machine", "project of industrialization of new type super speed warp knitting machine" and the "project of precise super-speed bearing and spindle special for textile machine". These grants were designated for purchasing equipment and constructing factories.

Note 2: Pursuant to the "Notice on the issue of Project of Technology Innovation Plan Fund in 2009"(Jin Jiao Cai NO.16[2009]), the Group received special grants amounting to RMB1,500,000.00 in 2009 for the "project of Research and Development on Textile production line on account of coordinated emulate technology". These grants were designated for purchasing equipment and constructing factories.

Note 3: Pursuant to the "Notice on the issue of sustainable development fund to coal's infrastructure expenditure" (Caizheng Jian Zi No.111[2009]) and "Notice on the issue of replying fund application report on PLM Enterprise information system integration project for Yuci Branch of Jingwei Textile Machinery Co.Ltd."(Qu Fagai Zong Zi No.18[2009]),the Group received a grant of RMB2,000,000.00 in 2009.

Note 4: Pursuant to the registered tax enterprise Rewards agreement issued by MajuqiaoTown Beijing, Beijing Bohong Property Development Company Limited, a subsidiary of the Company, received a grant of RMB1,982,793.04 in 2009.

Note 5: Pursuant to the "Notice on the Financial subsidy of the third Batch of Fund for flow currencies of industrial corporations in 2009"(Jing Jing Xin Wei Fa No.45[2009]), the Group received a financial subsidy amounting to RMB4,610,000.00 in 2009.

Note 6: Pursuant to the "Notice on the issue of Industrial Economy Operation Adjustment Special Fund"(Shi Zheng Jian Zi No.160[2009]), the Group Company and a subsidiary Shanxi Heli received financial appropriation amounting to RMB4,500,000.00 and financial subsidy amounting to RMB 3,000,000.00 respectivly.

Note 7: Pursuant to the "Notice on the issue of the second Batch of Fund plan on industrial development in 2009"(Jing Jing Xin Wei Fa No.32[2009]) the Group received a financial subsidy amounting to RMB10,780,000.00 in 2009 for the "project of industrialisation of a full set of highly efficient modern cotton weaving equipment".

Note 8: Pursuant to the "Notice on the issue of special fund investment plan for the development of equipment manufacturing industry"(Shan Gong Xin Fa 273[2009]), Xianyang Jingwei Machinery Manufacturing Company Limited, a subsidiary of the Company received financial subsidy amounting to RMB2,000,000.00 for the "project of expanding production scale Specially on textile machine and weaving machine" in 2009.

Note 9. The amount received during 2009 on research and development grants in 2009 was RMB12, 610,000.00. Pursuant to contract No. LS-09-KJ1-001, Qingdao Hongda, a subsidiary of the company, received special funds amounting to RMB6,000,000.00 by Science and Technology Bureau Laoshan District Qingdao City. The grant was designated for the research and development on efficient and short flow blowing-carding machine.

Pursuant to the "Notice on the issue of accounting treatment of the fund specialised for technology Innovation"(Jing Kai Cai Qi No.142[2009]), Beijing New Technology, a subsidiary of the company,received a support fund of RMB5,000,00.00 for the matching project.

Pursuant to the issues of Qing Cai Qi No.110 [2009] and Lao Fa No.17 [2009], Qingdao Hongda, a subsidiary of the company received a special fund by Finance Bureau Qingdao City amounting to RMB660,000.00 for modifying the industrial structure and promoting trade with science and technology development in 2009. Besides, Changde Textile Machinery Company, a subsidiary of company, received significant technology project grant and science and technology conditions special fund by Finance Bureau Changde City amounting to RMB800, 000.00 and RMB150, 000.00 respectively.

Note 10. VAT rebate represents a value-added tax rebate received by Shanxi Heli, a subsidiary of the Company. Pursuant to the "Notice of the State Administration of Taxation on Enhancing the Tax Preferential Policy Concerning the Employment of the Disabled" (Cai Shui No. 92 [2007]), Shanxi Heli received a VAT rebate of RMB1,058,108.11 in 2009.

Note 11: Pursuant to the "Notice of the Ministry of Finance replying department budget from science and technology Bureau"(Cai Yu No.237[2009]), the Group received a special grant amounting to RMB2,350,000.00 in 2009 for the "project in respect of the fully automatic tube changing machine and the modern, automatic consecutive cotton weaving model production line".

In respect of the government grants received during the year and those in the opening balance, the Group recognised grant income of RMB54,477,440.76 for the year and deferred income of RMB60,213,311.00 in 2009 in accordance with the purpose of funding, progress on research projects and the actual costs incurred.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Non-operating expenses

	2009 RMB	2008 RMB
Losses on disposal of non-current assets	4,699,320.27	2,579,843.95
including: Losses on disposal of fixed assets	4,699,320.27	2,579,843.95
Donation expenses	983,700.00	600,000.00
Extraordinary losses	393,364.06	–
Penalty expenses	426,918.17	1,172,635.17
Flood fund	398,234.28	–
Receivables Written off	253,661.54	–
Others	600,597.25	1,687,030.32
Total	7,755,795.57	6,039,509.44

45. Income tax

(1)

Item	2009 RMB	2008 RMB
Income tax	26,425,627.31	22,624,027.41
Including: Current tax expense	9,883,523.58	16,937,733.07
Deferred tax expense	16,542,103.73	5,686,294.34

(2) Reconciliation of income tax expense to the accounting profit is as follows:

	2009 RMB	2008 RMB
Accounting (loss)/profit	-85,236,919.63	50,396,248.96
Income tax expense calculated at 15% (2008: 15%)	-12,785,537.94	7,559,437.34
Effect of different tax rate for some subsidaries	4,473,259.76	7,910,051.07
Over provision in prior years	-56,282.87	-1,597,670.08
Effect of profit from associates	28,448.52	–
Effect of non-taxable income	-2,657,806.50	-2,039,773.73
Effect of non-deductible expenses	4,425,491.95	5,614,035.52
Effect of utilisation of other temporary differences not previously recognised	-167,528.69	-4,701,782.70
Effect of unrecognised tax losses and other temporary differences for tax purposes	38,887,695.69	13,422,737.58
Additional deduction on research and development expenses	-4,691,158.10	-3,543,007.59
Tax deduction on purchase of domestically manufactured equipment	-1,030,954.51	–
Income tax expense	26,425,627.31	22,624,027.41

46. Other comprehensive income

	2009 RMB	2008 RMB
Exchange differences on translation of financial statements of foreign subsidiaries	-7,980.87	-391,117.87
Others	-9,027,170.20	3,539,454.89
Total	-9,035,151.07	3,148,337.02

Note: Others refer to note V.34

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Notes to the Consolidated Cash Flow Statement

(1) Other cash receipts relating to operating activities

Item	2009 *RMB*	2008 *RMB*
Total	78,177,715.11	87,419,379.94
Including: Government grants	51,185,458.15	71,438,824.28
Interest income	11,088,829.63	10,052,325.38
Collection of deed tax and maintenance fund	8,195,766.75	–
Others	7,707,660.58	5,928,230.28

(2) Other cash payments relating to operating activities

Item	2009 *RMB*	2008 *RMB*
Total	188,249,089.89	214,565,061.81
Including: Research and development expenses	35,682,582.63	45,435,212.52
Travelling expenses	23,691,737.80	25,728,514.33
Repair and maintenance expenses	13,682,304.74	14,042,511.55
Water, electricity and heat	14,403,945.07	12,036,026.17
Transportation and unloading expenses	15,982,471.75	24,846,306.07
Office expenses	13,735,546.63	14,332,190.92
Professional fees	11,574,159.99	12,145,091.49
Operating expenses	8,896,992.54	9,760,046.11
Business entertainment	8,802,721.39	7,762,711.62
Sales services	8,567,227.65	8,167,793.91
Rent	8,368,353.15	8,954,921.63
Advertisement and promotion expenses	3,864,764.32	7,707,014.19
Green Project and fire-fighting expenses	3,394,132.10	4,471,944.34
Insurance expenses	1,487,518.54	3,582,258.11
Meeting expenses	1,328,858.18	3,807,603.98
Exhibition expenses	705,250.00	5,961,170.09
Others	14,080,523.41	5,823,744.78

(3) Other cash receipts relating to investing activities

Item	2009 *RMB*	2008 *RMB*
Total	35,680,000.00	–
Including: Government grants	14,980,000.00	–
Proceeds from disposal of assets	10,000,000.00	–
Rental income received from HainanYinuo Property Development Co.Ltd.	10,000,000.00	–
Interests received from Anhui Huamao	700,000.00	–

(4) Other cash receipts relating to financing activities

Item	2009 *RMB*	2008 *RMB*
Total	150,296,730.28	–
Proceeds from sales and leaseback transaction	150,000,000.00	–
Others	296,730.28	–

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Notes to the Consolidated Cash Flow Statement (continued)

(5) Other cash payments relating to financing activities

Item	2009 *RMB*	2008 *RMB*
Total	18,312,170.28	5,114,650.61
Prepayment for finance lease	18,312,170.28	–
Acceptance bill discount interest	–	5,114,650.61

48. Supplementary information of the consolidated cash flow statement

(1) Reconciliation of net profit to cash flow from operating activities:

Category	2009 *RMB*	2008 *RMB*
Reconciliation of net profit to cash flow from operating activities:		
Net loss/profit	-111,662,546.94	27,772,221.55
Add:Provision for asset impairment	-13,131,165.39	-5,661,047.00
Depreciation of fixed assets	113,599,232.61	120,084,141.67
Amortisation of intangible assets	10,515,564.26	8,952,892.77
Gains on disposal of fixed assets, intangible assets and other long-term assets	-13,060,100.12	-1,923,070.10
Changes in fair value of held-for-trading financial assets	-426,181.53	–
Financial expenses	60,093,352.56	46,426,939.83
Gains arising from investments	-87,915,484.63	-53,086,828.95
Decrease in deferred tax assets	16,542,103.73	6,414,064.34
Decrease in deferred tax liabilities	–	-727,770.00
Decrease in inventories	424,427,021.99	208,824,867.03
Increase/Decrease in operating receivables	-553,392,415.60	454,165,777.40
Increase/Decrease in operating payables	476,196,993.75	-770,723,378.48
Net cash flow from operating activities	321,786,374.69	40,518,810.06
Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalent	1,207,372,241.74	684,433,514.11
Less: Opening balance of cash and cash equivalent	684,433,514.11	637,468,328.04
Net increase in cash and cash equivalents	522,938,727.63	46,965,186.07

(2) Acquisition or disposal of subsidiaries

Category	2009 *RMB*	2008 *RMB*
(I) Acquisition of subsidiaries		
(i) Price paid on acquisition of subsidiaries	24,902,014.83	–
(ii) Cash and cash equivalents received from acquisition of subsidiaries	17,402,014.83	–
Less: cash and cash equivalents held by the subsidiaries	5,146,708.83	–
Net cash inflow on acquisition of subsidiaries	12,255,306.00	–
(iii) Net assets on acquisition of subsidiaries	26,772,330.51	–
Current assets	49,576,884.18	–
Non-current assets	124,443,393.13	–
Current liabilities	116,825,982.50	–
Non-current liabilities	30,421,964.30	–
(II) Disposal of subsidiaries		
(i) Sale consideration on disposal of subsidiary	9,522,411.71	5,373,500.00
(ii) Cash and cash equivalents received from disposal of the subsidiaries	5,954,468.43	5,373,500.00
Less: cash and cash equivalents held by the subsidiary	354,468.43	4,945,399.55
Net cash inflow on disposal of subsidiaries	5,600,000.00	428,100.45
(iii) Net assets on disposal of subsidiary	4,994,174.67	7,490,477.79
Current assets	4,053,866.44	8,355,321.48
Non-current assets	939,408.36	1,572,053.75
Current liability	-899.87	2,436,897.44
Non-current liability		

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Supplementary information of the consolidated cash flow statement (continued)

(3) Cash and cash equivalents

	2009 *RMB*	2008 *RMB*
Cash	1,207,372,241.74	684,433,514.11
Including: Cash on hand	1,028,131.30	1,243,351.59
Bank demand deposits	1,199,541,715.10	681,981,177.15
Other monetary funds that can be readily withdrawn on demand	6,802,395.34	1,208,985.37
Cash and cash equivalent balances	1,207,372,241.74	684,433,514.11

VI. RELATED PARTIES AND TRANSACTIONS

1. Definition of related parties

Entities are related parties if: (i) an entity has the control or, joint control has significant influence over another entity; and (ii) two or more entities are under same control or joint control or significant influence.

2. Related parties with controlling interest

Name of Company	Place of incorporation	Nature of business	Registered capital *RMB*	Proportion of voting power (%)	Proportion of shareholdings (%)
CTMC	Beijing	Manufacturing and trading of textile machinery	2,735,820,000.00	33.83	33.83

Note 1: CTMC is the largest shareholder of the Company, the remaining 66.17% equity interest is separately held by other shareholders. CTMC substantially controls the Company; therefore, CTMC is the controlling parent company of the Company.
Note 2: The ultimate controlling parent company of the Group is China Hengtian Group Company.

3. Details of Subsidiaries at 31 December 2009 are as follows:

	Name of subsidiaries	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding (%)	Percentage of voting right held (%)	Organisation code
1	Beijing Jingpeng Investment Management Co.Limited	Limited Company	Beijing	Yuming Yao	Sales/ Consultation	100,000,000.00	100.00	100.00	10256839-3
2	Beijing Bohong Property Development Co.Limited	Limited Company	Beijing	Wei Wang	Property	100,000,000.00	65.00	65.00	80294840-X
3	Shenyang Hongda Huaming	Limited Company	Liaoning	Yu Wang	T&M	40,000,000.00	98.50	100.00	77481871-1
4	Beijing New Technology	Limited Company	Beijing	Yuming Yao	T&M	100,000,000.00	100.00	100.00	70024399-4
5	Yichang Jingwei	Limited Company	Hubei	Maoxin Ye	T&M	20,000,000.00	100.00	100.00	79591603-8
6	Tianjin Jingwei	Limited Company	Tianjing	Jianguo Zhang	T&M	16,000,000.00	100.00	100.00	77732301-X
7	Shanghai Chuangan	Limited Company	Shanghai	Yuming Yao	T&M	2,000,000.00	90.00	90.00	70336610-5
8	Shanghai Weixin Electrical and Machinery Company Limited	Limited Company	Shanghai	Maoxin Ye	T&M	16,000,000.00	100.00	100.00	607274980
9	Shanghai Dongxing	Limited Company	Shanghai	Xuefeng Guan	T&M	50,000,000.00	100.00	100.00	72944813-3
10	Shanghai WSP	Limited Company	Shanghai	Zhengkai Shang	T&M	5,256,800.00	50.00	100.00	749292869
11	Jingwei Textile Machinery Yuci Material Co. Limited	Limited Company	Shanxi	Ying Zheng	T&M	5,000,000.00	99.92	100.00	11278984-3
12	Shanxi Jingwei Textile Machinery and Special Parts Co.Limited	Limited Company	Shanxi	Xudong Wu	T&M	40,000,000.00	89.65	89.65	11274383-7
13	Hong Kong Huaming Company Limited	Limited Company	HongKong	Maoxin Ye	T&M	USD 7,700,000.00	100.00	100.00	741226
14	Jinzhong Jingwei Foundry Company Limited	Limited Company	Shanxi	Guanqun Ku	T&M	25,000,000.00	68.80	68.80	69223011-3
15	Yichang Hengtian Development Properties Company Limited	Limited Company	Hubei	Yuming Yao	Property	20,000,000.00	100.00	100.00	69176249-2
17	Shenyang Hongda	Limited Company	Liaoning	Yu Wang	T&M	71,000,000.00	98.00	98.00	71579925-8
18	Shanxi Heli	Limited Company	Shanxi	Xudong Wang	T&M	100,000,000.00	30.00	71.43	11278606-0
19	Changde Textile Machinery Company Limited	Limited Company	Hubei	Yuming Yao	T&M	42,349,900.00	95.00	95.00	73474692-8
20	Tianjin Hongda	Limited Company	Tianjing	Jianguo Zhang	T&M	78,500,000.00	100.00	100.00	71294571-5
21	Qingdao Hongda	Limited Company	Shandong	Maoxin Ye	T&M	114,000,000.00	97.66	97.66	71376206-4
22	Wuxi Jingwei Textile Technology Testing Company Limited	Limited Company	Jiangsu	Jianwang Lin	Needle Textile	49,530,000.00	100.00	100.00	75000921-5
23	Wuxi Jingwei Textile Technology Sales Company Limited	Limited Company	Jiangsu	Jianping Shi	T&M	1,000,000.00	100.00	100.00	77050566-2
24	Zhengzhou Hongda New Textile Machinery Company Limited	Limited Company	Henan	Yuming Yao	T&M	74,500,000.00	98.00	98.00	716765383
26	Wuxi Special Parts	Limited Company	Jiangsu	Jianlin Xiong	T&M	20,000,000.00	35.00	51.25	13589190-4
27	Xianyang Jingwei Machinery Manufacturing Company Limited	Limited Company	Shanxi	Min Dong	T&M	75,079,600.00	100.00	100.00	71350210-7
28	Taiyuan Jingwei Electrical Company Limited	Limited Company	Shanxi	Xuefeng Guan	T&M	5,000,000.00	100.00	100.00	60207789-X
29	Huangshi Jingwei	Limited Company	Hubei	Xianming Liu	T&M	30,000,000.00	90.00	90.00	17841272-3

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VI. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

4. Associate companies (continued)

Name of Investee	Type	Place of incorporation	Legal representative	Principal activities	Registered capital RMB	Percentage of shareholding (%)	Percentage of voting rights held (%)	Total assets at the end of 2009 RMB	Total liabilities at the end of 2009 RMB	Total net assets at the end of 2009 RMB	Total Operating income in 2009 RMB	Net income in 2009 RMB	Organisation code
1. CTMTC	Limited Company	Beijing	Baolin Zhu	Import and export of textile machinery	120,000,000.00	25%	25%	646,748,850.74	415,705,894.02	231,042,956.72	1,115,571,734.98	35,912,801.23	10000283-9
2. Hongda Research Company Limited	Limited Company	Beijing	Yunjun Liu	Sales of textile machinery products	50,000,000.00	40%	40%	103,999,549.59	39,276,533.43	64,723,016.16	51,621,807.78	533,269.42	72634111-1
3. Zhengzhou Hongda Non-woven Fabric Company Limited	Limited Company	Henan	Xiaofei Zhang	Production & sales (P&S) Textile	40,000,000.00	23.74%	23.74%	48,994,019.82	11,792,892.39	37,201,127.43	61,064,805.86	-8,887,799.71	71092385-4
4. Hengyang Textile machinery Company Limited	Limited Company	Hunan	Yuewen Hu	Production & sales (P&S) Textile machinery	26,320,000.00	49%	49%	153,048,479.24	130,195,435.85	22,853,043.39	18,233,575.84	-3,151,956.61	18500076-8
5. Anhui Huamao Jingwei New Type Textile Company Limited	Limited Company	Anhui	Lingzhi Zhan	Production & sales (P&S) Textile machinery	50,000,000.00	25%	25%	413,002,609.51	382,218,338.67	30,784,270.84	229,212,499.02	-20,256,487.82	75074734-9
6. Shenyang Jingxing Textile Machinery Company Limited	Limited Company	Liaonig	Xianglin Gao	Research and development and Production and sales of textile machinery	3,200,000.00	31.25%	31.25%	8,772,683.30	10,145,270.92	-1,372,587.62	–	-3,646,441.29	73866383-9

