



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

2010

Interim Report

Stock Code: 0350.HK 000666.SZ

IMPORTANT NOTES

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

This interim report was considered at the second meeting of the sixth session of the Board of the Company and was considered and approved unanimously by all the directors.

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

The 2010 interim financial and accounting report of the Company has not been audited by any accounting firm but it has been reviewed by the Board of Directors (the "Board") and the Audit Committee of the Company.

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



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Chapter I Corporate Information

I. COMPANY PROFILE

1. Legal name of the Company : 經緯紡織機械股份有限公司
 English name of the Company : Jingwei Textile Machinery Company Limited
 Abbreviation of the Company's Chinese name : 經緯紡機
 Abbreviation of the Company's English name : JWTM

2. Legal representative of the Company : Ye Maoxin

3. Company secretary to the Board : Ye Xuehua
 Telephone : 8610 84534078-8188
 E-mail address : yxh@jwgf.com
 Stock representative : Qiu Lin
 Telephone : 8610 84534081-8501
 E-mail address : ql@jwgf.com
 Correspondence address : 701 First Shanghai Centre, 39 Liangmaqiao Road,
 Chaoyang District, Beijing, the People's Republic of China
 (the "PRC")
 Postal code : 100125
 Facsimile : 8610 84534135

4. Registered address of the Company : 8 Yongchangzhong Road,
 Beijing Economic & Technological Development Zone,
 Beijing, the PRC
 Business address of the Company : Level 7, First Shanghai Centre,
 39 Liangmaqiao Road, Chaoyang District,
 Beijing, the PRC
 Postal Code : 100125
 Worldwide website : <http://www.jwgf.com>
 E-mail address : jwgf@jwgf.com

5. Newspaper for corporate information disclosure:
 Newspaper for disclosure in the PRC : Securities Times
 Websites for publication of interim report : <http://www.cninfo.com.cn>
<http://www.hkex.com.hk>
<http://www.jwgf.com>
 Place for inspection of interim report : Secretariat to the Board

6. Stock exchanges on which shares of the Company ("Shares") are listed and stock codes:
 A Shares Listed on : Shenzhen Stock Exchange
 Stock short name : JWTM
 Stock code : 000666
 H Shares Listed on : The Stock Exchange of Hong Kong Limited
 Stock short name : Jingwei Textile
 Stock code : 0350

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



II. KEY FINANCIAL DATA AND INDICATORS

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

1.1 Key accounting data and financial indicators

Unit: RMB

	As at the end of the reporting period	As at the end of the previous year	Increase (Decrease) at the end of the current reporting period as compared to the end of the previous year (%)
Total assets	8,234,291,223.00	6,817,098,155.77	20.79
Owner's equity attributable to shareholders of the listed company	2,786,080,643.06	2,756,917,886.87	1.06
Share capital	603,800,000.00	603,800,000.00	0.00
Net assets per share attributable to shareholders of the listed company (RMB/share)	4.614	4.566	1.05
	Reporting Period (January to June)	Corresponding period of the previous year	Increase (Decrease) in the current reporting period as compared to the corresponding period of the previous year (%)
Total operating income	2,456,484,361.31	1,278,599,144.90	92.12
Operating profit	17,662,881.51	(117,887,880.84)	114.98
Total profit	35,919,129.57	(107,800,776.84)	133.32
Net profit attributable to shareholders of the listed company	29,189,636.93	(98,887,306.09)	129.52
Net profit after extraordinary items attributable to shareholders of the listed company	13,484,120.65	(113,097,999.31)	111.92
Basic earnings per share (RMB/share)	0.05	(0.16)	131.25
Diluted earnings per share (RMB/share)	0.05	(0.16)	131.25
Return on net assets (%)	1.05	(3.61)	Increase by 4.66
Net cashflow from			
– operating activities	(67,855,009.91)	39,067,070.34	(273.69)
– operating activities on per-share basis (RMB/share)	(0.11)	0.06	(283.33)
Profit for the reporting period	Weighted average rate of return on net assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of the Company's ordinary shares	1.05%	0.05	0.05
Net profit attributable to holders of the Company's ordinary shares, net of nonrecurring profit and loss	0.49%	0.02	0.02

There is no change in shares of the Company during the reporting period.

The formula of weighted average rate of return on net assets is as follow:

Weighted average rate of return on net assets = Net profit attributable to holders of the Company's ordinary shares/ (Net asset attributable to holders of the Company's ordinary shares at the beginning of the period+Net profit attributable to holders of the Company's ordinary shares/2)

Rate of return on net assets, net of nonrecurring profit and loss = Net profit attributable to holders of the Company's ordinary shares, net of nonrecurring profit and loss/(Net asset attributable to holders of the Company's ordinary shares at the beginning of the period+Net profit attributable to holders of the Company's ordinary shares, net of nonrecurring profit and loss/2)

Since there is no change in the Company's shares during the reporting period, basic earnings per Share equals diluted earnings per share.

Basic earnings per share = Net profit attributable to holders of the Company's ordinary shares/
Weighted average number of ordinary shares issued

Basic earnings per share, net of nonrecurring profit and loss = Net profit attributable to holders of the
Company's ordinary shares, net of nonrecurring profit and loss/Weighted average number of ordinary
shares issued

1.2 Extraordinary items

	<i>Unit: RMB</i>
Extraordinary items	Amount
Profit or loss on disposal of non-current assets	3,283,064.94
Government grants	13,049,873.51
Profit or loss on entrusted loans	
Profit or loss on debt restructuring	851,681.43
Other non-operating income and expenses	732,499.98
Income tax effects	<u>(2,211,603.58)</u>
 Total	 <u><u>15,705,516.28</u></u>

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

Condensed consolidated income statement

	Six months ended 30 June	
	2010	2009
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	(Unaudited)
Turnover	2,439,561	1,274,931
Cost of sales	<u>(2,163,797)</u>	<u>(1,188,549)</u>
Gross profit	275,764	86,382
Other income	44,890	37,366
Gain on fair value changes of held-for-trading investments	912	-
Distribution expenses	(55,689)	(42,938)
Administrative expenses	<u>(201,134)</u>	<u>(161,144)</u>
Operating profit	64,743	(80,334)
Finance cost	(31,757)	(23,074)
Share of profit (loss) of jointly controlled entities and associated companies	<u>2,933</u>	<u>(4,393)</u>
Profit before taxation	35,919	(107,801)
Tax expenses	<u>(5,467)</u>	<u>(2,158)</u>
Profit (loss) for the period	<u><u>30,452</u></u>	<u><u>(109,959)</u></u>
Profit (loss) for the period attributable to:		
Equity holders of the Company	29,190	(98,887)
Minority interests	<u>1,262</u>	<u>(11,072)</u>
	<u><u>30,452</u></u>	<u><u>(109,959)</u></u>
Earnings per Share attributable to the equity holders of the Company during the period (expressed in RMB per Share)		
- basic and diluted	<u><u>0.05</u></u>	<u><u>(0.16)</u></u>

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

I. MOVEMENT IN SHARE CAPITAL DURING THE REPORTING PERIOD

For the six months ended 30 June 2010, there was no change in the Company's shareholding structure.