Note: No significant difference between the Group and the associate companies on significant accounting policies and accounting estimates

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VI. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Other related parties

Name of related parties	Relationship with the Group
Beijing Jingdeshui Real Estate Development Co.Ltd.	Company controlled by the same parent company
Changde Textile Machinery Plant	Company controlled by the same parent company
Hengtian Venture Investment Co.Ltd.	Company controlled by the ultimate controlling parent company
Jinzhong Jingwei Foundry Company Limited	Company controlled by the same parent company
Jingzhong Jingwei Electromechanical Equipment Co.Ltd.	Company controlled by the same parent company
Jingzhong City JingjinJoint Packing-case Plant	Company controlled by the same parent company
Jingwei Machinery (Group) Co.Ltd.	Company controlled by the same parent company
Jingwei (Group) Dongfang Machinery Co.Ltd.	Company controlled by the same parent company
Jingwei (Group) Kaida Industry Co.Ltd.	Company controlled by the same parent company
Jingwei Machinery (Group) Packing Product Co.Ltd.	Company controlled by the same parent company
Jingwei Machinery (Group) Mould Co.Ltd.	Company controlled by the same parent company
Jingwei Machinery (Group) Printing Plant	Company controlled by the same parent company
Jingwei Machinery (Group) Jiali Industry Co.Ltd.	Company controlled by the same parent company
Chunguan Branch of Jingwei Machinery (Group) Jiali Industry Co.Ltd.	Company controlled by the same parent company
Jingwei Machinery (Group) Construction Development Co.Ltd.	Company controlled by the same parent company
Qingdao Textile Machinery Electric company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Non-weaving Equipment Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Wind Energy Techonology Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Helida Electric Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile MachineryJinhui Mould Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Jinchangcheng Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Maorong Electromechanical technology Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Needle Fabric Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Casting Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Jingchangcheng Case ManufactureCo.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Lanlifeng Laser Technology Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Qingdao Liuhuan Engineering (Machinery) Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Shangdong Kaima Automobile Manufacturing Co.Ltd.	Company controlled by the ultimate controlling parent company
Shangdong Kaima Casting Co.Ltd.	Company controlled by the ultimate controlling parent company
Shaoyang Textile Machinery Co.Ltd.	Company controlled by the same parent company
Shenyang Textile MachineryCo.Ltd.	Company in which key personnel of subsidiaries has significant influence
Shenyang Hongsheng Textile MachineryCo.Ltd.	Company in which key personnel of subsidiaries has significant influence
Tianjin Baoheng Flyer Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Tianjin Textile Machinery Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Tianjin Tianfangjin Textile Machinery Parts Distribution Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Tianjin Tianfangjin Steel Reforming Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Tianjin Tianfangjinheat Treatment Co.Ltd.	Company in which key personnel of subsidiaries has significant influence
Wuxi Textile Machinery Research Institution	Company controlled by the same parent company
Xianyang Textile Machinery Plant	Company controlled by the same parent company
XianyangHongda Jincheng Electromechanical Co.Ltd.	Company controlled by the same parent company
Xianyang Jinhuike Industry Co.Ltd.	Company controlled by the same parent company
Yichang Textile Machinery Plant	Company controlled by the same parent company
Yichang City Zhongfang Hotel	Company controlled by the same parent company
Yichang Zhongfang Industry Co.Ltd.	Company controlled by the same parent company
Zhengzhou Textile Machinery Co.Ltd.	Company controlled by the same parent company
China Textile Machinery Head Company sales Technique Service Company	Company controlled by the ultimate controlling parent company
China Textile Indestry Foreign Trade Technical Cooperation Company	Company controlled by the ultimate controlling parent company

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VI. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction

(1) Sales and purchases of goods and services

	2009 *RMB*	2008 *RMB*
Finished goods sold		
Associates	139,415,413.18	576,951,476.23
Companies controlled by the same parent company	15,803,628.34	10,909,864.36
Companies controlled by the ultimate controlling parent company	55,650,030.78	42,998,553.85
Total	210,869,072.30	630,859,894.44
Raw materials and parts sold		
Controlling Companies	156.58	
Companies controlled by the same parent company	66,685,985.79	137,895,589.88
Associates	95,532.48	3,076,852.68
Companies in which key personnel of subsidiaries has significant influence	1,996,215.85	47,476,504.85
Companies controlled by the ultimate controlling parent company	3,038,337.94	6,424,950.10
Total	71,816,228.64	194,873,897.51
Processing charges		
Companies controlled by the same parent company	572,438.10	–
Companies in which key personnel of subsidiaries has significant influence	179,348.31	–
Total	751,786.41	–
Charges on provision of support services		
Controlling Companies	3,211.88	–
Companies controlled by the same parent company	8,470,172.07	4,466,778.38
Total	8,473,383.95	4,466,778.38
Rental income received		
Companies controlled by the same parent company	5,105,759.71	5,756,928.60
Total	5,105,759.71	5,756,928.60
Tools and molds purchased		
Companies controlled by the same parent company	6,528,179.43	8,340,694.71
Total	6,528,179.43	8,340,694.71
Molds purchased		
Companies controlled by the same parent company	–	26,005,884.61
Associates	–	18,690,713.67
Companies in which key personnel of subsidiaries has significant influence	19,749,605.77	50,892,478.65
Total	19,749,605.77	95,589,076.93
Energy purchased		
Companies controlled by the same parent company	47,650.35	1,693,342.82
Companies in which key personnel of subsidiaries has significant influence	4,416,022.39	–
Total	4,463,672.74	1,693,342.82
Packaging materials purchased		
Companies controlled by the same parent company	149,985.21	–
Companies in which key personnel of subsidiaries has significant influence	–	25,197,625.49
Total	149,985.21	25,197,625.49

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VI. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction (Continued)

(1) Sales and purchases of goods and services (continued)

	2009 *RMB*	2008 *RMB*
Raw materials and parts purchased		
Companies controlled by the same parent company	44,505,814.49	122,465,041.14
Associates	3,671,982.84	9,751,731.52
Companies in which key personnel of subsidiaries has significant influence	264,629,959.33	86,863,786.35
Total	312,807,756.66	219,080,559.01
Finished goods purchased		
Companies controlled by the same parent company	136,993,953.66	288,562,223.30
Associates	489,799.05	–
Companies in which key personnel of subsidiaries has significant influence	24,952.31	33,092,429.80
Total	137,508,705.02	321,654,653.10
Processing fees paid		
Companies controlled by the same parent company	37,612,205.09	39,423,510.23
Associates	–	141,886.30
Companies in which key personnel of subsidiaries has significant influence	1,821,121.56	124,984.66
Total	39,433,326.65	39,690,381.19
Transportation services fees		
Companies controlled by the same parent company	2,355,606.73	4,714,472.66
Total	2,355,606.73	4,714,472.66
Repair and maintenance fees		
Companies controlled by the same parent company	10,788,365.03	19,785,748.35
Total	10,788,365.03	19,785,748.35
Other support fees		
Companies controlled by the same parent company	7,131,160.73	9,645,447.04
Companies in which key personnel of subsidiaries has significant influence	1,831,517.74	–
Total	8,962,678.47	9,645,447.04
Rental expenses		
Companies controlled by the same parent company	659,870.43	675,423.21
Companies in which key personnel of subsidiaries has significant influence	–	9,992,413.24
Total	659,870.43	10,667,836.45
Interest expense		
Companies controlled by the same parent company	–	1,336,541.00
Companies controlled by the ultimate controlling parent company	649,240.97	–
Total	649,240.97	1,336,541.00

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VI. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction (Continued)

(2) Acquisition of equity interests

In December 2008, Beijing New Technology, a subsidiary of the Company and CTMC has entered into an Assets and Equity Transaction Contract to acquire 33.45% equity interest in Wuxi Jingwei Textile Technology Testing Company Limited, a subsidiary of the Company, from CTMC. The transaction was completed as at the end of 2009, The cost of acquisition of the relevant equity interest was RMB 26,003,330.00.

(3) Balance due from/to related parties

Item	Relation	2009 *RMB*	2008 *RMB*
Accounts payable	Associates	18,380,954.61	55,045,643.66
	Companies controlled by the same parent company	61,038,597.52	91,437,225.51
	Ultimate controlling parent company	63,998.00	63,998.00
	Companies controlled by the ultimate controlling parent company	8,638,792.38	15,514,164.90
	Companies in which key personnel of subsidiaries has significant influence	1,457,579.06	1,778,512.57
	Total	89,579,921.57	163,839,544.64
Notes receivable	Associates	11,126,393.23	23,235,562.98
	Ultimate controlling parent company	3,541,350.16	–
	Companies controlled by the same parent company	3,200,000.00	4,840,000.00
	Companies in which key personnel of subsidiaries has significant influence	500,000.00	–
	Total	18,367,743.39	28,075,562.98
Prepayments	Associates	3,278,730.08	922,907.94
	Companies controlled by the same parent company	28,497,101.34	53,348,560.09
	Companies in which key personnel of subsidiaries has significant influence	37,636,039.29	41,677,963.24
	Companies controlled by the ultimate controlling parent company	–	–
	Total	69,411,870.71	95,949,431.27
Other receivables	Controlling Companies	–	5,599,811.91
	Associates	134,470,595.88	–
	Companies controlled by the same parent company	–	–
	Total	134,470,595.88	5,599,811.91
Accounts payable	Controlling Companies	6,301,379.63	6,301,379.63
	Associates	1,214,384.27	3,970,830.10
	Companies controlled by the same parent company	11,360,447.62	77,216,463.12
	Companies in which key personnel of subsidiaries has significant influence	21,331,033.59	10,045,630.68
	Total	40,207,245.11	97,534,303.53
Notes payable	Companies controlled by the same parent company	1,100,000.00	2,650,503.11
	Companies in which key personnel of subsidiaries has significant influence	–	2,720,000.00
	Total	1,100,000.00	5,370,503.11

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VI. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction (Continued)

(3) Balance due from/to related parties (continued)

Item	Relation	2009 *RMB*	2008 *RMB*
Advance from customers	Associates	11,761,845.20	1,772,262.31
	Companies controlled by the same parent company	1,196,868.24	3,419,351.05
	Companies controlled by the ultimate controlling parent company	4,208,840.65	61,150.75
	Total	17,167,554.09	5,252,764.11
Other payables	Controlling Companies	17,630,899.04	2,000,000.00
	Associates	175,471.85	–
	Companies controlled by the same parent company	25,095,105.73	31,921,340.34
	Companies in which key personnel of subsidiaries has significant influence	–	3,245,922.58
	Total	42,901,476.62	37,167,262.92
Dividend payable	Controlling Companies	17,607,600.00	17,607,600.00
	Companies controlled by the same parent company	1,313,383.88	1,313,383.88
	Companies in which key personnel of subsidiaries has significant influence	205,886.00	205,886.00
	Total	19,126,869.88	19,126,869.88

(4) Compensation for key management personnel

	2009 *RMB*	2008 *RMB*
Compensation for key management personnel	3,870,000.00	4,190,397.00

Note: Key management personnel include directors, the general manager, the financial controller, deputy general managers in charge of different businesses and secretaries of Board of Directors.

VII. CONTINGENT LIABILITIES

1. Guarantees

		2009 *RMB*	2008 *RMB*
(1)	Guarantees to third parties:		
	Guarantee for borrowings from a third party bank (Note1)	150,000,000.00	100,000,000.00
	Guarantee to banks for mortgage loans on behalf of residential property buyers (Note 2)	93,686,943.07	94,421,000.00
(2)	Guarantees to subsidiaries:		
	Guarantees provided for banking facilities granted to subsidiaries (Note 3)	220,000,000.00	112,000,000.00
	Total	463,686,943.07	306,421,000.00

Note 1: At 15 October 2009, the Group has provided an irrevocable guarantee for Beijing Hualian Group Investment Holding Company for a one-year bank loan amounted to RMB150,000,000.00 with joint liabilities.

Note 2: At 31 December 2009, Beijing Bohong Property Development Company Limited, a subsidiary of the Company, provided a joint obligation guarantee to banks that provide mortgage loans in accordance with practices of the real estate industry for a secured loan amounted to RMB93,686,943.07 in respect of residential properties that have been sold but certificates of property rights have not been obtained.

Note 3: As at 31 December 2009, the Company has provided guarantees for its subsidiaries namely Beijing New Technology, Beijing Jingpeng, Tianjin Xinxing,Tianjin Hongda to obtain comprehensive credit facilities of RMB220,000,000.00.To which RMB105,000,000.00 was used,the remaining credit facilities are amounted to RMB115,000,000.00. There are two years guarantee period from the date when the principal claims expire, while Tianjin Hongda provided counter-guarantee for its granted facilities amount to RMB110,000,000.00 by pledging its fixed assets with the net book value of RMB21,145,720.11 to the bank.

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VII. CONTINGENT LIABILITIES (CONTINUED)

2. Letter of credit

Category	Currency	Amounting Currency	2009 RMB equivalents
Incomplete non-cancellable letter of credit	EURO	1,485,055.28	14,549,235.08
Incomplete non-cancellable letter of credit	USD	303,600.00	2,073,041.52
Letter of credit unpaid	CHF	1,822,200.00	12,015,222.36
Letter of credit unpaid	EURO	1,064,724.00	10,431,207.50
Letter of credit unpaid	USD	940,800.00	6,423,970.56
Total			45,492,677.02

VIII. COMMITMENTS

1. Significant commitments

(1) Capital commitments

	2009 *RMB*	2008 *RMB*
Contracted but not recognised in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	392,896,690.50	11,960,000.00
– Commitments in relation to external investment	–	26,003,330.00
Total	392,896,690.50	37,963,330.00

Note: Commitments in relation to purchasing long-term assets represents monies to be paid for acquisition of fixed assets in next two years.

(2) Operating lease commitments

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

	2009 *RMB*	2008 *RMB*
Minimum lease payments under non-cancellable operating leases:		
The first year subsequent to the balance sheet date	11,028,452.00	2,986,966.75
The second year subsequent to the balance sheet date	157,900.00	2,306,010.41
The third year subsequent to the balance sheet date	–	28,200.00
Subsequent periods	–	89,300.00
Total	11,186,352.00	5,410,477.16

(3) Finance lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable finance leases which fall due as follows:

	2009 *RMB*	2008 *RMB*
Minimum lease payments under non-cancellable finance leases:		
The first year subsequent to the balance sheet date	34,248,681.12	–
The second year subsequent to the balance sheet date	34,248,681.12	–
The third year subsequent to the balance sheet date	34,248,681.12	–
Subsequent periods	59,935,191.96	–
Total	162,681,235.32	–

Note: For relevant information please refers to V.30

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VIII. COMMITMENTS (CONTINUED)

2. The implementation of commitments in prior period.

In December 2008, the Company's subsidiary Beijing New Technology, a subsidiary of the Company and CTMC entered into the Assets and Equity Transaction Contract to acquire 33.45% equity interest in a subsidiary of the Company Wuxi Jingwei Textile Technology Testing Company Limited from CTMC. The transaction was not completed as at the end of 2008.

The relevant transaction has completed at the end of 2009, and the Group has paid RMB 26,003,330.00 for the equity interest detailed as above.

IX EVENTS AFTER REPORTING

1. Investment Matters

The Company has signed "Equity Transfer Agreement" with Zhongzhi Enterprise (Group) Co., Ltd. ("Zhongzhi Group") on 8 January 2010. In accordance with the agreement, the company will acquire 36 % equity interest of Zhongrong International Trust Co. Ltd. ("Zhongrong Trust") that is owned by Zhongzhi Group for a consideration of RMB 1,200 million.

The amount of Zhongrong Trust's registered capital corresponding to the relevant equity interest is RMB117 million. According to the "asset appraisal report"(Jingdu Zhongxin appraisal report (2010)NO.101) issued by Beijing Jingdu Zhongxin Assets Evaluation Company Limited, the book value of net assets of Zhongrong Trust is valued at RMB3,567 million at 31 August 2009 in which RMB1,284.21 million is corresponded with the relevant equity interest. The two parties have agreed to designate the date when the process of changing the business registration has been completed by Zhongrong Trust as the option closing date.

The Company has paid RMB100 million to Zhongzhi Group on 29 January 2010 as the advance agreed to be paid within ten days from the date of the agreement was signed. The two parties have agreed on that the consideration will be paid in three phases.The first phase RMB600 million including the above advance will be paid within ten days since the completion of the process of changing the business registration.The second phase RMB500 million and the third phase of RMB100 million will be paid in accordance with the audit opinion to be issued, and net profits reported in the relevant audit reports for year of 2011 and 2012.

The equity transfer has not been completed at the date of publication of this financial report.

2. Resolution about distribution of cash dividends after the balance sheet date

In accordance with the resolution passed in the directors' meeting held on 24 March 2010, as there was loss attributable to the owners of the Company for the year 2009, no dividend has been proposed in consideration of shareholders' interests and long-term development of the Company. The proposal is subject to approval by the shareholders in the forthcoming general meeting.

X. ASSETS AND LIABILITIES IN FAIR VALUE

Item	Opening balance *RMB*	Gain or loss in fair value this year *RMB*	The cumulative fair value changes included in equity *RMB*	Current provision for impairment *RMB*	Closing balance *RMB*
Financial assets					
1. Financial assets measured at fair value through profit and loss for the current period	–	–	–	–	2,170,449.36
2. Derivative financial assets	–	–	–	–	–
3. Available-for-sale	–	–	–	–	–
Sub-total of financial assets	–	–	–	–	2,170,449.36
Investment Properties	–	–	–	–	–
Productive biological assets	–	–	–	–	–
Others	–	–	–	–	–
Total	–	–	–	–	2,170,449.36
Financial liabilities					

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XI FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include borrowings,other long-term assets accounts receivable accounts payable and so on. Details of these financial instruments are disclosed in Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

1. Financial risk management objectives and policies

The Group's objectives in managing risks are to have a proper balance between the risks and benefits and reduce the negative impact of the risks on the Group's results of operations to the lowest level and maximize the interests of shareholders and other investors, as such, the basic risk management policies are to identify and analyse the various risks that the Group faced and establish appropriate minimal risk tolerance line and manage and monitor various risks timely and reliably and control the risk within the limited scope.