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

Unit: Share

Total number of shareholders 41,558 (of which the number of Holders of A shares is 41,519 and the number of Holders of H shares is 39)

Shareholdings of the top ten registered shareholders

Name of shareholder	Type of shareholder	Percentage to total share capital	Total number of shares held	Number of restricted floating shares held	Number of shares under pledge or lock-up
China Textile Machinery (Group) Company Limited	State-owned legal person	33.83%	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited	Overseas legal person	29.82%	180,061,599		
Huang Jianhong	Domestic natural person	0.41%	2,494,672		
Zhou Qianru	Domestic natural person	0.22%	1,356,600		
Zhang Ou	Domestic natural person	0.22%	1,300,021		
Beijing Zhong Sheng Mei Hua Commerce & Trading Company Limited	Unknown	0.16%	941,000		
Beijing Taiji Huaqing Peicheng Software Technology Co., Ltd.	Unknown	0.13%	800,000		
Zhang Li	Domestic natural person	0.13%	772,000		
Zheng Qiuhua	Domestic natural person	0.13%	756,400		
Liaoning Dipingxian Advertisement Co., Ltd.	Unknown	0.12%	700,000		

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

Name of shareholder	Number of unrestricted floating shares held	Class of shares
HKSCC Nominees Limited	180,061,599	Overseas listed foreign shares
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed domestic shares
Huang Jianhong	2,494,672	Domestically listed domestic shares
Zhou Qianru	1,356,600	Domestically listed domestic shares
Zhang Ou	1,300,021	Domestically listed domestic shares
Beijing Zhong Sheng Mei Hua Commerce & Trading Company Limited	941,000	Domestically listed domestic shares
Beijing Taiji Huaqing Peicheng Software Technology Co., Ltd.	800,000	Domestically listed domestic shares
Zhang Li	772,000	Domestically listed domestic shares
Zheng Qiuhua	756,400	Domestically listed domestic shares
Liaoning Dipingxian Advertisement Co., Ltd.	700,000	Domestically listed domestic shares

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

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

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

Notes:

- i. The H shares registered in the name of HKSCC Nominees Limited were held in the capacity of nominee on behalf of various clients and it did not hold 5% or more of the interest in the total issued share capital of the Company.
- ii. As at 30 June 2010, so far as the Directors, Supervisors and senior management of the Company are aware, in accordance with the records in the register required to be maintained by the Company pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the following persons (except for the directors, supervisors or chief executive of the Company) were interested in the shares and underlying shares of the Company as below:

	Capacity	Number of H Shares (Share)	Approximate percentage in the total issued H share capital (%)	Approximate percentage in the total issued share capital (%)
Montpelier Investment Management LLP	Investment manager	8,656,000	4.79	1.43
Zhang Sheng Han	Beneficial owner	10,240,000	5.00 (Note 1)	1.70

Notes:

1. Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21 October 2003 as shown on the website of The Stock Exchange 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, which, if correct, represents approximately 5.66%, instead of 5.00% (as stated in such notice) of the total issued H shares of the Company as at 30 June 2010. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company from 21 October 2003 to present. The Company is also unable to ascertain the actual number of H Shares held by Zhang Sheng Hang from the register of members of the Company as none of the H Shares was registered in the name of Zhang Sheng Hang as at 30 June 2010.

Long positions in the A shares of the Company:

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

Save as disclosed above, based on the register required to be maintained pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the Company has not received any notification in relation to the holding of interests or short positions in the shares and underlying shares of the Company as at 30 June 2010.

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



Chapter III Directors, Supervisors, Senior Management and Staff

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

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

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

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

II. CHANGES IN AND ELECTION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, changes in directors, supervisors and senior management of the Company are as follow:

1. Resigned directors

Name	Position	Reason of Resignation	Date
Chen Zhong	Independent Non-executive Director	Personal reason	3 June 2010

2. Election of director

Name	Position	Date
Liu Huangsong	Independent Non-executive Director	3 June 2010

Note: An extraordinary general meeting was convened on 13 August 2010 for the election of the new session of the Board of Directors and Supervisory Committee. A Board meeting and a Supervisory Committee meeting were convened on 16 August 2010 for the election of the Chairman and Vice-chairman of the Board of Directors, Chairman and Vice-chairman of the Supervisory Committee, to appoint members of the Personnel Nomination and Remuneration Committee and Audit Committee of the Board, and to engage senior managerial staff. For details, please refer to the announcements of resolutions at the Company published on the website of cninfo (www.cninfo.com.cn) and the website of the Stock Exchange on 13 August 2010 and 16 August 2010 respectively.

Chapter IV Directors' Report

I. OPERATING RESULTS AND FINANCIAL ANALYSIS

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

Against the backdrop of an overall global economic recovery, the domestic textile industry has gradually improved, and consequently the textile machinery industry has performed better this year. Based on the aforesaid reasons, sales income of the Company's leading products increased significantly as compared to the corresponding period last year, which raised the profit level and helped the Company to turnaround from loss to profit.

1. Operating Results

Under the financial statements prepared in accordance with HKFRS, the Group's turnover and the profit attributable to shareholders for the six months ended 30 June 2010 were RMB2,439,561,000 and RMB29,190,000 respectively, representing an increase of 91.35% and 129.52% as compared with the corresponding period in the previous year. As at 30 June 2010, bank balances of the Group amounted to RMB1,491,835,000 and borrowings repayable within one year amounted to RMB1,207,821,000, both denominated in Renminbi. Long-term borrowings amounted to RMB326,740,000, and the gearing ratio was 10.45% (long-term borrowings divided by net assets value).

Under the financial report prepared in accordance with the PRC Accounting Standards for Business Enterprises, operating revenue of the Group for the six months ended 30 June 2010 amounted to RMB2,456,484,000, representing an increase of 92.12% as compared with the corresponding period in the previous year. Operating profit amounted to RMB17,663,000, representing an increase of 114.98% as compared with the corresponding period in the previous year. Net profit attributable to shareholders of the parent company amounted to RMB29,190,000, representing an increase of 129.52% as compared with the corresponding period in the previous year.

Of which:

Operating revenue of the Company amounted to RMB1,647,208,000, representing an increase of 114.14% as compared with the corresponding period in the previous year. Operating loss amounted to RMB3,863,000, representing a decrease of 93.24% as compared with the corresponding period in the previous year. Net profit amounted to RMB2,346,000, representing an increase of 103.88% as compared with the corresponding period in the previous year.