(1) Market risk

(a) Currency risk

Foreign exchange risk refers to losses arising due to the risk of exchange rate fluctuations. The functional currency of the Group entities is mainly RMB in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Group entities at the balance sheet date are as follows:

		2009			2008		
		Amount in Original currency	Exchange Rate	RMB	Amount in Original currency	Exchange Rate	RMB
Cash and cash equivalents	USD	444,968.70	6.8282	3,038,335.27	84,145.89	6.8346	575,103.50
	HKD	7,137,156.43	0.8805	6,284,266.24	15,104,957.07	0.8819	13,321,061.65
	Euro	207,957.54	9.7971	2,037,380.86	265,558.24	9.659	2,565,027.04
	CHF	551,568.40	6.5938	3,636,931.70	540,151.58	6.4723	3,495,996.52
	Others	–	–	16,702.71	–	–	15,684.15
Accounts receivable	HKD	30,000.00	0.8805	26,415.00	120,000.00	0.8819	105,828.00
Advances to suppliers	USD	2,554,754.03	6.8282	17,444,371.47	–	–	–
	Euro	160,457.90	9.7971	1,572,022.09	–	–	–
Other receivables	HKD	144,148.30	0.8805	126,922.58	280,423.00	0.8819	247,305.04
Accounts payable	Euro	–	–	–	–	–	–
Other payables	USD	–	–	–	–	–	–
	HKD	–	–	–	1,499,178.75	0.8819	1,322,125.74
Short-term borrowings	USD	7,504,257.50	6.8282	51,240,571.06	13,000,000.00	6.8346	88,849,800.73
Foreign exchange exposure	USD	-4,504,534.77	6.8282	-30,757,864.32	-12,915,854.11	6.8346	-88,274,697.23
Foreign exchange exposure	HKD	7,311,304.73	0.8805	6,437,603.82	14,006,201.32	0.8819	12,352,068.95
Foreign exchange exposure	Euro	368,415.44	9.7971	3,609,402.95	265,558.24	9.659	2,565,027.04

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Interest rate risk-The cash flow interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable rate bank borrowings which mainly float at rate offered by the PBOC and bank balances carry interests at prevailing market rates.

Interest rate risk-The fair value interest rate risk

The fair value interest rate risk relates primarily to fixed-rate short-term bank time deposits and fixed-rate bank loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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XI FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Financial risk management objectives and policies (Continued)

(1) Market risk (continued)

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in NoteVII.

The Group has concentration of credit risk. The amount and proportion of major customers and related parties are disclosed in NoteIV and Note V for 2008 and 2009.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the Group entitles are mainly banked with these banks with good reputation in the PRC.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2009, the Group has available unutilised borrowing facilities of approximately RMB1, 674,670,000 (2008: RMB805, 205,126.28).

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 year *RMB*	1-5 year *RMB*	More than 5 years *RMB*	Total *RMB*
Bill receivables (Note)	1,134,243,957.54	–	–	1,134,243,957.54
Accounts receivable	399,729,671.94	–	–	399,729,671.94
Other receivables	300,139,236.72	–	–	300,139,236.72
Entrusted Loan				
Currency funds	1,277,692,186.98	–	–	1,277,692,186.98
Long-term receivables due within one year	26,065,000.00	–	–	26,065,000.00
Long-term receivables	–	35,015,000.00	–	35,015,000.00
Other long-term assets	69,605,575.93	–	–	69,605,575.93
Sub-total of financial assets	3,207,475,629.11	35,015,000.00	–	3,242,490,629.11
Short-term borrowings (Note)	572,705,445.03	–	–	572,705,445.03
Bills payables	128,017,549.79	–	–	128,017,549.79
Accounts payable	1,172,324,555.10	–	–	1,172,324,555.10
Other payables	257,404,757.92	–	–	257,404,757.92
Long-term payables due within one year	113,441,344.32	–	–	113,441,344.32
Employee benefits payable	77,974,570.33	–	–	77,974,570.33
Dividends payable	19,880,370.69	–	–	19,880,370.69
Long-term borrowings	–	580,830,000.00	–	580,830,000.00
Long-term payables	–	167,697,849.53	–	167,697,849.53
Sub-total of financial liabilities	2,341,748,593.18	748,527,849.53	–	3,090,276,442.71
Net financial instruments	865,727,035.93	-713,512,849.53	–	152,214,186.40

Note: Balance of RMB130,465,661.36 of bill receivables and short-term borrowings in which those set out above will offset each other on the due date of the bills subsequent to the balance sheet date.

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XI FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Financial risk management objectives and policies (Continued)

(2) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

(3) Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyse how the entity's profit and loss for the period and owners' equity would have been affected by changes in the relevant risk variables that were reasonably possible. As it is unlikely that risk variables will change in an isolated manner, and the interdependence between risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following items are based on the assumption that each risk variable has changes on a stand-alone basis.

(a) *Currency risk*

The table below describes the Group's sensibility to 5% rise in the exchange rate of USD and HKD.

		2009		2008	
Currency	**Change in exchange rate**	**Effect on Net profits**	**Effect on Shareholders' equity**	**Effect on Net profits**	**Effect on Shareholders' equity**
USD	Weakens against RMB 5%	1,307,209.23	1,307,209.23	3,751,674.63	3,751,674.63
HKD	Weakens against RMB 5%	-273,594.46	-273,594.46	-524,962.93	-524,962.93

The possible reasonable changes in the exchange rates of USD and HKD have a relatively small effect on the profit and loss and equity for the current period.

(b) *Interest rate risk sensitivity analysis*

The sensitivity analysis on interest rate risk is based on the following assumptions:

Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments;

Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period or equity:

		2009		2008	
Currency	**Change in exchange rate**	**Effect on Net profits**	**Effect on Shareholders' equity**	**Effect on Net profits**	**Effect on Shareholders' equity**
Floating rate loans	Decrease 1%	8,111,184.88	8,111,184.88	3,825,000.00	3,825,000.00

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XII. FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES

Item	Opening balance *RMB*	Gain or loss due to change in fair value during the period *RMB*	Cumulative change in fair value included in equity *RMB*	Impairment provided during the period *RMB*	Closing balance *RMB*
Financial assets					
1. Financial assets measured at fair value through profit and loss for the current period					
2. Derivative financial assets	–	–	–	–	–
3. Loans and receivables	353,133.04	–	–	–	19,169,731.14
4. available-for-sale Financial assets	–	–	–	–	–
5. Held-to-maturity investments	–	–	–	–	–
Sub-total of financial assets	353,133.04	–	–	–	19,169,731.14
Financial liabilities	90,171,926.47	–	–	–	51,240,571.06

XIII SEGMENTAL REPORTING

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

For the year of 2009:

Item	Segment 1: Sales of machinery *RMB*	Segment 2: Sale of materials, parts and components *RMB*	Segment 3: Property development *RMB*	Elimination *RMB*	Total *RMB*
1. Operating income	2,847,632,421.57	892,607,936.45	280,525,192.00	449,293,254.65	3,571,472,295.37
Including: Exernal sales	2,847,632,421.57	443,314,681.80	280,525,192.00	–	3,571,472,295.37
Inter-segment sales	–	449,293,254.65	–	449,293,254.65	–
2. Operating expenses	3,020,463,743.57	952,887,577.60	245,416,908.41	449,293,254.65	3,769,474,974.93
3. Operating result	-172,831,322.00	-60,279,641.15	35,108,283.59	–	-198,002,679.56
4. Unallocated income					170,922,786.20
5. Unallocated expenses					58,157,026.27
6. Loss before tax					-85,236,919.63
Less: Income tax					26,425,627.31
7. Net loss					-111,662,546.94
8. Total assets	5,404,125,243.38	841,518,005.45	394,965,549.30	–	6,817,098,155.77
Including: Segment assets	5,404,125,243.38	841,518,005.45	394,965,549.30	–	6,640,608,798.13
Unallocated assets					176,489,357.64
9. Total Liabilities	2,122,996,723.07	331,125,104.95	238,771,975.04	–	3,894,206,851.35
Including: Segment liabilities	2,040,537,798.02	317,747,872.32	238,771,975.04	–	2,597,057,645.38
Unallocated Liabilities					1,297,149,205.97
10. Other information					
(1) Depreciation and amortisation expenses	91,900,115.85	32,052,673.91	162,007.11	–	124,114,796.87
(2) Capital expenditure	137,376,986.31	21,392,029.66	785,660.00	–	159,554,675.97

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XIII SEGMENTAL REPORTING (CONTINUED)

For the year of 2008:

Item	Segment 1: Sales of machinery *RMB*	Segment 2: Sale of materials, parts and components *RMB*	Segment 3: Property development *RMB*	Elimination *RMB*	Total *RMB*
1. Operating income	2,861,328,304.33	1,272,479,794.64	312,567,341.00	738,480,000.00	3,707,895,439.97
Including: Exernal sales	2,861,328,304.33	533,999,794.64	312,567,341.00	–	3,707,895,439.97
Inter-segment sales	–	738,480,000.00	–	738,480,000.00	–
2. Operating expenses	2,861,594,304.33	1,272,790,794.64	286,851,341.00	738,480,000.00	3,682,756,439.97
3. Operating result	-266,000.00	-311,000.00	25,716,000.00	–	25,139,000.00
4. Unallocated income					102,303,000.00
5. Unallocated expenses					77,045,751.04
6. Profit before tax					50,396,248.96
Less: Income tax					22,624,027.41
7. Net profit					27,772,221.55
8. Total assets	4,260,431,000.00	519,037,000.00	513,628,000.00	–	6,010,576,706.82
Including: Segment assets	4,260,431,000.00	519,037,000.00	513,628,000.00	–	5,293,096,000.00
Unallocated assets					717,480,706.82
9. Total Liabilities	1,310,466,000.00	250,159,000.00	114,601,000.00	–	2,938,695,035.41
Including: Segment liabilities	1,310,466,000.00	250,159,000.00	114,601,000.00	–	1,675,226,000.00
Unallocated Liabilities					1,263,469,035.41
10. Other information					
(1) Depreciation and amortisation expenses	124,556,000.00	4,365,000.00	115,963.42	–	129,036,963.42
(2) Capital expenditure	231,692,000.00	12,015,000.00	20,024,000.00	–	263,731,000.00

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure of Accounts receivable by client categories is as follows

	2009				2008			
	Amount *RMB*	Proportion %	Provision for bad debts *RMB*	Provision rate %	Amount *RMB*	Proportion %	Provision for bad debts *RMB*	Provision rate %
Individually significant accounts	191,493,588.94	64.00%	–	–	122,010,555.39	36.33%	–	–
Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics	16,140,338.18	5.39%	16,140,338.18	100.00%	28,773,583.41	8.57%	28,773,583.41	100.00%
Other insignificant accounts	91,571,256.88	30.61%	4,666,134.74	5.10%	185,054,980.71	55.10%	6,328,824.41	3.42%
Total	299,205,184.00	100.00%	20,806,472.92		335,839,119.51	100.00%	35,102,407.82	

Note 1: Accounts receivable above 10 million is defined to Individually significant accounts

Note 2: For accounts receivable balance fall due over 3 years with objective evidence that the amounts are irrecoverable they are clarified as"Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics"These account receivable balance are provided in full.

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For the year ended 31 December 2009

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

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (continued)

(2) The aged analysis of accounts receivable is as follows:

	2009				2008			
Age	Amount *RMB*	Proportion %	Provision for bad debts *RMB*	Provision rate %	Amount *RMB*	Proportion %	Provision for bad debts *RMB*	Provision rate %
Less than 1 year	254,222,941.26	84.97	–	–	222,370,769.45	66.21%	–	–
1-2 years	13,659,434.87	4.57	676,094.85	4.95	46,130,058.52	13.74	2,679,678.24	5.81
2-3 years	14,552,831.78	4.86	3,990,039.89	27.42	31,840,968.61	9.48	3,649,146.17	11.46
Over 3 years	16,769,976.09	5.60	16,140,338.18	96.25	35,497,322.93	10.57	28,773,583.41	81.06
Total	299,205,184.00	100.00%	20,806,472.92		335,839,119.51	100.00%	35,102,407.82	

(3) Accounts receivable which have provided for impairment loss at past recovered in 2009

Name of customer	Amounts *RMB*	Reasons for recovering	Reasons for bad debt provision in previous period
1. Shanghai Huayuan Investment Development (Group) Co., Ltd.	1,200,719.70	Collected	Expired, uncollectible
2. Anhui Huayuan Development Co., Ltd.	2,600,000.00	Collected	Expired, uncollectible

(4) Accounts receivables writen off in 2009:

Name of Company	Amounts *RMB*	Nature of receivables	Reasons of written off	Related parties(yes/no)
1. Shanghai Huayuan Co.Ltd.	4,904,180.59	Trading	Bankruptcy reorganization	No
2. Hongda International Trade Co., Ltd.	661,350.52	Trading	Bankrupcy or deregistration	No
3. Others	428,552.55	Trading	Unable to recover	No
Total	5,994,083.66			

(5) Accounts receivable do not have balances from shareholders who hold 5% and above equity interest in the Company. The account receivable balances from other related parties please refer to note VI (6).

Accounts receivable closing balance from subsidiaries are RMB115,220,396.51, with 38.51%, and from others related parties are RMB75,797,335.30,with 25.33%.

(6) Top five trade receivables balance outstanding as at 31 December 2009 as follows

Name of Company	Relationship with the Group	Amounts *RMB*	Percent (%)
Jinwei Machinery (Group) Company Limited	Fellow subsidiaries	52,941,277.39	17.69
Qingdao Hongda Textile Machinery Company Limited	Subsidiary	38,596,239.53	12.90
Yichang Jingwei Textile Machinery Company Limited	Subsidiary	25,076,786.46	8.38
China Textile Machinery and Technology Import and Export Corporation	Associates	17,886,289.80	5.98
Shanxi Heli	Subsidiary	17,447,438.61	5.83
Total		151,948,031.79	50.78

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

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) Disclosure of accounts receivables balance by client categories is as follows

	2009				2008			
	Amount *RMB*	Proportion %	Provision for bad debts *RMB*	Provision rate %	Amount *RMB*	Proportion %	Provision for bad debts *RMB*	Provision rate %
Individually significant accounts	499,836,800.58	89.20	–	–	432,190,567.68	82.07	–	–
Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics	93,181.00	0.02	93,181.00	100.00%	732,577.36	0.14	732,577.36	100.00
Other insignificant accounts	60,392,293.99	10.78	24,873.00	0.04%	93,705,472.44	17.79	16,982.78	0.02
Total	560,322,275.57	100.00%	118,054.00		526,628,617.48	100.00%	749,560.14	

Note 1: Other receivables with closing balance above 10 million is defined to individually significant accounts

Note 2: For other receivables balance fall due over 3 years with objective evidence that the amounts are irrecoverable they are classified as "Individually insignificant accounts but with significant risks after being grouped with similar credit risk characteristics". These account receivable balance are provided in full.

(2) The aged analysis of other receivables balance is as follows:

	2009				2008			
	Amount *RMB*	Proportion %	Provision for bad debts *RMB*	Provision rate %	Amount *RMB*	Proportion %	Provision for bad debts *RMB*	Provision rate %
Less than 1 year	401,674,729.38	71.69	–	–	437,866,254.47	83.15	–	–
1-2 years	73,375,521.61	13.10	24,873.00	0.03	33,484,928.81	6.36	12,683.90	0.04
2-3 years	30,224,151.08	5.39	–	–	29,331,459.84	5.57	4,298.88	0.01
Over 3 years	55,047,873.50	9.82	93,181.00	0.17	25,945,974.36	4.92	732,577.36	2.82
Total	560,322,275.57	100.00	118,054.00		526,628,617.48	100.00	749,560.14	

(3) Other receivables do not have receivables from shareholders holding 5% and above equity interest. Other receivables closing balance from subsidiaries are RMB291,131,605.57, with 51.96%, and from others related parties are RMB134,470,595.88, with 24%.

(4) Top five other receivables balance outstanding as at 31 December 2009 as follows:

Name of Company	Relationship with the Group	Amounts *RMB*	Nature of receivables	Proportion
Anhui Huamao Jingwei New Type Textile Company Limited	Associates	134,470,595.88	Loan	24.00%
Beijing Liangyou Investment Government Ltd.	Non-associates	113,000,000.00	Current accounts	20.17%
Xianyang Jingwei Machinery Manufacturing Company Limited	Subsidiary	82,999,739.28	Current accounts	14.81%
Wuxi Jingwei Textile Technology Testing Company Limited	Subsidiary	54,525,188.00	Current accounts	9.73%
Beijing Jingwei Textile Machinery New Technology Company Limited	Subsidiary	39,821,943.63	Current accounts	7.11%
Total		424,817,466.79		75.82%

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

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment

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

Investee	Initial investment cost *RMB*	At 1 January 2009 *RMB*	Additions *RMB*	Reductions *RMB*	At 31 December 2009 *RMB*	Proportion of ownership	Cash dividends *RMB*
1. Using the equity method							
CTMC	30,000,000.00	45,561,710.64	8,978,200.34	557,998.87	53,981,912.11	25.00%	557,998.87
Beijing Hongda Industries Company Limited	20,000,000.00	25,333,649.97	268,000.00	3,166.05	25,598,483.92	40.00%	3,166.05
Zhengzhou Hongda Non-weaving Company Limited	17,000,000.00	11,029,448.02	–	2,109,963.65	8,919,484.37	23.74%	–
Hengyang Textile Machinery Company Limited	10,264,800.00	–	10,264,800.00	1,229,263.04	9,035,536.96	39.00%	–
2. Using the cost method:							
Hongda Investment Company Limited	24,866,602.17	24,866,602.17	–	–	24,866,602.17	9.38%	–
Langfang Hengsheng Realty Group Co., Ltd	68,000,000.00	68,000,000.00	–	68,000,000.00	–	20.00%	16,797,000.00
Langfang Development Zone Jiaxuan Real Estate Development Company Limited	180,000,000.00	–	180,000,000.00	180,000,000.00	–	30.00%	–
Beijing Jingpeng Investment Management Co.Limited	96,000,000.00	96,000,000.00	–	–	96,000,000.00	96.00%	–
Shenyang Hongda	69,580,000.00	81,301,993.00	–	–	81,301,993.00	98.00%	–
Beijing New Technology	98,400,000.00	98,407,084.00	–	–	98,407,084.00	98.40%	–
Shanxi Heli	30,000,000.00	39,288,285.00	–	–	39,288,285.00	30.00%	–
Changde Textile Machinery Company	29,644,900.00	35,279,928.00	–	–	35,279,928.00	70.00%	–
Yichang Jingwei	15,000,000.00	15,000,000.00	–	–	15,000,000.00	75.00%	–
Tianjin Hongda	26,930,000.00	71,005,633.00	–	–	71,005,633.00	98.00%	–
Tianjin Jingwei	12,000,000.00	12,000,000.00	–	–	12,000,000.00	75.00%	–
Qingdao Hongda	44,100,000.00	96,009,790.51	–	–	96,009,790.51	97.66%	–
Shanghai Chuangan	1,800,000.00	1,800,000.00	–	–	1,800,000.00	90.00%	–
Shanghai Weixin Electrical and Machinery Company Limited	14,400,000.00	14,400,000.00	–	–	14,400,000.00	90.00%	–
Shanghai Dongxing	42,383,554.97	36,974,000.00	3,383,554.97	–	40,357,554.97	78.00%	–
Wuxi Special Parts	2,000,000.00	4,765,534.00	–	–	4,765,534.00	10.00%	–
Wuxi Jingwei Textile Technology Testing Co.Ltd.	32,960,000.00	34,152,507.00	–	–	34,152,507.00	66.55%	–
Wuxi Jingwei Textile Machinery Sale Service Co.Ltd.	4,793,503.17	4,793,503.17	–	–	4,793,503.17	100.00%	–
Xianyang Jingwei Machinery Manufacturing Company Limited	57,468,693.00	61,469,929.00	–	–	61,469,929.00	99.33%	–
Kunshan Jingwei.	3,190,974.00	3,190,974.00	–	3,190,974.00	–	–	–
Zhengzhou Hongda New Textile Machinery Company Limited	23,010,000.00	80,805,191.00	–	–	80,805,191.00	98.00%	–
Jingwei Textile Machinery Yuci Material Co.Ltd.	4,960,000.00	5,000,000.00	–	–	5,000,000.00	99.92%	–
Shanxi Jingwei Textile Machinery and Special Parts Co.Limited	35,850,000.00	500,000.00	35,360,000.00	–	35,860,000.00	89.65%	–
Xianyang Jingwei Machinery Manufacturing Company Limited	4,900,000.00	5,212,000.00	–	–	5,212,000.00	98.00%	–
Hong Kong Huaming Co.Ltd.	4,966,416.00	62,559,880.00	–	–	62,559,880.00	100.00%	–
Huangshi Jingwei	24,902,014.83	7,500,000.00	17,402,014.83	–	24,902,014.83	90.00%	–
Total		1,042,207,642.48	255,656,570.14	255,091,365.61	1,042,772,847.01		17,358,164.92

Note 1: The Company's long-term equity investment does not exist an indication of impairment, so it is not necessary to extract it.