Major subsidiaries:

Operating revenue and operating profit of Qingdao Hongda Textile Machinery Company Limited amounted to RMB671,242,000 and RMB8,641,000 respectively.

Operating revenue and operating profit of Changde Textile Machinery Company Limited amounted to RMB181,604,000 and RMB8,139,000 respectively.

Operating revenue and operating profit of Tianjin Hongda Textile Machinery Company Limited amounted to RMB160,008,000 and RMB3,199,000 respectively.

Operating revenue and operating profit of Beijing Jingwei Textile Machinery New Technology Company Limited amounted to RMB112,582,000 and RMB7,595,000 respectively.

Operating revenue and operating profit of Yichang Jingwei Textile Machinery Company Limited amounted to RMB106,409,000 and RMB2,263,000 respectively.

Operating revenue and operating profit of Wuxi Hongda Textile Machinery and Special Parts Company Limited amounted to RMB81,029,000 and RMB4,381,000 respectively.

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

Major items	As at 30 June 2010	As at 31 December 2009	Increase/ (Decrease) Changes +/(-)	Increase/ (Decrease) Changes %	Reasons for the change
Bill receivable	1,545,647	1,134,244	411,403	36.27	Note (1)
Prepayments	422,078	291,487	130,591	44.80	Note (2)
Other receivables	421,245	300,139	121,106	40.35	Note (3)
Other current assets	36,182	16,502	19,680	119.26	Note (4)
Long-term receivables	88,317	32,363	55,954	172.89	Note (5)
Construction in progress	201,111	115,625	85,486	73.93	Note (6)
Goodwill	17,189	2,258	14,931	661.25	Note (7)
Short-term borrowings	809,554	572,705	236,848	41.36	Note (8)
Accounts payable	1,653,186	1,172,325	480,861	41.01	Note (9)
Non-current liabilities due within one year	457,379	106,177	351,202	330.77	Note (10)
Special accounts payable	129,836	60,164	69,672	115.80	Note (11)
Minority interests	339,222	165,973	173,249	104.38	Note (12)

Major items	Six months ended 30 June 2010	Six months ended 30 June 2009	Increase/ (Decrease) Changes +/(-)	Increase/ (Decrease) Changes %	Reasons for the change
Operating income	2,456,484	1,278,599	1,177,885	92.12	Note (13)
Operating cost	2,163,498	1,185,655	977,843	82.47	Note (14)
Distribution expenses	55,689	42,938	12,751	29.70	Note (15)
Impairment loss in respect of assets	(3,897)	(11,726)	7,829	(66.77)	Note (16)
Investment income	5,324	13,321	(7,997)	(60.03)	Note (17)
Non-operating expenses	2,454	8,298	(5,844)	(70.43)	Note (18)
Income tax expenses	5,467	2,158	3,309	153.34	Note (19)



I. OPERATING RESULTS AND FINANCIAL ANALYSIS (continued)

2. Financial Position (prepared in accordance with the PRC Accounting Standards and Systems) (continued)

Major changes in assets and profit and loss of the Company in the reporting period (continued)

Reasons for the change:

- Note (1): Increase in income during the reporting period resulted in the increase in bills receivable as compared with the beginning of the period.
- Note (2): Increase in purchase volumes resulted in the increase in prepayments to suppliers as compared with the beginning of the period.
- Note (3): Investment advances to Zhongrong International Trust Co.,Ltd. resulted in the increase in other receivables as compared with the beginning of the period.
- Note (4): Subsidiary's revenue from pre-sale units increased the prepaid tax and resulted in the increase in other current assets as compared with the beginning of the period.
- Note (5): Increase in sales of products to large customers by installment resulted in the increase in long-term receivables as compared with the beginning of the period.
- Note (6): Increase in investment of construction in progress and increase in scope of consolidation resulted in the increase in construction in progress as compared with the beginning of the period.
- Note (7): Acquisition of equity in subsidiary during the reporting period resulted in the increase in goodwill as compared with the beginning of the period.
- Note (8): Increase in bank loans resulted in the increase in short-term borrowings as compared with the beginning of the period.
- Note (9): Increase in purchase volume resulted in the increase in accounts payable as compared with the beginning of the period.
- Note (10): Conversion of long-term borrowings to non-current liabilities due within one year resulted in the increase in non-current liabilities due within one year as compared with the beginning of the period.
- Note (11): The receipt of special grants resulted in the increase in special accounts payable as compared with the beginning of the period.
- Note (12): Increase in scope of consolidation resulted in the increase in minority interests as compared with the beginning of the period.
- Note (13): The recovery of the textile market and the large-scale increase in orders during the reporting period resulted in the increase of operating income as compared with the corresponding period in the previous year.
- Note (14): Increase in business volume in the current period resulted in the increase in operating cost as compared with the corresponding period in the previous year.
- Note (15): Increase in products sales volume in the period caused the increase in expenses correspondingly, and resulted in the increase in distribution expenses as compared with the corresponding period in the previous year.
- Note (16): Decrease in reversal of provision for impairment resulted in the increase in assets impairment loss as compared with the corresponding period in the previous year.
- Note (17): Decrease in income from entrusted loans in the period resulted in the decrease in investment income as compared with the corresponding period in the previous year.
- Note (18): Decrease in loss on debt restructuring during the reporting period resulted in the decrease in non-operating expenses as compared with the corresponding period in the previous year.
- Note (19): Increase in profit realization during the reporting period resulted in the increase in income tax expenses as compared with the corresponding period in the previous year.

II. OPERATIONS IN THE REPORTING PERIOD

1. Analysis of principal activities by products

Unit: RMB'000

Items	Six months ended 30 June 2010					
	Revenue from principal activities	Cost of principal activities	Profit margin of principal activities (%)	Increase/(Decrease) in revenue from principal activities as compared with the corresponding period in the previous year (%)	Increase/(Decrease) in cost of principal activities as compared with the corresponding period in the previous year (%)	Increase/(Decrease) in profit margin of principal activities as compared with the corresponding period in the previous year (%)
Natural fibre textile machinery	1,564,880	1,441,880	7.86	116.62	109.35	68.71
Chemical fibre textile machinery	86,516	79,408	8.22	75.14	161.14	(67.94)
Weaving machinery	148,665	116,868	21.39	129.11	79.46	6056.41
Textile machinery parts and components	165,827	120,481	27.34	32.79	6.45	191.97
Real estate	972	327	66.36	(98.38)	(99.22)	119.22
Others	200,844	171,277	14.72	(0.79)	(3.77)	21.96
Total	2,167,704	1,930,241	10.95	84.55	77.60	46.67

Of which: during the reporting period, the amount of connected transactions regarding the sales of products and provision of services by the Group to the controlling shareholder and its subsidiaries was RMB158,269,000.

Explanation for material changes in profitability (gross profit margin) of principal activities as compared with the previous year:

As the textile market is gradually improving this year, the sales of the Company's products showed a rapid growth. As the income increased significantly, the fixed costs of unit products decreased correspondingly, which increased the gross profit margin of the Company's main products during the reporting period compared with the corresponding period in the previous year. At the same time, the Company adjusted its product mix since last year. New products commanding higher gross profit margin also contributed to the increase in gross profit margin.

Analysis of material changes in profit composition as compared with the previous year:

As compared with the corresponding period in the previous year, the profit contributed by the property development business accounted for a significantly decreased percentage of the total profit in the profit composition of the Company. This is mainly because the income from most of the Company's property development projects could only be recognized in the second half of the year, which resulted in the decrease of total profit achieved in the property development business during the reporting period by 72.38% from RMB13,366,000 in the corresponding period in the previous year to RMB3,691,000 this year.

2. Analysis of principal activities by regional sales

Unit: RMB'000

Region	Revenue from principal activities	Increase/(Decrease) in revenue from principal activities as compared with the corresponding period in the previous year (%)
Domestic sales	2,009,160	81.06
Overseas sales	158,544	144.25
Of which: Asia	157,074	236.56
Africa	169	(99.07)
Other key continents and regions	1,301	—
Total	2,167,704	84.55

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



III. OPERATING PROBLEMS AND DIFFICULTIES

Although the world economy is exhibiting a resumptive growth trend, the foundation of recovery is still very fragile and the financial risks have not been completely eliminated. Moreover, there are uncertainties in policies regarding exchange rates, interest rates and economic growth which the country would keep up the continuity of the macro-control policy, at the same time it will put more effort in enhancing the flexibility and focus of policies. This has created an even more complex external environment for the enterprise development.

Secondly, demand in the textile industry continue its resumptive growth. With the anticipated appreciation of Renminbi and increase of raw material prices, certain textile enterprises increased their stuck in cotton and cotton yarn, which led to the skyrocketed sales of cotton yarn and cotton cloth and benefited the textile machinery industry. At the same time, the tasks of structural adjustment and industry upgrading of the textile industry are still hard to accomplish, the pressure on textile products export remains, the market capacity has become more and more saturated, and labour costs and material prices are increasing on a more significant scale. These factors would bring adverse impact on the development of the textile machinery industry.

At present, there are abundant orders for the products of the Company, and a higher production volume would be maintained in the second half of the year. The Company would grasp the opportunities to further deepen its adjustments and accelerate its development. At the same time, the Company should also be well-prepared at all times to accommodate the market changes.

Chapter V Significant Events

I. CORPORATE GOVERNANCE

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

II. THE BOARD OF DIRECTORS OF THE COMPANY HAS RESOLVED NOT TO PAY ANY INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2010 AND NO SURPLUS RESERVES WOULD BE CAPITALISED.

III. IMPLEMENTATION OF PROFIT APPROPRIATION PROPOSAL FOR THE PREVIOUS YEAR

Since the Group has a net loss attributable to the parent in 2009, the Company has not carried out profit appropriation for 2009 in consideration of the interest of its shareholders and the long-term development of the Company.

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

V. ACQUISITION OF ASSETS

Unit: RMB'000

Counterparty of the transaction or ultimate controller	Assets acquired or added	Date of acquisition	Price of transaction	Net profit	Net profit	Whether it was a connected transaction	Pricing basis	Whether all rights of the assets were completely transferred	Whether all rights and obligations were completely transferred	Connected relationship with counterparty (applicable to connected transactions)
				attributable to the Company from the date of acquisition to the end of the reporting period (applicable to combination of enterprises not under the same controller)	attributable to the Company from the beginning of the year to the end of the reporting period (applicable to combination of enterprises under the same controller)					
Suizhou Municipality Hong Yun State-owned Asset Management Corporation Limited	50% equity in Hubei Xinchufeng Automobile Co., Ltd	22 June 2010	100,000	10	-	No	Agreement	Yes	Yes	-
Anshan Haihong Construction Machinery Company Limited, Ms Chan Lai Fun	51% equity in Anshan Haihong Agricultural Machinery Company Limited	19 April 2010	10,200	123	-	No	Agreement	Yes	Yes	-

VI. RELATED TRANSACTIONS

1. Connected transactions arising from the course of normal operations

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

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

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

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

Unit: RMB'000

Connected parties	Sales of goods and provision of services to the connected parties		Purchases of goods and services from the connected parties	
	Transaction Amount	Proportion to transaction amount of same type of transaction	Transaction Amount	Proportion to transaction amount of same type of transaction
Companies controlled by the same parent company	90,656	3.69%	226,988	15.57%
Companies controlled by the ultimate parent company	67,612	2.75%	–	
Associated companies of the Group	87,190	3.55%	1,382	0.09%
Joint venture companies of the Group	–	–	–	
Other companies subject to significant influence by key management personnel of subsidiaries	2,547	0.10%	368,867	25.30%
Total	248,005	10.09%	597,237	40.96%

Of which: During the reporting period, an aggregate transaction amount of RMB158,269,000 was incurred by the sale of products, raw materials and parts and accessories to CTMC Group by the Group in accordance with the Composite Services Agreement, which represented 10.61% of the cap of such transactions as agreed in the Composite Services Agreement of 2010.



VI. RELATED TRANSACTIONS (continued)

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

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

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

Such transactions were conducted in the ordinary course of the Company's operations and the related parties had many years of business cooperation with the Company and good match of production and processing capacity, which ensured the orderly and smooth operations of the Company. Such transactions warranted their necessity and continuity in the Company's operations.

The connected transactions did not affect the Company's independence.

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

VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. There were no significant or ongoing significant contracts for entrustment, contracting and leasing of assets of other companies or contracts for entrustment, contracting and leasing of the Company's assets entered into during the reporting period nor was any of them entered into in the previous period and being carried forward to the current reporting period.



VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (continued)

2. Material Guarantees

Unit: RMB0'000

External guarantees undertaken by the Company (excluding guarantees provided to subsidiaries)								
Name of guaranteed party	Disclosure date of the announcement regarding the guaranteed amount and reference number	Guaranteed amount	Actual date of event (Signing date of the Agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Discharged or not	Whether in favour of any related party (Yes/No)
Beijing Hualian Group Investment Holdings Limited	14/10/2009 No. 2009-23	15,000.00	15/10/2009	15,000.00	Joint liability	15/10/2009 – 14/10/2010	No	No
Total external guaranteed amount approved during the reporting period (A1)			0.00		Total actual external guaranteed amount during the reporting period (A2)			0.00
Total external guaranteed amount approved at the end of the reporting period (A3)			0.00		Balance of total actual guaranteed amount at the end of the reporting period (A4)			15,000.00
Guarantee provided by the Company to subsidiaries								
Name of guaranteed party	Disclosure date of the announcement regarding the guaranteed amount and reference number	Guaranteed amount	Actual date of event (Signing date of the Agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Discharged or not	Whether in favour of any related party (Yes/No)
Tianjin Hongda Textile Machinery Company Limited	9/6/2010 No. 2010-21	3,000.00	30/6/2010	2,800.00	Joint liability	30/6/2010 – 29/9/2011	No	No
Yichang Jingwei Textile Machinery Company Limited	24/4/2009 No. 2009-10	3,000.00	19/1/2010	1,000.00	Joint liability	19/1/2010 – 18/1/2011	No	No
Total approved amount guaranteed to subsidiaries during the reporting period (B1)			6,000.00		Total actual guaranteed amount to subsidiaries during the reporting period (B2)			6,000.00
Balance of total approved amount guaranteed to subsidiaries as at the end of the reporting period (B3)			6,000.00		Balance of total actual guaranteed amount to subsidiaries as at the end of the reporting period (B4)			13,300.00
Total guarantee provided by the Company (The total of the above two parts)								
Total guaranteed amount approved during the reporting period (A1 + B1)			6,000.00		Total actual guaranteed amount during the reporting period (A2 + B2)			6,000.00
Total guaranteed amount approved at the end of the reporting period (A3 + B3)			6,000.00		Balance of total actual guaranteed amount at the end of the reporting period (A4 + B4)			28,300.00
Ratio of total actual guaranteed amount (A4 + B4) to the net asset of the Company								10.16%
of which:								
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)								0.00
Guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)								0.00
Total guaranteed amount in excess of 50% of net assets value (E)								0.00
Total guaranteed amount of the above three items (C+D+E)								0.00
Statement on the contingent joint liability in connection with unexpired guarantees								Nil



VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (continued)

3. Entrustment on fund management

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

4. The Company published an Announcement regarding the acquisition of 36% equity interest in Zhongrong International Trust Co., Ltd (“Zhongrong Trust”) on 27 January 2010, and made the “Announcement in respect of the Approval of the China Banking Regulatory Commission on the acquisition of 36% equity interest in Zhongrong International Trust Co., Ltd” on 30 June 2010 and the “Announcement in respect of the approval of the application of modification of registration regarding the Acquisition of 36% equity interest in Zhongrong International Trust Co., Ltd” on 14 July 2010. At present, Zhongrong Trust has completed the filing procedures for changes in directors, supervisors and senior management with the Administration for Industry and Commerce. Moreover, all the conditions precedent to the payment of the first tranche payment have been fulfilled according to the acquisition agreement. In August 2010, the Company paid Zhongrong Trust RMB500 million as the first part of the equity transfer payment. In addition to the prepayment of RMB100 million, the total of RMB600 million of the first part of the equity transfer payment is made.

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

Commitment	Content	Performance status
Commitment on share segregation reform	CTMC Group undertakes not to trade or transfer its floating Shares during the three years from the date on which its non-floating Shares are granted the right to list on the Shenzhen Stock Exchange. Within 2 years after the expiry of such period, the number of originally non-floating Shares to be sold through trading on the Shenzhen Stock Exchange shall not exceed 30% of the number of Shares held by it on the date of the implementation of the Share Segregation Reform Proposal, and the sale price will be no less than RMB7 per Share (subject to such adjustment as may be made in connection with declaration of dividend, distribution or re-allocation of capital reserve fund to share capital).	Not yet implemented

IX. PURCHASE, SALE AND REDEMPTION OF SHARES

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

X. CODE ON CORPORATE GOVERNANCE PRACTICES

The Board, Supervisory Committee and Senior Management are committed to the effective implementation of corporate governance policy, to ensure all decisions are made on an honest basis and on a transparent, equal and impartial manner, with checks and balances that are necessary and effective, and 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 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. Before 24 March 2010, the Personnel Nomination and Remuneration Committee of the Board of Directors of the Company was composed of two Independent Non-executive Directors and two Executive Directors, which was not in full compliance with the requirement in relation to the minimum proportion of independent non-executive directors under Code Provision B.1.1. To ensure full compliance with the Code Provisions set out in Appendix 14 to the Listing Rules, the Company approved the appointment of Mr. Gao Yong, an Independent Non-executive Director, as a member of the Personnel Nomination and Remuneration Committee on the Board meeting held on 24 March 2010 so that the Company fully complied with the Code Provisions of Codes on Corporate Governance in Appendix 14 to the Listing Rules of the Stock Exchange thereafter during the six months ended 30 June 2010.

For other non-compliance which occurred after the six months ended 30 June 2010, please refer to the paragraph headed “XII. Audit Committee” below.

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

Time of reception	Place of reception	Means of reception	Subject of reception	Key content of discussion and information provided
1 February 2010	Conference room of the Company	On-site research	Value Partners Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
1 February 2010	Conference room of the Company	On-site research	First Shanghai Investments Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
5 February 2010	Conference room of the Company	On telephone	Legg Mason	Content of discussion: basic conditions of the Company Information provided: regular report of the Company
10 March 2010	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

XII. AUDIT COMMITTEE

The Audit Committee of the Board of the Company has, together with the management, reviewed the accounting principles, accounting standards and methods adopted by the Group, and has discussed about issues regarding auditing, internal controls and financial reporting including review of the unaudited interim accounts of the Group for the six months ended 30 June 2010.

Shareholders and investors should note that on the date of such review by the Audit Committee, because of the changes in Directors of the new session in August 2010, the Audit Committee only has two members. Neither of these members possesses the professional qualification or experience as required under Rule 3.10(2) of the Listing Rules, though one of them has experience in financial management. The Audit Committee constituted as mentioned, accordingly, is not in strict compliance with Rule 3.21 of the Listing Rules. For further details, please refer to the Company’s announcement dated 16 August 2010 on this matter on the website of the Stock Exchange.