Note 2: The Proportion of ownership to the investee is in line with the right to vote except Shanxi Heli, the reason for which is stated in III.4.

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XIV. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Operating income\ Operating cost

(1) Operating income\cost

Item	2009 *RMB*	2008 *RMB*
Principal operating income	1,832,104,749.79	1,984,781,164.67
Other operating income	408,467,493.88	516,144,276.32
Total	2,240,572,243.67	2,500,925,440.99
Principal operating cost	1,763,895,215.26	1,927,685,470.11
Other operating cost	379,365,122.40	480,759,561.70
Total	2,143,260,337.66	2,408,445,031.81

(2) Disclosure of Operating income\cost by product and industry is as follows:

	2009		2008	
Industry's name	Operating income *RMB*	Operating cost *RMB*	Operating income *RMB*	Operating cost *RMB*
Textile machinery	2,240,572,243.67	2,143,260,337.66	2,500,925,440.99	2,408,445,031.81
Total	2,240,572,243.67	2,143,260,337.66	2,500,925,440.99	2,408,445,031.81

(3) Disclosure of Operating income\cost by district is as follows:

	2009		2008	
District name	Operating income *RMB*	Operating cost *RMB*	Operating income *RMB*	Operating cost *RMB*
Dominate activities	2,129,790,231.62	2,037,289,778.92	2,090,727,368.66	2,013,415,458.69
Abroad activities	110,782,012.05	105,970,558.74	410,198,072.33	395,029,573.12
Total	2,240,572,243.67	2,143,260,337.66	2,500,925,440.99	2,408,445,031.81

(4) Operating income from the top five customers:

Customers' name	Income *RMB*	Proportion (%)
Zhengzhou Hongye Textile Co., Ltd.	67,092,136.73	2.99
Wuxi Qingsha Textile Machinery Co., Ltd	54,500,000.03	2.43
Huarong Financial Leasing Co., Ltd.	51,190,154.03	2.28
China Textile Machinery and Technology Import and Export Corporation	72,131,985.26	3.22
Kuitun Huanzhou Cotton Industry Co., Ltd.	48,246,037.36	2.15
Total	293,160,313.41	13.08

5. Investment income

(1) Disclosure of investment income by item is as follows:

The resources of investment income	2009 *RMB*	2008 *RMB*
Dividend from investment carried at cost	67,047,000.00	98,084,768.00
Gain recognised under equity method	5,906,973.59	-330,504.64
Gain on disposal of long-term equity investment	56,750,834.78	793,889.54
Gain on held-for-trading financial assets	747,437.08	2,677,328.92
Others	4,670,533.99	21,656,914.66
Total	135,122,779.44	122,882,396.48

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

XIV. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. Investment income (Continued)

(2) Disclosure of investment income of long-term equity investment using the cost method by investee is as follows:

Investee	2009 *RMB*	2008 *RMB*	Reason for change
Beijing Jingwei Textile New Technology Company Limited	49,200,000.00	–	Undistributed dividends last year
Langfang Hengsheng Realty Group Company Ltd	16,797,000.00	–	Undistributed dividends last year
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	1,050,000.00	–	Undistributed dividends last year
Beijing Jingpeng Investing Management Company Limited	–	19,200,000.00	Undistributed dividends this year
Shenyang Hongda Textile Machinery Company Limited	–	10,088,434.58	Undistributed dividends this year
Changde Textile Machinery Company	–	16,110,951.50	Undistributed dividends this year
Yichang Jingwei Textile Machinery Company Limited	–	1,243,909.50	Undistributed dividends this year
Tianjin Hongda Textile Machinery Company Limited	–	9,285,992.94	Undistributed dividends this year
Tianjin Jingwei New Type Textile Machinery Company Limited	–	6,224,089.50	Undistributed dividends this year
Qingdao Hongda Textile Machinery Company Limited	–	32,279,042.50	Undistributed dividends this year
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	–	2,957,920.00	Undistributed dividends this year
Others	–	694,427.48	Undistributed dividends this year
Total	67,047,000.00	98,084,768.00	

Note: There are no significant restrictions on transferring of investment income from investee.

6. Supplementary information of the cash flow statement

Category	2009 *RMB*	2008 *RMB*
Reconciliation of net profit to cash flow from operating activities:		
Net loss/profit	63,284,714.04	70,165,884.44
Add: Provision for asset impairment	-7,246,885.05	-2,877,484.35
Depreciation of fixed assets	42,442,500.24	42,575,830.61
Amortisation of intangible assets	4,663,890.20	4,053,788.41
Gains on disposal of fixed assets, intangible assets and other long-term assets	-11,104,245.72	-706,072.57
Changes in fair value of held-for-trading financial assets	–	–
Financial expenses	51,180,551.40	24,293,632.93
Gains arising from investments	-135,122,779.44	-122,882,396.48
Decrease in deferred tax assets	17,630,074.35	3,596,258.49
Decrease in deferred tax liabilities	–	-291,750.00
Decrease in inventories	85,240,706.42	204,351,442.86
Increase/Decrease in operating receivables	-97,279,238.68	163,647,338.14
Increase/Decrease in operating payables	42,051,535.41	-300,851,558.41
Net cash flow from operating activities	55,740,823.17	85,074,914.07
Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalent	1,024,391,879.25	510,729,116.30
Less: Opening balance of cash and cash equivalent	510,729,116.30	345,952,877.32
Net increase in cash and cash equivalents	513,662,762.95	164,776,238.98

Chapter XII Supplementary Information

1. DETAILS OF NON-RECURRING PROFIT OR LOSS IN THE REPORTING PERIOD

Non-recurring profit or loss	2009 *RMB*	2008 *RMB*	Description
(1) Profit on disposal of non-current assets	76,326,513.98	33,693,661.90	
Including:Profit or loss on disposal of investment income	63,266,413.86	31,770,591.80	
(2) Government grants	53,690,194.57	46,273,937.48	
(3) Interest income from non-financial enterprises in stuations	1,786,743.26	–	
(4) Profit on debt restructuring	760,246.66	–	
(5) Profit on changes in fair values and disposal of financial assets	2,568,038.30	4,630,508.23	
(6) Income from on entrusted loans	4,670,533.99	15,830,302.10	
(7) Other non-operating income	7,511,236.93	19,424,801.43	
(8) Other non-recurring profit	54,230,000.00	44,130,000.00	Reversal of resignation benefit as a result of changes in benefit policies
(9) Net donation	-983,700.00	–	
Total non-recurring profit or loss	200,559,807.69	163,983,211.14	
less:Tax effect of non-recurring profit	1,429,822.61	18,906,048.54	
Net non-recurring profit	199,129,985.08	145,077,162.60	
Including: Net non-recurring profit attributable to the owners of the Company	190,633,560.81	139,439,279.30	
Net non-recurring profit attributable to non-controlling interest shareholders	8,496,424.27	5,637,883.30	

2. DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING

Standards and financial statements prepared in accordance with relevant accounting standards in the PRC

	Net profit		Net Assets	
	2009 *RMB*	2008 *RMB*	At 31 December 2009	At 31 December 2008
PRC Corporate Accounting Standards	-111,662,546.94	27,772,221.55	2,922,891,304.42	3,071,881,671.41
International Financial Reporting Standards	-111,662,546.94	27,772,221.55	2,922,891,304.42	3,071,881,671.41

There is no material difference in net profit and net assets presented in the financial statements prepared by the Group in accordance with the PRC Corporate Accounting Standards and International Financial Reporting Standards.

3. RATE OF RETURN ON NET ASSETS AND EARNINGS PER SHARE

This rate of return on net assets table was prepared by Jingwei Textile Machinery Company Limited (hereinafter referred to as "Jingwei Company") in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and disclosures for the rate of return on net assets and earnings per share" (as amended in 2010) issued by the China Securities Regulatory Commission.

		Earnings/Losses per share	
Profit during the reporting period	**Weighted Average rate of return on net assets**	**Basic earnings/ losses per share**	**Diluted earnings/ losses per share**
Net profit attributable to owners of the Company	-2.81%	-0.13	-0.13
Net profit attributable to owners of the Company after extraordinary gains/losses	-9.61%	-0.45	-0.45

The basic earnings per share can be calculated as follows:

Basic earnings per share =P÷S=P/(S0+S1+Si×Mi÷M0–Sj×Mj÷M0-Sk) where: P represents Net profit attributable to owners of the Company or Net profit attributable to owners of the Company after extraordinary gains/losses; S represents weighted average number of ordinary stock offered publicly; S0 represents total number of stocks in the beginning of the reporting period; S1 represents the increased number of stocks from reserves to share capital or stock dividend distribution during the reporting period; Si represents the increased number of stocks by offering new shares or debt-equity swap during the reporting period; Sj represents the decreased number of stocks by repurchasing during the reporting period; Sk represents the number of stock-shrunk during the reporting period; M0 represents the number of months during the reporting period; Mi represents the accumulative number of months from the next month of increasing the stocks to the ending of the reporting period; Mj represents the accumulative number of months from the next month of decreasing the stocks to the ending of the reporting period.

Diluted earnings per share =[P+(dividends of ordinary shares with potential dilution that have been expensed-change expenses)×(1-income tax rate)]/(S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk+weighted average number of ordinary stock added by warrants/Share Options/Convertible Bonds and so on, P represents Net profit attributable to Shareholders of the Company or net profit attributable to Shareholders of the Company after extraordinary gains/losses. The company should consider the influence of all ordinary stock with potential dilution until to minimize the diluted earnings per share when calculating it.

4. ANALYSIS ON CHANGES OF ITEMS IN THE FINANCIAL STATEMENTS

The following analysis on changes of items in the financial statements was prepared by Jingwei Textile Machinery Company Limited (hereinafter referred to as "Jingwei Company") in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 15) –General Requirements for Financial Reports" (as amended in 2007) issued by the China Securities Regulatory Commission.

Items in financial statements	**2009** *RMB*	**2008** *RMB*	**Variance**	**Reason for the variance**
Currency funds	1,277,692,186.98	734,709,610.55	73.90%	Note 1
Notes receivables	1,134,243,957.54	700,808,734.31	61.85%	Note 2
Other receivables	300,139,236.72	170,663,309.58	75.87%	Note 3
Inventories	1,336,311,280.36	1,774,348,127.58	-24.69%	Note 4
Long-term equity investments	160,728,002.46	218,784,388.70	-26.54%	Note 5
Construction in progress	115,624,744.62	64,941,018.14	78.05%	Note 6
Deferred tax assets	13,502,943.18	30,045,046.91	-55.06%	Note 7
Other non-current assets	69,605,575.93	35,909,090.91	93.84%	Note 8
Bill payables	128,017,549.79	181,266,484.88	-29.38%	Note 9
Accounts payable	1,172,324,555.10	893,709,192.58	31.18%	Note 10
Advances from customers	640,622,805.42	306,361,370.12	109.11%	Note 11
Employee benefits payables	77,974,570.33	54,182,419.84	43.91%	Note 12
Tax payable	62,355,085.35	-4,999,832.80	1347.14%	Note 13
Other payables	257,404,757.92	181,144,553.75	42.10%	Note 14
Long-term payables	155,923,224.34	95,116,594.82	63.93%	Note 15
Special payables	60,163,884.14	39,946,787.45	50.61%	Note 16
Other non-current liabilities	60,213,311.00	45,344,707.61	32.79%	Note 17
Financial expenses	50,401,230.70	20,715,853.17	143.30%	Note 18
Investment income	87,915,484.63	53,086,828.95	65.61%	Note 19
Less: Income tax expenses	26,425,627.31	22,624,027.41	16.80%	Note 20

4. ANALYSIS ON CHANGES OF ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

Note 1: Currency funds have increased in the balance as at the end of the year was mainly due to the increased efforts of the Group in debt collections during 2009 which contributes to more net operating cash in flow. In addition, the Group changed the structure of capital by increasing long-term borrowings which also helped currency funds.

Note 2: The increase of bill receivables at 31 December 2009 was mainly due to more customers used more notes to settle their balances.

Note 3: Other receivables has increased at the end of the year was mainly due to disposal of the investment in Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd and from which the Group has not received full payment.

Note 4: As at 31 December 2009, there was less inventories held by the Group as the Group has made effort to control inventories level in a more efficient manner in response to the impact of macro-economic environment this year.

Note 5: The decrease of long-term equity investment in the balance as at the end of the year was mainly due to disposal of the equity interest in Langfang Hensheng Realty Group Co., Ltd.

Note 6: The increase of construction in progress as at the end of the year was mainly due to a subsidiary of the Company,Wuxi Hongda Textile Machinery Special Parts Company Limited, a subsidiary of the Company was in progress to rebuild the factory building in response to the Government's policy to more industries into the industrial park.

Note 7: The decrease of deferred tax assets in the balance as at the end of the year was mainly due to reversing some subsidiaries' deferred tax assets which did not meet the recognition requirements of deferred income tax assets in accordance with the PRC Corporate Accounting Standards.

Note 8: The increase of other non-current assets as at the end of the year was mainly due to the prepayment for construction cost relating to a subsidiary,Wuxi Hongda Textile Machinery Special Parts Company Limited, was in progress to rebuild factory building in response to the Government's policy into the industrial park.

Note 9: The decrease of bill payables to more industries was mainly due to the Group has endorsed more bill receivables to settle balance creditors hence less bill payables were issued.

Note 10: Accounts payable has increased as at the end of the year was mainly due to the Group has used more bill receivables to settle.

Note 11: Receipt in advance has increased as at the year end 2009 when comparing with 2008. This is due to recovery in the textile industry since 2008 hence the demand for related products have also increased. Therefore, the Group has received more deposits for its products and properties sales by the year end.

Note 12: The reason for increased in employee benefits payables as at the end of the year was due to delay in payment for social insurance some of the Group's subsidiaries in addition to increased newly subsidiary of Huangshi Jingwei.

Note 13: The tax payable balance has increased in 2009 when compared with 2008 was due to increased value-added tax payable at the end of the year as well as other taxes payables in relation to deposits payment to Beijing Bohong, a subsidiary of the Company, in respect of developed properties for sale.

Note 14: Other payables has increased at the end of the year was mainly due to the increase of added new subsidiary of Huangshi Jingwei.

Note 15: Long-term payables balance is higher as at the end of the year was mainly due to new financial lease contract with China Merchants Bank Financial Leasing Co., Ltd signed during the year.

Note 16: The increase in Special payables as compared to last year was mainly due to tax rebates of importing key parts of auto-winder according to Finance Bureau tariffs (2007) document No.11.

Note 17: The increase in other non-current liabilities in balance as compared to last year was mainly due to the increase deferred income relating to asset-related government subsidies obtained by the Group during the year.

Note 18: The increase in financial expenses for the year as compared to last year was mainly due to decrease in exchange gain in 2009 and increased interest expenses from borrowings.

Note 19: The disposal investment income has increased for the year as compared to last year was mainly due to the disposal of long-term equity investment in Langfang Development Zone Jiaxuan Real Estate Development Co., Ltd which contributed to increase in the investment income.

Note 20: Income tax expenses has increased for the year as compared to last year was mainly due to reversal of deferred tax assets during the year.