XIII. ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

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

Pursuant to the requirements set out in the Notice Concerning Certain Issues on Regulating the Funds between Listed Companies and Related Parties and Provision of External Guarantees by Listed Companies (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) (Zheng Jian Fa [2003] No. 56), the Notice concerning the Regulation of Provision of External Guarantees by Listed Companies (《關於規範上市公司對外擔保行為的通知》) (Zheng Jian Fa [2005] No. 120) and the Notice on the Preparation of 2010 Interim Reports of Listed Companies (《上市公司2010年半年度報告工作的通知》) (Shen Zheng Shang [2010] No.211 issued by the Shenzhen Stock Exchange, we, as independent non-executive Directors of the Company and being accountable to the Company, all the shareholders and investors, conducted a detailed review on the appropriation of funds by controlling shareholder and related parties and the external guarantees of the Company and issued the following specific explanations and independent opinions:

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

As at the end of the reporting period, the controlling shareholder and related parties did not mis-appropriate any fund of the Company. The Company did not directly or indirectly provide funds for the controlling shareholders and other related parties of the Company for their use. We are of the opinion that, the related activities of the Company have been regulated, in compliance with the requirements of the relevant laws and regulations, and in the interests of Shareholders as a whole have been well guarded.

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

Disclosure on guarantee position as included in the 2010 Interim Report of the Company is correct. During the year ended 30 June 2010, no guarantees were made by the Company to controlling shareholders or other connected persons in which the Company has shareholdings of less than 50%, any non-legal persons or individuals, whether on a cumulative basis or for the current period. The decision-making process regarding the giving of guarantees by the Company was in compliance with the requirements of laws, rules and regulations and the articles of association of the Company. Such decision did not compromise the interests of the Company and shareholders of the Company, particularly the medium and minority shareholders.

XV. ACCOUNTING FIRMS ENGAGED BY THE COMPANY IN 2010

It was considered and approved by shareholders of the Company at the 2009 annual general meeting of the Company held on 3 June 2010 to re-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 international and PRC auditors respectively for the year ending 31 December 2010.

XVI. INDEX OF MAJOR ANNOUNCEMENTS DURING THE REPORTING PERIOD

Item	Published on	Publishing date
Announcement in relation to the resolutions passed at the extraordinary meeting of the fifth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	27 January 2010
Announcement on acquisition of equity interest	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	27 January 2010
2009 Estimated Annual Results	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	28 January 2010 29 January 2010
Notice of Extraordinary General Meeting	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	24 February 2010 25 February 2010
Announcement in relation to the resolutions passed at the sixteenth meeting of the fifth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	24 March 2010 25 March 2010
Announcement in relation to the resolutions passed at the twelfth meeting of the fifth session of the Supervisory Committee	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	24 March 2010 25 March 2010
2009 Annual Report	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	14 April 2010 15 April 2010
Announcement in relation to the resolutions passed at the First Extraordinary General Meeting of 2010	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	12 April 2010 13 April 2010
2009 Annual General Meeting and Class Meetings for holders of H shares and A shares	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	14 April 2010 15 April 2010
Announcement in relation to the resolutions passed at the extraordinary meeting of the fifth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	15 April 2010 16 April 2010
Announcement in relation to the resolutions passed at the seventeenth meeting of the fifth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	28 April 2010 29 April 2010
2010 First Quarterly Report	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	28 April 2010 29 April 2010
Announcement on acquisition of equity interest	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	20 May 2010 21 May 2010

**XVI. INDEX OF MAJOR ANNOUNCEMENTS DURING THE REPORTING PERIOD (continued)**

Announcement in relation to the resolutions passed at the extraordinary meeting of the fifth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	20 May 2010 21 May 2010
Announcement in relation to resolutions passed at 2009 Annual General Meeting and Class Meeting	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	3 June 2010 4 June 2010
Announcement in relation to the provision of guarantee to subsidiary	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	9 June 2010 10 June 2010
Announcement in relation to the resolutions passed at the fourteenth meeting of the fifth session of the Supervisory Committee	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	23 June 2010 24 June 2010
Announcement in relation to the resolutions passed at the eighteenth meeting of the fifth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	23 June 2010 24 June 2010
Notice of the second Extraordinary General Meeting of 2010	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	23 June 2010 24 June 2010
Announcement on approval of China Banking Regulatory Commission on the acquisition of 36% equity interest of Zhongrong International Trust Co., Ltd	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	29 June 2010 30 June 2010
Announcement in relation to the fulfillment of certain conditions precedent to a very substantial acquisition	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	29 June 2010 30 June 2010

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

Company and Consolidated Balance Sheet

30 June 2010

Unit: RMB

Assets	Note	Consolidated		Company	
		Period End	Period Start	Period End	Period Start
Current assets					
Currency funds	IV.1, VII.1	1,491,834,527.55	1,277,692,186.98	838,918,075.07	1,044,011,553.05
Trading financial assets	IV.2	2,145,289.36	2,170,449.36	1,085,136.81	1,148,166.81
Bills receivable	IV.3, VII.2	1,545,646,763.85	1,134,243,957.54	1,041,567,375.31	550,786,559.74
Accounts receivable	IV.4, VII.3	458,040,912.05	399,729,671.94	245,003,453.32	278,398,711.08
Prepayment	IV.5, VII.4	422,078,170.32	291,486,987.42	413,056,770.00	258,848,455.15
Dividends receivable				78,681,319.00	127,881,319.00
Other receivables	IV.6, VII.5	421,245,393.26	300,139,236.72	781,052,980.05	560,204,221.57
Inventories	IV.7, VII.6	1,571,135,701.69	1,336,311,280.36	310,316,357.40	283,370,252.63
Non-current assets due within one year		25,293,598.30	25,293,598.30	25,293,598.30	25,293,598.30
Other current assets		36,182,261.16	16,502,342.41		
Total current assets		5,973,602,617.54	4,783,569,711.03	3,734,975,065.26	3,129,942,837.33
Non-current assets					
Long-term receivables		88,317,449.46	32,362,971.62	234,007,075.02	169,043,111.22
Long-term equity investments	IV.8, VII.7	167,431,728.02	160,728,002.46	1,201,427,672.52	1,042,772,847.01
Fixed assets	IV.9, VII.8	1,246,106,120.06	1,280,427,887.85	354,812,996.33	365,944,112.01
Construction in progress	IV.10	201,110,586.43	115,624,744.62	3,702,659.18	8,298,588.36
Construction materials		508,132.30	441,295.00	508,132.30	441,295.00
Intangible assets	IV.11, VII.9	454,060,556.37	358,576,612.08	82,211,644.97	84,207,772.40
Goodwill		17,189,481.47	2,258,412.00		
Deferred income tax assets	IV.12	12,084,930.06	13,502,943.18		
Other non-current assets		73,879,621.29	69,605,575.93		
Total non-current assets		2,260,688,605.46	2,033,528,444.74	1,876,670,180.32	1,670,707,726.00
Total assets		<u>8,234,291,223.00</u>	<u>6,817,098,155.77</u>	<u>5,611,645,245.58</u>	<u>4,800,650,563.33</u>

Legal representative:
Yao Yuming

Person in charge of accounting function:
Mao Faqing

Person in charge of accounting department:
Mao Faqing

Company and Consolidated Balance Sheet (continued)