Chapter XIII Independent Auditor's Report

TO THE SHAREHOLDERS OF JINGWEI TEXTILE MACHINERY COMPANY LIMITED
(incorporated in People's Republic of China with limited liability)

We have audited the consolidated financial statements of Jingwei Textile Machinery Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 137 to 194, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

UHY Vocation HK CPA Limited
Certified Public Accountants
Hong Kong

David Tze Kin Ng, Auditor
Practising Certificate Number P553
24 March 2009

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Notes	2009 *RMB'000*	2008 *RMB'000*
Turnover	5	3,498,019	3,645,693
Cost of sales		(3,237,409)	(3,247,151)
Gross profit		260,610	398,542
Other income	7	195,214	153,568
Gain on fair value changes of financial assets at fair value through profit or loss		426	1,429
Distribution and selling expenses		(105,202)	(129,852)
Administrative expenses		(373,204)	(328,773)
Finance costs	8	(60,093)	(41,086)
Share of results of jointly controlled entity		–	387
Share of results of associates		(190)	(693)
(Loss)/profit before taxation	9	(82,439)	53,522
Income tax expense	10	(29,224)	(25,750)
(Loss)/profit for the year		(111,663)	27,772
Other comprehensive income			
Exchange difference on translation of foreign operation		(7)	(390)
Acquisition of additional interest in subsidiaries		(9,028)	3,539
Total comprehensive income for the year		(120,698)	30,921
(Loss)/profit for the year attributable to:			
Owners of the Company		(78,891)	25,855
Non-controlling interests		(32,772)	1,917
		(111,663)	27,772
Total comprehensive income attributable to:			
Owners of the Company		(87,926)	29,004
Non-controlling interests		(32,772)	1,917
		(120,698)	30,921
Dividends	12	6,038	6,038
(Loss)/earnings per share			
– Basic and diluted	13	(RMB0.13)	RMB0.04

Consolidated Statement of Financial Position
At 31 December 2009

	Notes	2009 *RMB'000*	2008 *RMB'000*
Non-current assets			
Property, plant and equipment	14	1,396,494	1,359,901
Prepaid lease payments	15	340,113	264,661
Intangible assets	16	12,373	12,992
Deposits paid for acquisition of property, plant and equipment		–	12,290
Interests in associates	17	107,593	102,947
Available-for-sale financial assets	18	53,135	115,837
Deferred tax assets	19	13,503	30,045
Other non-current assets	20	49,268	49,000
		1,972,479	1,947,673
Current assets			
Inventories	21	1,073,306	1,320,144
Properties under development for sale	22	176,135	172,450
Completed properties for sale	23	86,871	281,754
Trade and other receivables	24	1,943,709	1,183,647
Prepaid lease payments	15	8,349	6,186
Amount due from a holding company	25	64	64
Amounts due from fellow subsidiaries	25	104,916	165,146
Amounts due from associates	25	167,257	215,273
Taxation recoverable		4,150	–
Financial assets at fair value through profit or loss	26	2,170	–
Pledged bank deposits	27	70,320	50,276
Cash and cash equivalents	27	1,207,372	684,433
		4,844,619	4,079,373
Current liabilities			
Trade and other payables	28	2,249,627	1,511,935
Amounts due to holding companies	25	41,540	42,903
Amounts due to fellow subsidiaries	25	44,275	115,269
Amounts due to associates	25	13,152	5,095
Taxation payable		13,114	4,167
Borrowings – amount due within one year	29	648,413	622,296
Obligation under finance leases	30	27,342	–
		3,037,463	2,301,665
Net current assets		1,807,156	1,777,708
Total assets less current liabilities		3,779,635	3,725,381
Non-current liabilities			
Borrowings – amount due after one year	29	580,444	473,091
Obligations under finance leases	30	116,658	–
Other non-current liabilities	31	159,642	180,408
		856,744	653,499
		2,922,891	3,071,882
Capital and reserves			
Share capital	32	603,800	603,800
Reserves		2,153,117	2,247,081
Equity attributable to owners of the Company		2,756,917	2,850,881
Non-controlling interests		165,974	221,001
		2,922,891	3,071,882

The financial statements on pages 137 to 194 were approved by the Board of Directors on 24 March 2010 and are signed on its behalf by:

Ye Maoxin *Director*	**Yao Yuming** *Director*

Consolidated Statement of Changes in Equity
For the year ended 31 December 2009

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000* (note 33a)	Discretionary surplus reserve *RMB'000* (note 33b)	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Attributable to owner of the Company *RMB'000*	Non-controlling power *RMB'000*	Total *RMB'000*
At 1 January 2008	603,800	1,249,865	369,815	177,764	(2,490)	429,161	2,827,915	230,099	3,058,014
Profit for the year	–	–	–	–	–	25,855	25,855	1,917	27,772
Other comprehensive income for the year	–	3,539	–	–	(390)	–	3,149	–	3,149
Total comprehensive income for the year	–	3,539	–	–	(390)	25,855	29,004	1,917	30,921
Transfers	–	–	14,828	–	–	(14,828)	–	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	(5,230)	(5,230)
Disposal of subsidiaries	–	–	–	–	–	–	–	(2,841)	(2,841)
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	1,081	1,081
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(4,025)	(4,025)
Dividends paid	–	–	–	–	–	(6,038)	(6,038)	–	(6,038)
At 31 December 2008 and 1 January 2009	603,800	1,253,404	384,643	177,764	(2,880)	434,150	2,850,881	221,001	3,071,882
Loss for the year	–	–	–	–	–	(78,891)	(78,891)	(32,772)	(111,663)
Other comprehensive income for the year	–	(9,028)	–	–	(7)	–	(9,035)	–	(9,035)
Total comprehensive income for the year	–	(9,028)	–	–	(7)	(78,891)	(87,926)	(32,772)	(120,698)
Transfers	–	–	12,129	–	–	(12,129)	–	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	(20,545)	(20,545)
Capital injection for non-controlling interests	–	–	–	–	–	–	–	11,940	11,940
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(13,650)	(13,650)
Dividends paid	–	–	–	–	–	(6,038)	(6,038)	–	(6,038)
At 31 December 2009	603,800	1,244,376	396,772	177,764	(2,887)	337,092	2,756,917	165,974	2,922,891

Consolidated Statement of Cash Flow
For the year ended 31 December 2009

	Notes	2009	2008
		RMB'000	*RMB'000*
Operating activities			
(Loss)/profit before taxation		(82,439)	53,522
Adjustments for:			
Depreciation of property, plant and equipment		113,599	120,084
Gain on disposal of property, plant and equipment		(13,060)	(1,923)
Amortisation of intangible assets		3,347	2,585
Amortisation of prepaid lease payments		6,839	6,368
Interest income		(12,220)	(29,085)
Interest expenses		60,093	41,086
Gain on disposal of a subsidiary		(4,528)	(724)
Written back of allowance for doubtful debts		(19,577)	(21,701)
Share of results of associates		190	693
Share of results of jointly controlled entities		–	(387)
Dividend income from available-for-sale financial assets		(17,719)	(1,161)
Allowance for obsolete inventories		6,641	17,553
Impairment loss recognised in respect of property, plant and equipment		9	777
Gain on disposal of available-for-sale financial assets		(52,800)	(31,047)
Loss on disposal of prepaid lease payments		197	–
Waiver of trade and other payables		(7,769)	(14,878)
Unrealised exchange Loss/(gain)		904	(11,324)
Operating cash flows before movements in working capital		(18,293)	130,438
Increase in properties under development for sale		(3,685)	(180,187)
Decrease in completed properties for sale		194,883	222,400
Decrease in inventories		275,762	183,030
(Increase)/decrease in trade and other receivables		(515,261)	532,190
Decrease in amounts due from fellow subsidiaries		60,230	2,894
Decrease in amount due from a holding company		–	727
Decrease/(increase) in amounts due from associates		48,016	(32,438)
(Increase)/decrease in financial assets at fair value through profit or loss		(2,170)	4,945
Increase/(decrease) in trade and other payables		466,469	(748,900)
Decrease in amounts due to holding companies		(1,363)	(32,596)
(Decrease)/increase in amounts due to fellow subsidiaries		(70,994)	16,485
Increase in amounts due to associates		7,409	2,510
Decrease in retirement benefit obligations		(55,851)	(51,786)
Increase in deferred revenue and others		35,085	64,211
Cash generated from operations		420,237	113,923
PRC Enterprise Income Tax paid		(10,997)	(23,584)
Net cash generated by operating activities		409,240	90,339

Consolidated Statement of Cash Flow (continued)
For the year ended 31 December 2009

	Notes	2009 *RMB'000*	2008 *RMB'000*
Investing activities			
Purchase of property, plant and equipment		(89,059)	(267,146)
Purchase of available-for-sale financial assets		(187,567)	(75,802)
Decrease/(increase) in advance to an investee		50,000	(50,000)
Increase in pledged bank deposits		(20,044)	(43,445)
Decrease/(increase) in other receivables		9,004	(25,909)
Deposits paid for acquisition of property, plant and equipment		–	(12,290)
Additions of prepaid lease payments		(18,534)	(8,722)
Acquisition of associates		(12,897)	(7,500)
Purchase of intangible assets		(2,728)	(3,131)
Acquisition of additional interest in subsidiaries		(39,800)	(1,691)
Proceeds from disposal of property, plant and equipment		9,765	42,135
Proceeds from disposal of available-for-sale financial assets		182,854	38,000
Proceeds from disposal of prepaid lease payment		751	–
Decrease in time deposits with maturity more than three months		–	19,277
Interest received		11,789	13,255
Proceeds from disposal of a jointly-controlled entity		–	13,118
Dividend received from an associate		561	2,500
Decrease in amounts due from related parties		–	1,339
Dividend received from available-for-sale financial assets		17,719	1,161
Proceeds from partial disposal of interest in a subsidiary		–	1,081
Proceeds from disposal of a subsidiary	37	5,954	428
Acquisition of a subsidiary	36	(13,171)	–
Net cash used in investing activities		(95,403)	(363,342)
Financing activities			
New bank loans raised		1,250,514	975,591
(Decrease)/increase in borrowings related to discounted bills		(5,980)	1,797
Repayments of bank loans		(970,847)	(517,838)
Interest paid		(42,669)	(57,898)
Repayment of advance from an investee		–	(39,235)
Capital injection from non-controlling shareholders		11,940	–
Decrease in amounts due to related parties		–	(9,620)
Dividends paid to non-controlling shareholders		(13,650)	(9,616)
Dividends paid		(4,091)	(4,082)
Deposit paid for finance lease		(7,500)	–
Capital element of finance lease rental paid		(6,619)	–
Interest element of finance lease rental paid		(1,944)	–
Net cash generated by financing activities		209,154	339,099
Net increase in cash and cash equivalents		522,991	66,096
Cash and cash equivalents at beginning of the year		684,433	618,191
Effect of foreign exchange rate changes		(52)	146
Cash and cash equivalents at end of the year		1,207,372	684,433
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents		1,207,372	684,433

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

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 Hengtian Group Company ("China Hengtian"). China Hengtian is a state-owned enterprise established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

These consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

The Company and its subsidiaries (the "Group") are principally engaged in manufacturing and sales of textile machinery and property development mainly in the PRC. The registered address of the Company is 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC.

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

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations (Amendments) Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Interpretation ("Int") 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs – Limited Exemption from Comparative[6]
HKFRS 7	Disclosures for First-time Adoptors[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[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 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 January 2011.
[6] Effective for annual periods beginning on or after 1 July 2010.
[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial instruments:

Recognition and measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvement to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the leasee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land. The directors of the Company anticipate that the application of the above new and revised standards, amendments and interpretations will have no material impact on the consolidated financial position of the Group.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the principal accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2009, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

Acquisition of business was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against goodwill.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Where a Group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, returns and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Revenue from the sales of properties in ordinary course of business is recognised when the significant risks and rewards of ownership of the properties are transferred to buyers. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Subcontracting service income is recognised which such services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land for own use

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land is accounted for as operating leases and amortised over the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency, i.e. the currency of the primary economic environment in which the entity operates, at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (exchange reserve). Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Bonus plans

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

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

Retirement benefit costs

Companies within the Group, which were established in the PRC, contribute to a defined contribution retirement scheme established by the relevant local municipal government who undertakes the retirement benefit obligations of all existing and future retired employees employed by the Group. Contributions to the schemes are charged to the consolidated statement of comprehensive income as incurred.

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

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated statement of comprehensive income and are reported separately as 'other income'.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified in the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these asset, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives, including patents and licenses and software are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Research and development costs

Research expenditure is recognised as an expense as incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. Where no internally-generated intangible asset can be recognised, development expenditure is charged to consolidated statement of comprehensive income in the period in which it is incurred.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Properties under development for sale

The carrying value of properties under development for sale comprises the interest in leasehold land together with development expenditure, which includes construction costs, capitalised interest and other borrowing costs, if any, less foreseeable losses. The properties under development for sale are stated at the lower of cost and net realisable value.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

Financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group represents financial assets held for trading which has been acquired principally for the purpose of selling in the near future.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in consolidated statement of comprehensive income excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivable, amounts due from holding companies, fellow subsidiaries, associates and jointly controlled entities, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sales financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss for available-for-sale investment carried at cost will not be reversed in subsequent periods.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables from third parties and related parties, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to holding companies, fellow subsidiaries and associates and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of comprehensive income. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collaterised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements
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4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies which are described in note 3, the directors of the Company have made the following judgment that has a significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of property, plant and equipment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the property, plant and equipment. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated net realisable value of inventories, properties under development for sale and completed properties for sale

The determination of net realisable value of inventories, properties under development for sale and completed properties for sale requires significant judgment. In making this judgment, the Group estimates the selling prices in the ordinary course of business, the costs of completion and the costs necessary to make the sale.

Provision for employee retirement benefits

The Group is obligated to pay employee retirement benefits for the qualifying retired employees and certain early retired employees (i.e. retired before their statutory retirement dates) for their life time or up to their statutory retirement dates, respectively. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees and post-retirement supplemental benefits to its qualifying retired employees in accordance with various employee benefits schemes. The estimation of the provision requires subjective assumptions; any change to the assumptions can materially affect the fair value of the provision for employee retirement benefits. As at 31 December 2009, total provision for the employee retirement benefits is RMB 42,393,000 (2008: RMB101,887,000).

Deferred tax assets

As at 31 December 2009, a deferred tax assets of RMB13,503,000 (2008: RMB30,045,000) in relation to temporary timing differences and unused tax losses have been recognised in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of comprehensive income in the period such a reversal takes place.

5. TURNOVER

Turnover represents the amount received and receivable for goods sold and sales of properties by the Group to outsiders for the year and is analysed as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Manufacture and sales of textile machinery	2,847,632	2,861,329
Sales of materials, parts and components	369,862	471,797
Property development	280,525	312,567
	3,498,019	3,645,693

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that 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 for the purposes of allocating resources to segments and assessing their performance.

For management reporting purposes, the Group is currently organised into three divisions-(a) manufacture and sale of textile machinery; (b) sales of materials, parts and components and (c) property development.

Segment information about these businesses is presented below:

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2009					
TURNOVER					
External sales	2,847,632	369,862	280,525	–	3,498,019
Inter-segment sales	–	449,293	–	(449,293)	–
Total	2,847,632	819,155	280,525	(449,293)	3,498,019

Inter-segment sales are charged at prevailing market rates.

RESULT					
Segment result	(172,831)	(60,280)	37,906	–	(195,205)
Unallocated income					170,686
Unallocated expenses					(10,283)
Finance costs					(60,093)
Gain on fair value changes of financial assets at fair value through profit or loss					426
Interest income					12,220
Share of results of associates					(190)
Loss before taxation					(82,439)
Income tax expense					(29,224)
Loss for the year					(111,663)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities as at 31 December 2009					
ASSETS					
Segment assets	5,363,449	835,184	394,966	–	6,593,599
Interests in associates					107,593
Available-for-sale financial assets					53,135
Unallocated corporate assets					62,771
Consolidated total assets					6,817,098
LIABILITIES					
Segment liabilities	1,836,898	286,038	238,772	–	2,361,708
Unallocated corporate liabilities					1,532,499
Consolidated total liabilities					3,894,207

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Other information as at 31 December 2009				
Capital additions	334,959	52,159	786	387,904
Depreciation and impairment loss recognised in respect of property, plant and equipment	84,110	29,336	162	113,608
Amortisation of intangible assets	2,482	865	–	3,347
Amortisation of prepaid lease payments	5,071	1,768	–	6,839

Notes to the Consolidated Financial Statements
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6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2008					
TURNOVER					
External sales	2,861,329	471,797	312,567	–	3,645,693
Inter-segment sales	–	738,480	–	(738,480)	–
Total	2,861,329	1,210,277	312,567	(738,480)	3,645,693

Inter-segment sales are charged at prevailing market rates.

RESULT					
Segment result	(266)	(311)	28,842	–	28,265
Unallocated income					83,417
Unallocated expenses					(18,197)
Finance costs					(41,086)
Gain on fair value changes of financial assets of fair value through profit or loss					1,429
Share of results of jointly controlled entities					387
Share of results of associates					(693)
Profit before taxation					53,522
Income tax expense					(25,750)
Profit for the year					27,772

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities as at 31 December 2008					
ASSETS					
Segment assets	4,395,307	820,281	513,628	–	5,729,216
Interests in associates					102,947
Available-for-sale financial assets					115,837
Unallocated corporate assets					79,046
Consolidated total assets					6,027,046
LIABILITIES					
Segment liabilities	1,247,691	232,852	238,772	–	1,719,315
Unallocated corporate liabilities					1,235,849
Consolidated total liabilities					2,955,164

Notes to the Consolidated Financial Statements
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6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery *RMB'000*	Sales of materials, parts and components *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Other information as at 31 December 2008				
Capital additions	235,109	43,878	12	278,999
Depreciation and impairment loss recognised in respect of property, plant and equipment	99,929	20,856	76	120,861
Amortisation of intangible assets	2,106	439	40	2,585
Amortisation of prepaid lease payments	5,268	1,100	–	6,368

(b) The Group's operations and assets are principally carried out and located in the PRC, including Hong Kong and Mainland China, no geographical segment analysis is presented.

7. OTHER INCOME

	2009 *RMB'000*	2008 *RMB'000*
Other income includes:		
Interest income from banks	12,220	10,053
Interest income from other receivables and related parties	4,671	19,032
Government subsidies (Note)	54,477	47,887
Gain on disposal of a subsidiary	4,528	724
Gain on disposal of available-for-sale financial assets	52,800	31,047
Net exchange gain	–	11,470
Rental income	5,578	1,854
Dividend income from available-for-sale financial assets	17,719	1,161
Gain on disposal of property, plant and equipment	13,060	1,923

Note: Government subsidies mainly represent subsidies received from local authorities to support the project constructions, repayment of interests from bank loans, research and development activities carried out by the Group in relation to textile industry.

8. FINANCE COSTS

	2009 *RMB'000*	2008 *RMB'000*
Interest expenses on borrowings wholly repayable within five years	70,352	57,898
Less: Interest capitalised under properties under development for sale	(10,259)	(16,812)
	60,093	41,086

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 5.93% (2008: 7.87%) to expenditure on qualifying assets.

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9. (LOSS)/PROFIT BEFORE TAXATION

	2009 *RMB'000*	2008 *RMB'000*
(Loss)/profit before taxation has been arrived at after charging/(crediting):		
Directors' remuneration (note 11)	200	200
Fees	593	968
Other emoluments	17	24
	810	1,192
Other staff costs	394,546	390,026
Retirement benefits costs	62,468	55,417
(Reversal of)/provision for retirement and supplemental benefit obligations (included in administrative expenses)	(53,620)	(44,130)
Total staff costs	404,204	402,505
Less: Staff costs included in research and development costs	(24,415)	(40,226)
	379,789	362,279
Auditor's remuneration	3,000	3,960
Depreciation of property, plant and equipment	113,599	120,084
Allowance for obsolete inventories	6,641	17,553
Amortisation:		
– intangible assets (included in administrative expenses)	3,347	2,585
– prepaid lease payments	6,839	6,368
Cost of inventories recognised as an expense	3,216,145	3,223,931
Minimum lease payments paid under operating lease in respect of land and buildings	16,862	16,551
Impairment loss recognised in respect of property, plant and equipment (included in administrative expenses)	9	777
Gain on disposal of available-for-sale financial assets (included in other income)	(52,800)	(31,047)
Loss on disposal of prepaid lease payments (included in administrative expenses)	197	–
Research and development costs (included staff costs)	60,686	85,661
Waiver of trade and other payables (included in administrative expenses)	(7,769)	(14,878)
Written back of allowance for doubtful debts of trade receivables (net of provision for doubtful debts)	(19,577)	(21,701)

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10. INCOME TAX EXPENSE

	2009 *RMB'000*	2008 *RMB'000*
The charge comprises:		
Current tax		
PRC Enterprise Income Tax	9,940	18,536
Overprovision in prior years	(56)	(1,598)
	9,884	16,938
PRC Land Appreciation Tax ("LAT")	2,798	3,126
Deferred tax charge for the year (note 19)	16,542	5,686
	29,224	25,750

Provision for Hong Kong profits tax has not been made as the Group had no taxable profits in Hong Kong for the year (2008: nil). The Company and its subsidiaries are subject to PRC Enterprise Income Tax which has been calculated based on their taxable profits in accordance with the relevant tax laws applicable in the PRC.

The charge for the year can be reconciled to the (loss)/profit before taxation per consolidated statement of comprehensive income as follows:

	2009 *RMB'000*	2008 *RMB'000*
(Loss)/profit before taxation	(82,439)	53,522
Tax at the PRC Enterprise Income Tax rate of 15% (2008: 15%) (note a)	(12,365)	8,028
Tax effect of share of profit of associates	28	46
Tax effect of other temporary differences not recognised	21,784	3,200
Tax effect of non-taxable income	(2,658)	(175)
Effect of tax exemptions granted to PRC subsidiaries	(293)	(1,911)
Tax effect of tax losses not recognised	17,104	10,224
Tax effect on non-deductible expenses	4,425	5,614
Tax effect on utilisation of other temporary differences not previously recognised	(168)	(4,702)
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,766	7,910
Reduction of tax in respect of tax benefits (note b)	(5,722)	(3,543)
Overprovision in prior years	(56)	(1,598)
PRC LAT	2,798	3,126
Income tax effect of LAT	(419)	(469)
Taxation charge	29,224	25,750

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

10. INCOME TAX EXPENSE (CONTINUED)

LAT is levied on the proceeds from sales of properties.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("Tax Exemption").

In 2009, the Company's PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%, except for certain subsidiaries which are regarded as high and new technology enterprises and thus enjoy a preferential tax rate of 15%.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the existing tax rates for group entities from 15% and 18% in 2007 to 25% progressively over 5 years for certain subsidiaries from 1 January 2008 and from 33% in 2007 to 25% from 1 January 2008. For the subsidiaries enjoying preferential tax rate at 15%, they will continue to enjoy the preferential rate. For the subsidiaries under Tax Exemption, such exemption is still applicable under transitional arrangement of the New Law. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets is realised or the liability is settled.

Notes:

(a) The tax rate of 15% represented the tax rate applicable to majority of the group companies.

(b) Certain of the Company's PRC subsidiaries are entitled to tax benefits on purchase of PRC produced plant and equipment for production use and on certain qualifying research and development expenses charged to profit or loss for the year.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

11. DIRECTORS’, SUPERVISORS’ AND HIGHEST PAID INDIVIDUALS’ EMOLUMENTS

(a) Directors’ and supervisors’ emoluments

The emoluments paid or payable to each of the 12 (2008: 13) directors during the year were as follows:

	Liu Haitao *RMB’000*	Ye Maoxin *RMB’000*	Fan Xinmin *RMB’000*	Yan Fuquan *RMB’000*	Liu Hong *RMB’000*	Shi Tinghong *RMB’000*	Yao Yuming *RMB’000*	Zhang Jianguo *RMB’000*	Zhao Xizi *RMB’000* (Note 1)	Gao Yong *RMB’000*	Chen Zhong *RMB’000*	Yu Shiquan *RMB’000*	Total 2009 *RMB’000*
Fees	–	–	–	–	–	–	–	–	50	50	50	50	200
Other emoluments													
Salaries and other benefits	–	–	–	–	–	–	129	84	–	–	–	–	213
Discretionary bonus	–	–	–	–	–	–	200	180	–	–	–	–	380
Retirement benefits costs	–	–	–	–	–	–	10	7	–	–	–	–	17
Total emoluments	–	–	–	–	–	–	339	271	50	50	50	50	810

	Liu Haitao *RMB’000*	Ye Maoxin *RMB’000*	Fan Xinmin *RMB’000*	Yan Fuquan *RMB’000*	Liu Hong *RMB’000*	Shi Tinghong *RMB’000*	Yao Yuming *RMB’000*	Zhang Jianguo *RMB’000*	Zhao Xizi *RMB’000* (Note 1)	Gao Yong *RMB’000*	Chen Zhong *RMB’000*	Yu Shiquan *RMB’000*	Li Hui *RMB’000* (Note 2)	Total 2008 *RMB’000*
Fees	–	–	–	–	–	–	–	–	50	50	50	50	–	200
Other emoluments														
Salaries and other benefits	–	96	–	–	–	–	130	77	–	–	–	–	–	303
Discretionary bonus	–	160	–	–	–	–	225	280	–	–	–	–	–	665
Retirement benefits costs	–	8	–	–	–	–	9	7	–	–	–	–	–	24
Total emoluments	–	264	–	–	–	–	364	364	50	50	50	50	–	1,192

Note 1: Zhao Xizi was appointed on 29 February 2008.
Note 2: Li Hui was appointed on 15 August 2007 and resigned on 20 June 2008.

The emoluments paid or payable to the supervisors are as follows:

	2009 *RMB’000*	2008 *RMB’000*
Salaries and other benefits	311	286
Discretionary bonus	624	570
Retirement benefits costs	27	24
	962	880

None of the directors and supervisors has waived or agreed to waive any emoluments in both years.

During the year, no emoluments were paid by the Group to the directors or the supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

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For the year ended 31 December 2009

11. DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(b) Highest paid individuals

Of the five individuals with highest emoluments in the Group, none (2008: two) was director of the Company and one (2008: none) was supervisor of the Company. The emoluments of the remaining four (2008: three) individuals are as follows:

	2009 *RMB'000*	**2008** *RMB'000*
Salaries and other benefits	522	335
Discretionary bonus	1,050	850
Retirement benefit costs	33	23
	1,605	1,208

The emoluments of each of the aforesaid employees were less than HK$1,000,000.

12. DIVIDENDS

Dividend recognised as distributions during the year:

	2009 *RMB'000*	**2008** *RMB'000*
Final dividend for 2008, paid RMB 0.01 (2008: RMB0.01 paid for 2007) per share:		
A shares		
– Restricted	1,957	1,957
– Others	2,273	2,273
H shares	1,808	1,808
	6,038	6,038

Subsequent to the balance sheet date, no dividend (2008: RMB0.01 per share) has been proposed by the Board of Directors of the Company.

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to owners of the Company amounted to RMB 78,891,000 (2008: gain RMB25,855,000) and the number of shares of 603,800,000 (2008: 603,800,000) in issue during the year.

No diluted (loss)/earnings per share is presented as the Group does not have any potential dilutive shares for both years.

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST					
At 1 January 2008	706,375	1,588,202	101,881	72,013	2,468,471
Additions	48,073	25,144	32,926	161,003	267,146
Disposal	(1,194)	(143,916)	(12,524)	–	(157,634)
Disposed of on disposal of a subsidiary	(1,009)	(308)	(951)	–	(2,268)
Acquired assets after construction	107,641	48,715	2,555	(158,911)	–
At 31 December 2008 and 1 January 2009	859,886	1,517,837	123,887	74,105	2,575,715
Additions	2,195	41,863	9,325	105,771	159,154
Acquired on acquisition of subsidiaries (note 36)	87,983	56,262	1,215	–	145,460
Disposals and other reductions	(12,706)	(138,125)	(20,516)	(24,118)	(195,465)
Disposed of on disposal of a subsidiary (note 37)	(2,473)	(123)	–	–	(2,596)
Assigned assets after construction	10,235	29,457	–	(39,692)	–
At 31 December 2009	945,120	1,507,171	113,911	116,066	2,682,268
DEPRECIATION AND IMPAIRMENT					
At 1 January 2008	222,774	944,403	45,894	–	1,213,071
Charge for the year	12,847	92,471	14,766	–	120,084
Impairment loss recognised	–	777	–	–	777
Eliminated on disposals	(393)	(109,247)	(7,782)	–	(117,422)
Eliminated on disposal of a subsidiary	(159)	(151)	(386)	–	(696)
Reclassification	240	(240)	–	–	–
At 31 December 2008 and 1 January 2009	235,309	928,013	52,492	–	1,215,814
Charge for the year	23,076	63,957	26,566	–	113,599
Acquired on acquisition of subsidiaries (note 36)	47,030	41,558	670	–	89,258
Impairment loss recognised	–	–	9	–	9
Eliminated on disposals	(1,375)	(116,889)	(12,771)	–	(131,035)
Eliminated on disposal of a subsidiary (note 37)	(1,762)	(109)	–	–	(1,871)
At 31 December 2009	302,278	916,530	66,966	–	1,285,774
CARRYING VALUES					
At 31 December 2009	642,842	590,641	46,945	116,066	1,396,494
At 31 December 2008	624,577	589,824	71,395	74,105	1,359,901

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	5 to 22 years
Motor vehicles	5 to 14 years

At 31 December 2009, the certificates of ownership of certain buildings of the Group at carrying value of RMB115,608,000 (2008: RMB203,784,000) situated in the PRC have not been passed to the Group.

Notes to the Consolidated Financial Statements
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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In 2008, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired due to physical damage and technical obsolescence. Accordingly, certain machinery and equipment with carrying amount of RMB777,000 were fully impaired.

There was impairment loss of RMB 9,000 recognised on certain motor vehicles in 2009.

During the year, the Group has entered into a sales and leaseback transaction with a financial institute in the PRC in return for a loan under non-cancellable finance lease agreement. The lease term is 5 years and the ownership of the assets remains within the Group. Please refer to note 30 for the obligation under finance lease.

The related assets under finance lease are machinery and equipment as follows:

	2009
	RMB'000
Cost-capitalised finance leases	378,772
Accumulated depreciation	(233,840)
Carrying amount	144,932

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent medium-term land use rights situated in the PRC.

	2009	**2008**
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current asset	8,349	6,186
Non-current asset	340,113	264,661
	348,462	270,847

At 31 December 2009, the certificates of ownership of certain newly acquired land use right of the Group, at carrying value of RMB20,292,000 (2008: nil), situated in the PRC have not been passed to the Group.

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16. INTANGIBLE ASSETS

	Patents and licences *RMB'000*	Software *RMB'000*	Goodwill *RMB'000*	Total *RMB'000*
COST				
At 1 January 2008	21,454	12,474	2,259	36,187
Additions	–	3,131	–	3,131
Write off	–	(2,275)	–	(2,275)
At 31 December 2008 and 1 January 2009	21,454	13,330	2,259	37,043
Additions	–	2,728	–	2,728
Write off	(11,964)	(2,099)	–	(14,063)
At 31 December 2009	9,490	13,959	2,259	25,708
AMORTISATION AND IMPAIRMENT				
At 1 January 2008	16,024	7,717	–	23,741
Charge for the year	1,146	1,439	–	2,585
Write off	–	(2,275)	–	(2,275)
At 31 December 2008 and 1 January 2009	17,170	6,881	–	24,051
Charge for the year	382	2,965	–	3,347
Write off	(11,964)	(2,099)	–	(14,063)
At 31 December 2009	5,588	7,747	–	13,335
CARRYING VALUES				
At 31 December 2009	3,902	6,212	2,259	12,373
At 31 December 2008	4,284	6,449	2,259	12,992

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

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

Patents and licenses	10 years
Software	5 years

No impairment loss was recognised in both years.

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17. INTERESTS IN ASSOCIATES

	2009 *RMB'000*	2008 *RMB'000*
Cost of investment, unlisted investments	93,337	87,940
Share of post-acquisition profits, net of dividend received	14,256	15,007
	107,593	102,947

Details of the Group's associates as at 31 December 2009 and 2008 are as follows:

Name of associate	Place of establishment and operation	Registered capital	Proportion of registered capital attributable to the Group/voting power 2009 %	2008 %	Principal activities
Hongda Research Company Limited	PRC	RMB50,000,000	40	40	Sale and development of textile machinery
Shenyang Jingxing Textile Machinery Company Limited	PRC	RMB3,200,000	31.25	31.25	Manufacturing and sales of textile machinery, spare parts and related components
Zhengzhou Hongda Non-woven Fabric Company Limited	PRC	RMB40,000,000	23.74	23.74	Manufacturing and sales of various non-woven fabrics; consultation and training services of relevant techniques. Research and development of new products, techniques, equipments and materials
China Textile Machinery and Technology Import and Export Corporation	PRC	RMB120,000,000	25	25	Import and export of textile machinery
Hengyang Textile Machinery Company Limited	PRC	RMB26,320,000	49	–	Manufacturing and sales of textile machinery
Huangshi Jingwei Textile Machinery Company Limited	PRC	RMB30,000,000	–	25	Manufacturing and sales of textile machinery
Anhui Huamao Jingwei New Type Textile Company Limited ("Anhui Huamao")	PRC	RMB50,000,000	25	25	Production, processing and sales of various kinds of yarn and textile products

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17. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of the Group's associates is set out below:

	2009	2008
	RMB'000	*RMB'000*
Total assets	1,374,566	1,428,327
Total liabilities	(990,046)	(1,044,697)
Net assets	384,520	383,630
Group's share of net assets of associates	107,593	102,947
Revenue	1,480,376	1,719,629
Group's share of results of associates for the year	(190)	(693)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2008
	RMB'000	*RMB'000*
Unlisted equity securities in the PRC, at cost	59,492	121,824
Less: Impairment loss recognised	(6,357)	(5,987)
	53,135	115,837

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date. Because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted equity securities with carrying amount of RMB249,898,551, which had been carried at cost less impairment before the disposal. A gain on disposal of RMB52,800,000 had been recognised in profit or loss in the current year.

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19. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation and others RMB'000	Allowance for receivables, inventories and impairment of assets RMB'000	Tax losses RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2008	(436)	28,621	1,812	5,734	35,731
Credit/(charge) to consolidated statement of comprehensive income for the year	436	(3,791)	(1,812)	(519)	(5,686)
At 31 December 2008 and 1 January 2009	–	24,830	–	5,215	30,045
Credit/(charge) to consolidated statement of comprehensive income for the year	–	(22,390)	8,624	(2,776)	(16,542)
At 31 December 2009	–	2,440	8,624	2,439	13,503

Note: Others mainly represent deferred tax assets arising from unrealised profit on intra-group sales, accrued bonus and expenses and other temporary differences.

The deductible temporary differences not recognised in the financial statements as follows:

	2009 RMB'000	2008 RMB'000
Tax losses	175,275	61,246
Other temporary differences	256,480	97,680
	431,755	158,926

At the balance sheet date, the Group has unused tax losses of approximately RMB 232,768,000 (2008: RMB61,246,000) available for offset against future profits. No deferred tax asset has been recognised for the remaining balances of approximately RMB175,275,000 (2008: RMB61,246,000) due to unpredictability of future profit streams.

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20. OTHER NON-CURRENT ASSETS

Included in other non-current assets is the non-current portion amounted to RMB4,614,000 (2008: RMB23,091,000) of a total of RMB14,257,000 (2008: RMB23,091,000) non-current, interest-free and unsecured trade receivable from an independent third party which is repayable in 2011. In 2008, the Group entered into an interest free and unsecured factoring agreement with a bank under which the Group obtained bank borrowings by factoring its non-current trade receivables of RMB30,000,000 to the bank. At 31 December 2009, RMB15,000,000 (2008:RMB 5,000,000) has been settled by the customer with the remaining RMB15,000,000 to be repayable in 2011. Accordingly, the unsettled receivables and the related borrowings are shown under current and non-current asset as well as current and non-current borrowings respectively.

Also included is an unsecured receivable relating to a financing arrangement between a subsidiary of the Company and a third party (the "Landlord") in June 2008 amounted to RMB16,905,000 (2008: RMB 25,909,000). The key terms are: (i) the Group made an advance to the Landlord which is the lessor of certain property interest under two rental agreements (the "Rental Agreements"); (ii) the Group is entitled to receive rentals from two tenants (the "Tenants") for a period of 44 to 48 months according to the terms set out in the original Rental Agreements. This has been amended to a period of 36 months from the commencement date in the original agreement, according to the supplementary agreement with the Landlord dated 25 December 2009; and (iii) the rentals to be paid by the Tenants are jointly and severally guaranteed by the Landlord. In addition, the Landlord has the right to early terminate the arrangement voluntarily by repurchasing the entitlement to receive the rentals, subject to certain conditions, on 30 June 2009. The Landlord did not execute this right to terminate the agreement voluntarily as at the due date. The Landlord and Tenants are third parties to the Group.

The remaining balance of RMB27,749,000 (2008: nil) represents the non-current portion of receivables from a customer relating to a sales amounting to RMB61,206,000 during the year, which is agreed to be settled by installments. At 31 December 2009, RMB15,126,000 has been settled by the customer and the remaining balance of RMB46,080,000, repayable in 2012. The Company has pledged the receivable to a bank to obtain a long-term bank borrowing of RMB48,870,000 during the year, which is repayable in installments. At 31 December 2009, the outstanding balance related bank borrowing is RMB 41,895,000 to be repayable in 2012. Accordingly, the unsettled receivables and the related borrowings are shown under current and non-current asset as well as current and non-current borrowings respectively.

21. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Raw materials	289,385	388,983
Work in progress	302,301	338,862
Finished goods	481,620	592,299
	1,073,306	1,320,144

22. PROPERTIES UNDER DEVELOPMENT FOR SALE

	RMB'000
At 1 January 2008	479,605
Additions	196,999
Transferred to completed property for sale	(504,154)
At 31 December 2008 and 1 January 2009	172,450
Additions	3,685
At 31 December 2009	176,135

At 31 December 2009, total borrowing costs capitalised in the properties under development for sale and completed properties for sale (note 23) were RMB 10,259,000 (2008: RMB16,812,000).

The Group has pledged properties under development for sale with carrying value of RMB nil (2008: RMB172,450,000) to secure general banking facilities granted to the Group (note 29).

Properties under development for sale are expected to be completed and available for sale within twelve months from the balance sheet date. They are classified under current asset as it is expected to be realised in the Group's normal operating cycle.

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23. COMPLETED PROPERTIES FOR SALE

The Group's completed properties for sale are situated in the PRC.

At 31 December 2008, certain completed properties for sale with an aggregate carrying value of RMB281,754,000 was pledged to secure bank borrowings granted to the Group (note 29).

The related borrowings were fully repaid as at 31 December 2009. The release of the pledge has not been completed at 31 December 2009.

At 31 December 2009, there were no other pledged bank borrowings relating to completed properties for sale.

24. TRADE AND OTHER RECEIVABLES

	2009	**2008**
	RMB'000	*RMB'000*
Trade receivables	409,042	341,405
Less: Allowance for doubtful debts	(97,435)	(129,680)
	311,607	211,725
Bill receivables	1,116,376	672,733
Deposits and other receivables	165,669	51,058
Prepayments	312,411	198,131
Advance to an investee	–	50,000
Non-current assets (due within one year)	25,294	–
Prepaid tax	12,352	–
	1,943,709	1,183,647

At the balance sheet date, bill receivables outstanding amounted to RMB 458,728,000 (2008: RMB 276,575,000) have been endorsed to certain creditors and RMB 130,466,000 (2008: RMB 136,446,000) have been discounted to the banks. The Group continues to present the endorsed bill and discounted bill as bill receivables until maturity.