30 June 2010

Unit: RMB

Liabilities and shareholders' interest	Note	Consolidated		Company	
		Period End	Period Start	Period End	Period Start
Current liabilities					
Short-term borrowings	IV.14, VII.11	809,553,796.15	572,705,445.03	618,781,796.15	401,639,783.67
Bills payable	IV.15, VII.12	151,889,935.49	128,017,549.79	69,002,466.49	65,070,389.49
Accounts payable	IV.16	1,653,185,750.06	1,172,324,555.10	946,506,282.14	516,974,262.76
Advances from customers	IV.17	976,020,717.28	640,622,805.42	427,399,585.39	374,094,516.61
Employee benefits payable	IV.18, VII.13	60,065,675.90	77,974,570.33	23,207,344.82	23,961,087.43
Tax payable	IV.19, VII.14	54,500,219.82	62,355,085.35	23,528,534.43	28,107,388.15
Dividends payable	IV.20	19,880,370.69	19,880,370.69	18,528,613.49	17,610,739.56
Other payables	IV.21	240,521,981.94	257,404,757.92	83,126,755.98	127,076,623.09
Non-current liabilities due within 1 year	IV.22, VII.15	457,378,635.77	106,177,044.50	455,794,381.30	103,679,381.30
Total current liabilities		4,422,997,083.10	3,037,462,184.13	2,665,875,760.19	1,658,214,172.06
Non-current liabilities					
Long term borrowings	IV.23, VII.16	326,740,000.00	580,444,247.74	326,740,000.00	580,444,247.74
Long-term payables	IV.24	171,445,152.28	155,923,224.34	122,827,434.93	136,557,929.01
Special payables	IV.25	129,836,055.67	60,163,884.14	129,836,055.67	60,163,884.14
Estimated liabilities					
Other non-current liabilities	IV.26	57,969,864.52	60,213,311.00	21,303,192.99	22,553,192.99
Total non-current liabilities		685,991,072.47	856,744,667.22	600,706,683.59	799,719,253.88
Total liabilities		5,108,988,155.57	3,894,206,851.35	3,266,582,443.78	2,457,933,425.94
Shareholders' equity					
Share capital	IV.27	603,800,000.00	603,800,000.00	603,800,000.00	603,800,000.00
Capital reserve		1,244,377,317.17	1,244,377,317.17	1,244,713,617.49	1,244,713,617.49
Surplus reserve	IV.28	574,533,957.37	574,533,957.37	366,881,070.16	366,881,070.16
Unappropriated profit	IV.29, VII.17	366,282,604.36	337,092,967.43	129,668,114.15	127,322,449.74
Translation difference of foreign currency statements		(2,913,235.84)	(2,886,355.10)		
Total shareholders' equity attributable to the parent		2,786,080,643.06	2,756,917,886.87	2,345,062,801.80	2,342,717,137.39
Minority interests		339,222,424.37	165,973,417.55		
Total shareholders' equity		3,125,303,067.43	2,922,891,304.42	2,345,062,801.80	2,342,717,137.39
Total liabilities and shareholders' equity		8,234,291,223.00	6,817,098,155.77	5,611,645,245.58	4,800,650,563.33
Legal representative: Yao Yuming	Person-in-charge for accounting function: Mao Faqing	Person in charge of accounting function: Mao Faqing			

Company and Consolidated Income Statement
For the half year ended 30 June 2010
Unit: RMB

Item	Note	Consolidated		Company	
		January to June 2010	January to June 2009	January to June 2010	January to June 2009
Operating income	IV.30, VII.18	2,456,484,361.31	1,278,599,144.90	1,647,207,764.90	769,206,044.32
Less: Operating costs	IV.31, VII.19	(2,163,497,631.96)	(1,185,654,974.13)	(1,562,390,883.51)	(765,027,123.79)
Business tax and levies	IV.32, VII.20	(5,738,146.60)	(5,992,178.85)	(542,990.84)	(359,825.35)
Distribution expenses		(55,688,764.18)	(42,938,088.69)	(23,291,810.86)	(19,306,498.78)
Administrative expenses		(202,926,654.87)	(166,796,827.16)	(59,679,238.97)	(53,599,774.87)
Finance expenses	IV.33, VII.21	(20,192,034.16)	(20,152,363.76)	(10,236,155.61)	(9,316,089.08)
Assets Impairment loss	IV.34	3,897,452.47	11,726,072.02	2,232,281.95	7,736,856.20
Add: Gain from change in fair value					
Gain from investment	IV.35, VII.22	5,324,299.50	13,321,334.83	2,837,675.02	13,518,778.46
Of which: Gains from associates and jointly controlled entities		2,932,914.72	(4,392,623.78)	2,599,425.51	(4,392,623.78)
Operating profit		17,662,881.51	(117,887,880.84)	(3,863,357.92)	(57,147,632.89)
Add: Non-operating income	IV.36, VII.23	20,710,652.66	18,385,279.58	7,405,790.20	4,375,231.90
Less: Non-operating expenses	IV.37, VII.24	(2,454,404.60)	(8,298,175.58)	(1,180,782.87)	(5,776,659.41)
Of which: Loss from disposal of non-current assets		1,726,251.45	2,406,022.93	1,027,851.92	932,995.75
Total profit	IV.38, VII.25	35,919,129.57	(107,800,776.84)	2,361,649.41	(58,549,060.40)
Less: Income tax expenses		(5,466,607.31)	(2,157,936.77)	(15,985.00)	(1,854,375.53)
Net profit		30,452,522.26	(109,958,713.61)	2,345,664.41	(60,403,435.93)
Net profit attributable to the holder of equity of the parent		29,189,636.93	(98,887,306.09)	2,345,664.41	(60,403,435.93)
Profits and losses attributable to minority interests		1,262,885.33	(11,071,407.52)		
Earnings per share:					
(I) Basic earnings per share	IV.39	0.05	(0.16)		
(II) Diluted earnings per share		0.05	(0.16)		