At the balance sheet date, the Group has pledged bill receivables with a carrying amount of RMB26,025,000 (2008: RMB16,000,000) to secure credit facilities granted to the Group.

Receipts of customers payments in advance are recognised as the Group's deposits. The remaining settlement is made in accordance with the terms specified in the contracts of governing the relevant transactions. A credit period ranging from 30 to 360 days may be granted to large or long established customers with good payment history. The following is an aged analysis of the trade and bill receivables net of allowance for doubtful debts, including receivables of holding companies, fellow subsidiaries and associates (note 25), at the balance sheet date:

	2009	**2008**
	RMB'000	*RMB'000*
Less than 1 year	1,496,539	991,631
1-2 years	24,303	73,073
2-3years	12,079	6,118
Over 3 years	1,052	3,773
	1,533,973	1,074,595

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB 37,434,000 (2008: RMB82,964,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of trade receivables, including receivables of related parties, which are past due but not impaired:

	2009	2008
	RMB'000	*RMB'000*
1-2 years	24,303	73,073
2-3years	12,079	6,118
Over 3 years	1,052	3,773
	37,434	82,964

The Group has not provided for some of certain of trade receivables aged over 1 year because historical experience indicated that those trade debtors have good credit history and the balance of these receivables are eventually recoverable.

Movement in the allowance for doubtful debts of trade receivables

	2009	2008
	RMB'000	*RMB'000*
Balance at beginning of the year	129,680	164,452
Allowance for doubtful debts	2,528	1,751
Acquired on acquisition of subsidiaries	9,107	–
Written back of allowance for doubtful debts	(22,105)	(23,452)
Amounts written off	(21,775)	(13,071)
Balance at end of the year	97,435	129,680

At the balance sheet date, the trade and other receivables included certain trade balances between the Group and companies in which certain key management personnel of the Group have influence in amounted to approximately RMB39,594,000 (2008: RMB 43,456,000).

At 31 December 2009, the advance to an investee was repaid during the year. (2008: RMB50,000,000)

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25. AMOUNTS DUE FROM/TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/ASSOCIATES

Amount due from a holding company

The amounts are unsecured, trade nature, non-interest bearing and repayable on demand.

Amounts due from fellow subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature with carrying amount of approximately RMB76,419,000 (2008: RMB111,791,000).

Amounts due from associates

The amounts are unsecured. Included in the balances are trade nature with carrying amount of approximately RMB29,507,000 (2008: RMB78,282,000).

At 31 December 2009, an aggregate amount of RMB 139,696,000 due from an associate bears interest at 5.31% to 7.47% per annum till the contract expired on 31 August 2009. Other amounts are non-interest bearing and repayable on demand.

Amounts due to holding companies/fellow subsidiaries/associates

The amounts are unsecured, non-interest bearing and repayable on demand.

Included in the balances are trade nature with carrying amount of approximately RMB19,676,000 (2008: RMB89,491,000).

At 31 December 2009, an amount due to a holding company bears interest at 8.964% per annum is repaid during the year. (2008: RMB16,994,000).

At 31 December 2009, balance with a holding company is dividend payable with carrying amount of RMB17,607,000 (2008: RMB17,607,000).

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 *RMB'000*	**2008** *RMB'000*
Listed securities:		
– Equity securities – PRC	2,170	–
Market value of listed securities	2,170	–

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27. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Pledged bank deposits represent deposits pledged to banks to secure bill payables and letter of credit granted to the Group. The average effective interest rate on pledged bank deposits is 1.50% (2008: 3.56%).

At the balance sheet date, cash and cash equivalents comprised mainly short-term deposits which carry interests at prevailing market rates.

The cash and cash equivalents that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2009 *RMB'000*	2008 *RMB'000*
Hong Kong dollars ("HKD")	6,284	13,321
United States dollars ("USD")	3,038	575
Euro	2,037	2,565
Others	3,654	3,512

28. TRADE AND OTHER PAYABLES

	2009 *RMB'000*	2008 *RMB'000*
Trade payables	1,153,448	806,868
Bill payables	126,918	178,616
Other payables and accrued charges	969,261	526,451
	2,249,627	1,511,935

At the balance sheet date, the Group has endorsed bank acceptance bill to certain creditors amounted to RMB458,728,000 (2008: RMB276,575,000). The settlement of trade payables by such bill will only be derecognised when the relevant bill mature.

At the balance sheet date, trade and other payables included an aggregate carrying amount of RMB21,331,000 (2008: RMB16,012,000), representing certain balances with companies in which certain key management personnel of the subsidiaries of the Company have influence in.

The following is an aged analysis of trade and bill payables, including payables of holding companies, fellow subsidiaries and associates, at the balance sheet date:

	2009 *RMB'000*	2008 *RMB'000*
Less than 1 year	1,250,812	1,008,602
1-2 years	27,284	32,366
2-3 years	6,912	3,548
Over 3 years	15,334	30,459
	1,300,342	1,074,975

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29. BORROWINGS

	2009 *RMB'000*	2008 *RMB'000*
Discounted bills	130,466	136,446
Variable-rate bank loans	954,257	450,000
Fixed-rate bank loans	144,134	503,941
Other loan	–	5,000
	1,228,857	1,095,387
Secured	186,618	259,537
Unsecured	1,042,239	835,850
	1,228,857	1,095,387

	2009 *RMB'000*	2008 *RMB'000*
The borrowings are repayable as follows:		
On demand or within one year	648,413	622,296
More than one year, but not exceeding two years	522,074	70,000
More than two years, but not exceeding three years	58,370	403,091
	1,228,857	1,095,387
Less: Amount due within one year and shown under current liabilities	(648,413)	(622,296)
	580,444	473,091

At 31 December 2009 and 31 December 2008, all the variable-rate bank loans are denominated in RMB.

Variable-rate bank loans of RMB200,000,000 (2008: RMB 200,000,000) bear interests at the prime rate offered by the PBOC and the variable interest rates are repriced every twelve months. The remaining variable-rate bank loans of RMB 754,257,000 (2008: RMB 250,000,000) bear interests from 90% to 95% of the rate offered by the PBOC (2008: 90% of the rate offered by the PBOC). All these variable interest rates are repriced from every three months to every twelve months (2008: from every three months to every twelve months).

Fixed-rate bank loans of RMB 51,240,000 (2008: RMB 88,850,000) are denominated in USD, a currency other than the functional currencies of the relevant group entities, and bear interests from 1.91% to 3.66% (2008: 3.89%) per annum. The remaining fixed-rate bank loans of RMB 92,894,000 (2008: RMB415,091,000) bear interests from 4.86% to 5.31% (2008: 5.19% to 7.47%) per annum. In addition, there was other loan of RMB5,000,000 was arranged at fixed interest rate of 6.39% per annum in 2008, the loan was fully paid in 2009.

Notes to the Consolidated Financial Statements
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29. BORROWINGS (CONTINUED)

Discounted bills carry interests at market rates ranging from 1.80% to 4.50% (2008: 1.80% to 8.28%) per annum.

The ranges of effective interest rates of the borrowings are also equal to contracted interest rates.

At the balance sheet date, the Group has undrawn borrowing facilities amounting to approximately RMB 1,674,670,000 (2008: RMB805,205,000).

At the balance sheet date, the following borrowings are secured by:

	2009	**2008**
	RMB'000	*RMB'000*
Trade receivables (note 20)	56,152	23,091
Properties under development for sale and completed properties for sale	–	100,000
Bill receivables for discounted bills	130,466	136,446

There were unsecured loans of RMB182,000,000 guaranteed by China Textile Machinery (Group) Company Limited in 2008, the loans were fully paid in 2009.

30. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases				
Within one year	34,249	–	27,342	–
In more than one year and not more than five years	128,433	–	116,658	–
In more than five years	–	–	–	–
	162,682	–	144,000	–
Less: future finance charges	(18,682)	–	–	–
Present value of lease obligations	144,000	–	144,000	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(27,342)	–
Amount due for settlement after 12 months			116,658	–

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31. OTHER NON-CURRENT LIABILITIES

	2009 *RMB'000*	2008 *RMB'000*
Deferred income (note a)	60,213	45,345
Retirement benefit obligations (note b)	42,393	101,887
Others	60,164	39,947
	162,770	187,179
Less: Current portion included in trade and other payables	(3,128)	(6,771)
	159,642	180,408

Notes:

(a) The amounts represent government subsidies received in relation to lease payment of land of RMB10,036,000 (2008: RMB10,243,000) and qualifying assets of RMB48,496,000 (2008: RMB32,653,000) which is released to the consolidated statement of comprehensive income over the expected useful life of the relevant assets and government subsidies for research development on technological development in textile industry and repayment of bank loan interest of RMB1,681,000 (2008: RMB2,449,000) which will be recognised in the same period as those expenses are charged in the consolidated statement of comprehensive income and are reported separately as other income.

(b) Included in the balance is an amount of RMB38,740,000 (2008: RMB94,340,000) representing the Group's obligations on retirement and supplementary benefits to the qualifying retired employees which was determined based on actuarial valuations performed by an independent firm of valuers (see note 40).

32. SHARE CAPITAL

2009

	1 January 2009	Increase/(decrease) (Note)	31 December 2009
Number of shares			
Registered, issued and fully paid			
– restricted	195,661,404	(5,351)	195,656,053
– others	227,338,596	5,351	227,343,947
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000		603,800,000
RMB'000			
Registered, issued and fully paid			
– restricted	195,661	(5)	195,656
– others	227,339	5	227,344
H shares, RMB1.00 each	180,800	–	180,800
	603,800		603,800

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32. SHARE CAPITAL (CONTINUED)

2008

	1 January 2008	Increase/(decrease) (Note)	31 December 2008
Number of shares			
Registered, issued and fully paid			
– restricted	195,661,404	(5,351)	195,656,053
– others	227,338,596	5,351	227,343,947
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000		603,800,000
RMB'000			
Registered, issued and fully paid			
– restricted	195,661	(5)	195,656
– others	227,339	5	227,344
H shares, RMB1.00 each	180,800	–	180,800
	603,800		603,800

Note: According to register of shareholders provided by China Securities Regulatory Commission (The Shares and Their Changes Management Rules of Listed Companies' Directors, Supervisors and Senior Management Personnels) and China Securities Depository and Clearing Company Limited, the restrictions of sale of 5,351 shares held by the 3 senior management personnels were unlocked during the reporting period and changed to unlimited trading A shares.

The A shares and H shares have a par value of RMB 1 each and rank pari passu in all respects, except for certain conditions on restricted A shares as stated above, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

33. RESERVES

(a) According to the relevant laws and regulations and the Articles of Association of respective companies comprising the Group, 10% of profit after taxation reported under PRC GAAP is required to be transferred to statutory surplus reserve until the statutory surplus reserve reaches 50% of the registered capital of the respective companies. Upon approval from the authorities, the statutory surplus reserve can be used to offset accumulated losses or to increase share capital. When it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25% of the share capital.

(b) According to the Company's and the subsidiaries' Articles of Association, the Board of Directors, after obtaining approval from the shareholders, has the discretion to provide for discretionary surplus reserve. Upon approval from the authorities, the discretionary surplus reserve can be used to make up any losses incurred or to increase share capital.

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34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 29, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts. The Group's overall strategy remains unchanged from prior year.

Gearing ratio

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is defined as total debts (which include borrowings, trade and other payables, obligation under finance lease, amounts due to holding companies, amounts due to fellow subsidiaries and amounts due to associates) as shown in the consolidated statement of financial position less cash and cash equivalents. Total equity is defined as all components of shareholders' equity in the consolidated statement of financial position.

The gearing ratio at the end of the reporting period was as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Debts	3,721,451	2,770,589
Cash and cash equivalents	(1,207,372)	(684,433)
Net debt	2,514,079	2,086,156
Equity	2,756,917	2,850,881
Net debt to equity ratio	91%	73%

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009	**2008**
	RMB'000	*RMB'000*
Financial assets		
Financial assets at fair value through profit or loss	2,170	–
Loans and receivables (including cash and cash equivalents)	3,218,143	2,110,148
Available-for-sale financial assets	53,135	115,837
Financial liabilities		
Other financial liabilities	3,020,021	2,409,861

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies

The Group's major financial assets and liabilities include available-for-sale financial assets, trade and other receivables, amount due from a holding company/fellow subsidiaries/associates, cash and cash equivalents, pledged bank deposits, trade and other payables, amounts due to holding companies/fellow subsidiaries/associates, financial assets at fair value through profit or loss, obligation under finance lease and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The functional currency of the group entities is mainly RMB in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the group entities at the balance sheet date as follows:

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

	Currency	**2009**	**2008**
		RMB'000	*RMB'000*
Cash and cash equivalents	USD	3,038	575
	HKD	6,284	13,321
	Euro	2,037	2,565
	Others	3,654	3,512
Trade and other receivables	USD	17,444	–
	HKD	153	353
	Euro	1,572	–
Trade and other payables	HKD	–	(1,322)
Borrowings	USD	(51,241)	(88,850)

	2009	**2008**
	RMB'000	*RMB'000*
Net balance in USD	(30,759)	(88,275)
Net balance in HKD	6,437	12,352
Net balance in Euro	3,609	2,565
Net balance in other	3,654	3,512

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Currency risk (continued)

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of group entities against the relevant foreign currencies, mainly USD and HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at balance sheet date for a 5% change in foreign currency rates. A positive number below indicated an increase in profit where the functional currency of group entities strengthens 5% against the relevant foreign currencies. For a 5% weakening of the functional currency of group entities against the relevant foreign currencies, these would be an equal and opposite impact on the profit.

If RMB strengthens against foreign currencies by 5%:

	USD impact		**HKD impact**	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit after taxation	1,307	3,752	(274)	(525)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable rate bank borrowings which mainly float at rate offered by the PBOC and bank balances carry interests at prevailing market rates. The fair value interest rate risk relates primarily to fixed-rate short-term bank time deposits, fixed-rate bank loans and finance leases. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For variable rate bank borrowings, the analysis is prepared assuming amount outstanding at the balance sheet date was outstanding for the whole year and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. The Group's sensitivity to interest rate risk in relation to variable rate bank borrowings at each balance sheet date while all other variables were held constant is as follows:

	Year ended 31 December	
	2009	**2008**
Reasonably possible change in interest rate	100 basis points	100 basis points

	Year ended 31 December	
	2009	**2008**
Increase/(decrease) in profit after taxation		
– as a result of increase in interest rate	(8,111)	(3,825)
– as a result of decrease in interest rate	8,111	3,825

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in note 39. In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are mainly banks in the PRC with good reputation.

The Group has concentration of credit risk, with aggregate amounts of RMB174,153,000 (2008: RMB193,375,000) due from top five customers, including related parties, as well as amounts of RMB 139,696,000 (2008: amount of RMB149,753,000) due from an associate. However, the management of the Group has closely monitored and reviewed the recoverability of these amounts and the directors consider such risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2009, the Group has available unutilised borrowing facilities of approximately RMB1,674,670,000 (2008: RMB805,205,000). Details of which are set out in note 29.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	over 3 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount at 31.12.2009 *RMB'000*
2009							
Non-derivative financial liabilities							
Trade and other payables		1,548,197	–	–	–	1,548,197	1,548,197
Amounts due to holding companies							
Non-interest bearing		41,540	–	–	–	41,540	41,540
Fixed rate		–	–	–	–	–	–
Amounts due to fellow subsidiaries		44,275	–	–	–	44,275	44,275
Amounts due to associates		13,152	–	–	–	13,152	13,152
Obligation under finance leases	5.18	34,249	34,249	34,249	59,935	162,682	144,000
Borrowings							
Fixed rate	4.36	118,304	17,460	8,370	–	144,134	144,134
Variable rate *	4.94	400,000	505,000	50,000	–	955,000	954,257
Discounted bill		130,466	–	–	–	130,466	130,466
		2,330,183	556,709	92,619	59,935	3,039,446	3,020,021

	Weighted average interest rate %	Less than 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	over 3 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount at 31.12.2008 *RMB'000*
2008							
Non-derivative financial liabilities							
Trade and other payables		1,151,207	–	–	–	1,151,207	1,151,207
Amounts due to holding companies							
Non-interest bearing		25,909	–	–	–	25,909	25,909
Fixed rate	8.96	18,517	–	–	–	18,517	16,994
Amounts due to fellow subsidiaries		115,269	–	–	–	115,269	115,269
Amounts due to associates		5,095	–	–	–	5,095	5,095
Borrowings							
Fixed rate	5.73	495,410	20,000	3,091	–	518,501	508,941
Variable rate *	7.48	33,642	80,576	414,120	–	528,338	450,000
Discounted bills		136,446	–	–	–	136,446	136,446
		1,981,495	100,576	417,211	–	2,499,282	2,409,861

* The interest rates applied to project undiscounted cash flows of variable rate bank loans are the interest rates at the balance sheet date.

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Equity price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in textile, chemical fiber and electronics industry sectors quoted in Shanghai Stock Exchange and Shenzhen Stock Exchange. Other than unquoted securities held for strategic purposes, all of these investments are listed.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.

If equity prices had been 15% higher/lower (2008: 15% higher/lower), post-tax profit for the year ended 31 December 2009 would increase/decrease by RMB277,000 (2008: increase/decrease by RMB0). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

	2009	**2008**
Reasonable possible change in equity price	15%	15%

	2009	**2008**
Increase/(decrease) in profit after taxation	*RMB'000*	*RMB'000*
– as a result of increase in equity price	277	–
– as a result of decrease in equity price	(277)	–

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2009 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

At 31 December 2009, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:

Assets	**2009** *RMB'000*	**2008** *RMB'000*
Financial assets at fair value through profit or loss – Listed securities	2,170	–

During the year ended 31 December 2009, there were no significant transfers between financial instruments in Level 1 and Level 2.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2009 and 2008.

(c) The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

36. ACQUISITIONS OF A SUBSIDIARY

The Group entered into an agreement with Huangshi Xinning Quality Steel Company Limited to acquire a 65 percent additional equity interest in Huangshi Jingwei Textile Machinery Company Limited ("Huangshi Jingwei"), which was an associate held by the Group as at 31 December 2008 with 25 percent equity interest, for a consideration of RMB17,402,000. The acquisition was completed on 25 September 2009, after which Huangshi Jingwei became a subsidiary of the Group.

Details of the net assets acquired and goodwill are as follows:

	2009
	RMB'000
Purchase consideration	
Cash paid	17,402
Fair value of net identifiable assets acquired (see below)	(17,402)
Goodwill	–

The assets and liabilities arising from the acquisition are as follows:

	2009
	RMB'000
Cash and cash equivalents	4,231
Trade and other receivables	7,893
Inventories	36,845
Property, plant and equipment	56,202
Prepaid lease payments	64,500
Other assets	4,350
Borrowings	(2,944)
Trade and other payables	(144,304)
Net identifiable assets acquired	26,773
Net identifiable assets attributable to the 65% additional equity interest acquired by the Group	17,402
Cash outflow to acquire the subsidiary, net of cash acquired:	
Purchase consideration	17,402
Cash and cash equivalents of the subsidiary acquired	(4,231)
Cash outflow on acquisition in 2009	13,171

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

37. DISPOSAL OF A SUBSIDIARY

In July 2009, the Group disposed of a 100% equity interest in Kunshan Jingwei Machinery Manufacturing Company Limited at a consideration of RMB9,522,000. Kunshan Jingwei Machinery Manufacturing Company Limited's assets and liabilities as at date of disposal were as follows:

	2009
	RMB'000
Trade and other receivables	4,040
Inventories	17
Property, plant and equipment	725
Prepaid lease payments	212
	4,994
Gain on disposal	4,528
Total consideration	9,522
Satisfied by:	
Cash consideration	5,954
Account receivables	3,568
	9,522
Net cash inflow arising on disposal:	
Cash consideration	5,954

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For the year ended 31 December 2009

38. COMMITMENTS

(a) Capital commitments

	2009 *RMB'000*	2008 *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment		
Authorised but not contracted for	167,230	–
Contracted but not provided for	225,667	11,960
	392,897	11,960
Capital expenditure in respect of acquisition of additional equity interest in a subsidiary		
Contracted but not provided for	–	26,003
	392,897	37,963

(b) Lease commitments

The Group as lessee

At the balance sheet date, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 *RMB'000*	2008 *RMB'000*
Land and buildings		
Within one year	11,028	2,987
In the second to fifth year inclusive	158	2,423
	11,186	5,410

Operating lease payments represent rentals payable by the Group for certain of its offices and sales offices. Leases are negotiated for an average term of one to two years and rentals are fixed for an average of two years.

39. CONTINGENT LIABILITIES

	2009 *RMB'000*	2008 *RMB'000*
Guarantees for bank loans of third party	150,000	100,000
Guarantees for mortgage bank loans of customers	93,687	94,421
	243,687	194,421

The directors consider the fair values of the financial guarantee contracts granted by the Group at the date of inception were insignificant during both years.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

40. RETIREMENT BENEFIT PLANS

State-managed retirement plan

The employee of the Group in the PRC are members of state-managed retirement benefit plans operated by the government of the PRC. The subsidiaries are required to contribute 20% (2008: 20%) of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognised in the consolidated statement of comprehensive income of RMB62,468,000 (2008: RMB55,441,000) represents contributions payables to these plans by the Group at rates specified in the rules of plans.

At 31 December 2009, contributions totalling RMB14,197,000 (2008: RMB3,063,000) were payable to the retirement schemes and were included in other payables and accrued charges. There were no forfeited contributions utilised during the year or available at 31 December 2009 to reduce future contributions (2008: nil).

Retirement and supplemental benefit obligations

The Group paid post-retirement supplemental benefits to its qualifying retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees in accordance with various employee benefit schemes adopted by the Group.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position is determined as follows:

	2009 *RMB'000*	**2008** *RMB'000*
Present value of unfunded defined benefit obligations	35,830	103,590
Net actuarial gain/(loss) not recognised	2,910	(9,250)
Net liability arising from defined benefit obligations	38,740	94,340

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2009 *RMB'000*	**2008** *RMB'000*
At beginning of the year	103,590	136,700
Interest cost	1,510	6,290
Benefits paid	(1,990)	(8,140)
Gain on settlements	(59,280)	–
Past service cost-vested benefits	–	(54,360)
Actuarial (gain)/loss for the year	(8,000)	23,100
At end of the year	35,830	103,590

The management of the Company and certain subsidiaries decided to revise their employee benefit schemes since 2008. The revisions, among other changes, include the reduction of the supplemental benefits payments and cancellation of benefits of certain retired employees.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

40. RETIREMENT BENEFIT PLANS (CONTINUED)

Retirement and supplemental benefit obligations (continued)

Accordingly, in 2008, there was a reversal of retirement and supplemental benefits obligation amounting to RMB54,360,000, due to recognition of past service cost when the benefits were vested.

As from 1 January 2009, one of the Company's branch has cancelled the supplemental post-retirement benefits for pre-existing civil retirees, retirees and beneficiaries that the Group no longer undertakes the related retirement and supplemental benefits obligations. Accordingly, there was a reversal of such obligations amounting to RMB59,280,000 was made during the year. After deducting the related cumulative actuarial loss of RMB5,920,000, a net gain on settlements amounting to RMB53,360,000 was recognised during the year.

The above obligations were determined based on actuarial valuations performed by an independent firm of actuaries, Towers Perrin, using the projected unit credit method.

The amount (credited)/recognised to the consolidated statement of comprehensive income of the Group for the year as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Interest cost	1,510	6,290
Past service cost-vested benefits	–	(54,360)
Gain on settlements, net of actuarial loss	(53,360)	–
Actuarial (gain)/loss recognised	(1,770)	3,940
	(53,620)	(44,130)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009	**2008**
	%	*%*
Discount rate	4.00	3.50
Medical cost trend	6.00	6.00
Cost of living adjustment for beneficiaries	4.50	4.50
Mortality rate	China Life Annuity Mortality Table 2000-03 up 2 years	

An increase of one percentage point in the assumed medical cost trend rates:

(i) would result in an increase of RMB510,000 and RMB203,000 on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs for the year ended 31 December 2008 and 2009 respectively.

(ii) would result in an increase of RMB12,165,000 and RMB4,355,000 on the accumulated post-employment benefit obligation for medical costs for the year ended 31 December 2008 and 2009 respectively.

Notes to the Consolidated Financial Statements
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41. NON-CASH TRANSACTION

During the year ended 31 December 2009, the Group disposed of 30% equity interests in Langfang Development Zone Jiaxuan Real Estate Development Company Limited for a sale consideration of RMB226,000,000 to a third party of the Group. At 31 December 2009, RMB113,000,000 was received in cash by the Group. The remaining balance of RMB113,000,000 has been included in other receivables at the year end and to be settled by 31 December 2010.

42. RELATED PARTIES TRANSACTIONS

Other than the transactions and balances with related parties disclosed in respective notes to consolidated financial statements, during the year, the Group has the following significant transactions with its related companies:

(a) (i) Transactions with holding companies

	2009	**2008**
	RMB'000	*RMB'000*
Other supporting services income	3	–

(ii) Transactions with fellow subsidiaries

	2009	**2008**
	RMB'000	*RMB'000*
Sales of goods and services		
Sale of finished goods	71,454	53,908
Sale of materials, parts and components	69,724	144,321
Other supporting services income	8,470	4,467
Processing fee income	572	–
Rental income	5,106	5,757
Purchases of goods and services		
Purchase of finished goods	136,994	288,562
Purchase of materials, parts and components	51,184	156,812
Purchase of energy	48	1,693
Processing fee expenses	37,612	39,424
Transportation services expenses	2,356	4,714
Repairs and maintenance services expenses	10,788	19,786
Other supporting services expenses	7,131	9,645
Rental expenses	660	675
Interest expenses	649	1,337

(iii) Transactions with associates

	2009	**2008**
	RMB'000	*RMB'000*
Sales of goods and services		
Sale of finished goods	139,415	576,951
Sale of materials, parts and components	96	24
Purchases of goods and services		
Purchase of finished goods	490	–
Purchase of materials, parts and components	3,672	9,751

Notes to the Consolidated Financial Statements
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42. RELATED PARTIES TRANSACTIONS (CONTINUED)

(iv) Transactions with companies in which certain key management personnel of the Group have influence in:

	2009 *RMB'000*	2008 *RMB'000*
Sales of goods and services		
Sale of materials, parts and components	1,996	50,530
Processing fee income	179	–
Purchases of goods and services		
Purchase of finished goods	25	33,092
Purchase of materials, parts and components	284,380	181,645
Purchase of energy	4,416	–
Processing fee expenses	1,821	267
Other supporting services expenses	1,832	–
Rental expenses	–	9,992

(b) Transactions with other state-owned entities

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under China Hengtian which is controlled by the PRC government. Apart from the transactions with its fellow subsidiaries and other related parties disclosed above, the Group also conducts business with other State-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

Material transactions with other state-controlled entities are as follows:

	2009 *RMB'000*	2008 *RMB'000*
Sales of goods and services		
Sale of finished goods	106,871	144,826
Sale of materials, parts and components	–	75,039
Other supporting services income	1	207
Interest income	2,378	1,659
Purchases of goods and services		
Purchase of finished goods	6,145	35,769
Purchase of materials, parts and components	61,695	638,004
Purchase of energy	29,426	39,027
Processing fee expenses	–	1,373
Delivery fee expenses	–	202
Borrowings raised from state-owned banks	581,077	710,000
Other supporting services expenses	2,331	–
Interest expenses	20,769	12,921

(c) Compensation of key management personnel

	2009 *RMB'000*	2008 *RMB'000*
Salaries and other short-term employee benefits	10,832	10,281
Post-employment benefits	305	307
	11,137	10,588

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For the year ended 31 December 2009

43. SUBSIDIARIES

Details of the subsidiaries at 31 December 2009 and 31 December 2008 are as follows:

Name of Company	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2009 Attributable equity interest of the Group		2008 Attributable equity interest of the Group		Principal activities
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Jingwei Textile Machinery Yuci Material Company Limited	PRC 9 July 1996	RMB5,000,000	0.72	99.2	0.8	99.2	Trading of furnace materials, metals, textile machinery component and charcoal
Taiyuan Jingwei Electrical Company Limited	PRC 18 March 1997	RMB5,000,000	2	98	2	98	Manufacturing and sales of transformers and electrical components
Qingdao Hongda Textile Machinery Company Limited	PRC 16 August 1999	RMB114,000,000	–	97.663	–	97.663	Manufacturing, sales and leasing of textile machinery and related components
Tianjin Hongda Textile Machinery Company Limited	PRC 17 August 1999	RMB78,500,000	2	98	–	98	Sales of textile, photocopying, agriculture processing machinery and related components
Zhengzhou Hongda New Textile Machinery Company Limited	PRC 11 August 1999	RMB74,500,000	–	98	–	98	Developing and manufacturing of textile machinery and related components
Shenyang Hongda Textile Machinery Company Limited	PRC 16 August 1999	RMB71,000,000	–	98	–	98	Developing, manufacturing and processing of textile machinery and related components
Changde Textile Machinery Company Limited	PRC 5 January 2002	RMB42,349,900	25	70	25	70	Manufacturing and trading of textile machinery and other machinery
Beijing Jingwei Textile Machinery New Technology Company Limited	PRC 2 March 2000	RMB100,000,000	1.6	98.4	–	100	Technical development and manufacturing of textile machinery, sale of textile, industrial specialised machinery
Shanghai Weixin Electrical and Machinery Company Limited	PRC 30 June 2000	RMB16,000,000	10	90	10	90	Textile machinery, automobile component and general machinery's development and manufacturing
Beijing Jingpeng Investment Management Company Limited	PRC 30 July 2001	RMB100,000,000	4	96	4	96	Investment management, sales of electronic and chemical products
Shanghai Chuangan Trading Company Limited	PRC 29 September 2001	RMB2,000,000	–	90	–	90	Trading of textile, electronic products and chemical products
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	PRC 5 September 2001	RMB50,000,000	22	78	22	73.95	Manufacturing and sales of blowing-carding machinery and related components

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43. SUBSIDIARIES (CONTINUED)

Name of Company	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2009 Attributable equity interest of the Group Indirectly	2009 Attributable equity interest of the Group Directly	2008 Attributable equity interest of the Group Indirectly	2008 Attributable equity interest of the Group Directly	Principal activities
			%	%	%	%	
Wuxi Jingwei Textile Technology Testing Company Limited	PRC 14 May 2003	RMB49,530,000	33.45	66.55	–	66.55	Manufacturing and sales of textile products; research and development of technology relating to textile machinery and equipments
Kunshan Jingwei Machinery Manufacturing Company Limited (note a)	PRC 20 July 1991	RMB3,208,260	–	–	25	75	Manufacturing and installation of textile machines
Tianjin Jingwei New Type Textile Machinery Company Limited	PRC 16 August 2005	RMB16,000,000	25	75	25	75	Developing and processing textile machinery and related components
Shenyang Hongda Huaming Textile Machinery Company Limited	PRC 13 July 2005	RMB40,000,000	98.5	–	98.5	–	Development and processing of textile machinery and related components
Wuxi JingweiTextile Technology Sales Company Limited (previously known as Wuxi Textile Technology Testing Company Limited)	PRC 31 December 2005	RMB1,000,000	–	100	–	100	Manufacturing and sales of textile products; textile machinery and related components
Wuxi Hongda Textile Machinery and Special Parts Company Limited ("Wuxi Special Parts") (note b)	PRC 13 March 2005	RMB20,000,000	25	10	25	10	Manufacturing of textile machinery and related components, general machinery and component, advanced textile machinery
Xianyang Jingwei Machinery Manufacturing Company Limited (previously known as Xianyang Wei'er Machinery Company Limited)	PRC 9 April 1999	RMB75,079,600	0.67	99.33	–	100	Manufacturing of weaving machines and equipments, and provision of relevant consulting service
Yichang Jingwei Textile Machinery Company Limited	PRC 22 December 2006	RMB20,000,000	25	75	25	75	Development and processing of textile machinery and related components
Shanxi Jingwei Textile Machinery and Special Parts Company Limited(previously known as Jinzhong Jingwei Ring Manufacturing Company Limited)	PRC 24 September 1993	RMB40,000,000	–	89.65	–	100	Manufacturing of textile machinery components
Hong Kong Huaming Company Limited (note c)	Hong Kong 31 December 2000	USD7,700,000	–	100	–	100	Export and import trading of textile machinery

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43. SUBSIDIARIES (CONTINUED)

Name of Company	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2009 Attributable equity interest of the Group Indirectly	2009 Attributable equity interest of the Group Directly	2008 Attributable equity interest of the Group Indirectly	2008 Attributable equity interest of the Group Directly	Principal activities
			%	%	%	%	
Shanxi Jingwei Heli Machinery Manufacturing Company Limited ("Shanxi Heli") (note d)	PRC 26 February 2003	RMB 100,000,000	–	30	–	30	Designing and manufacturing of various electromechanical products and mining products
Beijing Bohong Property Development Company Limited	PRC 28 May 2001	RMB100,000,000	65	–	65	–	Real estate development
Shanghai WSP Mould and Injection Plastic Company Limited (note e)	PRC 14 May 2005	RMB5,256,800	50	–	–	50	Development manufacturing machinery and related machinery, automobile component, mould and general machinery
Jinzhong Jingwei Foundry Company Limited (note f)	PRC 6 Aug 2009	RMB7,800,000	–	68.8	–	–	Development and processing of textile machinery and related components
Huangshi Jingwei Textile Machinery Company Limited (note g)	PRC 24 Dec 2008	RMB30,000,000	–	90	–	–	Development and processing of textile machinery and related component
Yichang Hengtian Development Properties Company Limited (note h)	PRC 23 Jul 2009	RMB20,000,000	100	–	–	–	Real estate development

Notes:

(a) In July 2009, the Group disposed of a 100% equity interest in Kunshan Jingwei Machinery Manufacturing Company Limited (note 37).

(b) Several shareholders of Wuxi Special Parts assigned their voting rights to the Group for the period from January 2006 to Dec 2010 by issuing a power of the attorney to the Group. Accordingly, Wuxi Hongda is accounted for as subsidiary of the Group.

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

(d) Several shareholders of Shangxi Heli assigned their voting rights to the Group since the date of the acquisition agreement by issuing a power of the attorney to the Group. Accordingly, Shanxi Jingwei is accounted for as subsidiary of the Group.

(e) Several shareholders of Shanghai WSP assigned their voting rights to the Group for the period from January 2007 to December 2011 by issuing a power of the attorney to the Group. Accordingly, Shanghai WSP is accounted for as subsidiary of the Group.

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43. SUBSIDIARIES (CONTINUED)

(f) In September 2009, the Group has set up Jinzhong Jingwei Foundry Company Limited with Jinzhong Jingwei Foundry Company Limited Working Committee and 20 natural person. The Group has contributed RMB 17.2 million and holds 68.8% equity interest.

(g) In September 2009, the Group acquired 65% equity interest in Huangshi Jingwei Textile Machinery Company Limited which originally was an associates of the Group. After the acquisition, the Group holds 90% equity interest in Huangshi Jingwei Textile Machinery Company Limited (note 36).

(h) The Group's subsidiaries, Beijing Jingpeng Investment Management Company Limited and Yichang Jingwei Textile Machinery Company Limited set up a new company, Yichang Hengtian Development Properties Company Limited in 2009. Beijing Jingpeng Investment Management Company Limited and Yichang Jingwei Textile Machinery Company Limited hold 90% and 10% equity interest of the new company respectively.

44. EVENTS AFTER REPORTING DATE

(a) After trading hours on 8 January 2010, the Company, as purchaser, entered into the conditional Acquisition Agreement with the Zhongzhi Group, as Vendor. Pursuant to the Acquisition Agreement, the Company has agreed to acquire the 36% equity interest in Zhongrong International Trust Co., Ltd. ("Zhongrong Trust") at the Consideration of initially RMB1.2 billion.

RMB100 million shall be payable by the Company to Zhongrong Trust, which shall receive in the capacity of custodian on behalf of Zhongzhi Group, as prepayment within 10 business days from the date of signing of the Acquisition Agreement. As at 29 January 2010, the Company had paid that prepayment.

As at the issue date of our report, the procedure of the acquisition is not yet finished.

(b) In accordance with the resolution passed in the directors' meeting held on 24 March 2010, as there was loss attributable to the owners of the Company for the year 2009, no dividend has been proposed in full consideration of shareholders' interests and long-term development of the Company. The proposal is subject to approval by the shareholders in the forthcoming general meeting.

45. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised), Presentation of financial statements and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and provide comparative amounts in respect of item disclosed for the first time in 2009.

In addition, certain equity investment indirectly held by the Company is reclassified to available for sale financial assets from interests in associates since in the opinion of the directors of the Company, the Group has no significant influence on the investee which was carried in the consolidated financial statements at cost in prior years. Correspondingly, certain items of the comparative financial statements have been reclassified.

Chapter XV Documents Available for Inspection

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

1. The accounting statements duly signed and sealed by the authorised representative, the person in charge of finance and the person in charge of accounting;

2. The original copy of the auditor's report duly hand signed by Vocation International Certified Public Accountants Co., Ltd. and certified public accountants registered in the PRC and the original copy of the auditor's report sealed by UHY Vocation HK CPA Limited and financial statements prepared in accordance with the accepted in Hong Kong Financial Reporting Standards;

3. Original of all documents and public announcements which had been disclosed in the newspapers for company information disclosure during the reporting period and original of such manuscripts;

4. 2009 annual reports (both English and Chinese versions).

Friend of Worldwide Textile Industry

Pride of China Manufacturing Industry

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