Legal representative:
Yao Yumin

Person-in-charge for accounting function:
Mao Faqing

Person in charge of accounting function:
Mao Faqing



Company and Consolidated Cash flow statement

For the half year ended 30 June 2010

Unit: RMB

Item	Consolidated		Company	
	January to June 2010	January to June 2009	January to June 2010	January to June 2009
1. Cash flow from operating activities				
Cash received from sale of goods and provision of services	2,181,506,424.11	1,515,189,853.11	866,270,338.47	876,010,523.82
Refund of taxes received	10,727,387.55	21,898,938.36	3,051,409.83	18,974,540.12
Other cash received from activities related to operation	131,910,688.57	18,660,446.05	131,669,068.92	7,877,453.60
Sub-total of cash inflow	2,324,144,500.23	1,555,749,237.52	1,000,990,817.22	902,862,517.54
Cash paid for goods purchased and service rendered	(1,877,271,582.77)	(1,256,959,357.91)	(1,042,905,752.62)	(879,751,442.40)
Cash paid to or paid on behalf of employee	(243,609,444.05)	(167,577,378.47)	(58,775,752.99)	(52,112,352.19)
Payment of all types of taxes and surcharges	(155,436,341.28)	(75,533,200.09)	(45,349,221.20)	(22,649,042.41)
Other cash paid for activities related to operation	(115,682,142.04)	(16,612,230.71)	(119,626,741.20)	(12,169,071.45)
Sub-total of cash outflow	(2,391,999,510.14)	(1,516,682,167.18)	(1,266,657,468.01)	(966,681,908.45)
Net cash flow from operating activities	(67,855,009.91)	39,067,070.34	(265,666,650.79)	(63,819,390.91)
2. Cash flow from investment activities				
Cash received from disposals of investment	9,096,018.00	4,223,804.10	1,553,485.00	73,000,000.10
Cash received from gains in investment	2,528,646.40	18,272,257.45	238,249.51	15,163,349.45
Net cash received from disposal of fixed assets, intangible assets and other assets	3,445,854.79	8,890,605.80	1,365,660.79	2,002,007.00
Net cash received from disposal of subsidiaries and other operating entities				
Other cash received from activities related to investment			100,644,826.99	125,854,089.71
Sub-total of cash inflow from investment activities	15,070,519.19	31,386,667.35	103,802,222.29	216,019,446.26
Cash paid for purchase of fixed assets, intangible assets and other long term assets	(41,127,408.37)	(30,867,335.92)	(3,865,793.98)	(3,027,039.63)
Cash paid for investment	(109,042,094.09)	(32,753,330.00)	(257,545,855.00)	
Net cash paid for acquiring subsidiaries and other operating entities				
Other cash paid for activities related to investment			(91,571,809.00)	(188,900,000.00)
Sub-total of cash outflow from investment activities	(150,169,502.46)	(63,620,665.92)	(352,983,457.98)	(191,927,039.63)
Net cash flow from investment activities	(135,098,983.27)	(32,233,998.57)	(249,181,235.69)	24,092,406.63
3. Cash flow from financing activities				
Proceeds received from investing activities	68,724,000.00			
Cash received from borrowings	789,769,341.88	776,000,000.00	735,769,341.88	630,000,000.00
Other cash received from financing-related activities				
Sub-total of cash inflow from financing activities	858,493,341.88	776,000,000.00	735,769,341.88	630,000,000.00
Cash paid for repayment of borrowings	(376,975,000.00)	(553,944,300.00)	(366,975,000.00)	(349,089,000.00)
Cash paid for dividend and profit distribution or interest repayment	(31,646,329.04)	(35,841,244.22)	(30,071,914.04)	(23,195,507.19)
Other cash paid for financing-related activities	(17,124,340.56)		(17,124,340.56)	
Sub-total of cash outflow from financing activities	(425,745,669.60)	(589,785,544.22)	(414,171,254.60)	(372,284,507.19)
Net cash flow from financing activities	432,747,672.28	186,214,455.78	321,598,087.28	257,715,492.81
4. Effect on cash due to change in foreign exchange rate	8,307.61	(4,466.04)		
5. Net increase in cash and cash equivalents	229,801,986.71	193,043,061.51	(193,249,799.20)	217,988,508.53

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

**Company and Consolidated Cash flow statement (continued)**

For the half year ended 30 June 2010

Unit: RMB

Supplemental Information	Consolidated		Company	
	January to June 2010	January to June 2009	January to June 2010	January to June 2009
1. Reconciliation of net profit with cash flow from operating activities				
Net profit	30,452,522.26	(109,958,713.61)	2,345,664.41	(60,403,435.93)
Add: Provision on asset impairment	(3,897,452.47)	(11,726,072.02)	(2,232,281.95)	(7,736,856.20)
Depreciation of fixed assets	50,678,179.28	57,148,659.79	15,741,382.67	22,080,546.17
Amortisation of intangible assets	5,830,450.18	4,881,531.45	2,306,469.48	2,306,961.11
Amortisation of long-term prepaid expenses	81,580.12			
Losses on disposal of fixed assets, intangible assets and other long-term assets (less gains)	(3,052,463.25)	(2,406,022.93)	(1,853,304.87)	(932,995.75)
Fixed assets written off and loss from disposal (Gains is represented by “-”)				
Losses on changes in fair value (less gains)				
Finance expenses	20,192,034.16	20,152,363.76	10,236,155.61	9,316,089.08
Losses on investments (less gains)	(5,324,299.50)	(13,321,334.83)	(2,837,675.02)	(13,518,778.46)
Decrease in deferred tax assets (less increase)	1,418,013.12	5,384,466.73		2,365,279.47
Increase in deferred tax liabilities (less decrease)				
Decrease (Increase is represented by “-”) in inventories	(221,428,176.43)	129,092,895.78	(26,946,104.87)	20,798,150.76
Decrease (less increase) in operating receivables	46,421,387.67	(120,906,182.69)	(323,085,568.73)	(8,378,903.30)
Increase (less decrease) in operating payables	10,773,214.95	80,725,478.91	60,658,612.48	(29,715,447.86)
Others				
Net cash flows from operating activities	(67,855,009.91)	39,067,070.34	(265,666,650.79)	(63,819,390.91)
2 Investing and financing activities that do not involve cash receipts and payments				
Conversion of debt into capital				
Convertible bonds due within one year				
Fixed assets under finance leases				
3 Net changes in cash and cash equivalents:				
Cash at end of year	1,437,174,228.45	927,752,672.06	831,142,080.05	738,530,129.43
Less: Cash at beginning of period	(1,207,372,241.74)	(734,709,610.55)	(1,024,391,879.25)	(520,541,620.90)
Cash equivalents at end of period				
Less: Cash equivalents at beginning of period				
Net increase/(decrease) in cash and cash equivalents	229,801,986.71	193,043,061.51	(193,249,799.20)	217,988,508.53

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

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

For the half year ended 30 June 2010

Unit: RMB

Items	Amount for the year						Shareholders' equity in total
	Share capital	Owner's equity attributable to the Parent Capital reserve	Surplus reserve	Unallocated profit	Others	Minority interests	
I. Balance at the end of the previous year	603,800,000.00	1,244,377,317.17	574,533,957.37	337,092,967.43	(2,886,355.10)	165,973,417.55	2,922,891,304.42
Add: Change in accounting policies	-	-	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-	-	-
II. Balance at the beginning of this year	603,800,000.00	1,244,377,317.17	574,533,957.37	337,092,967.43	(2,886,355.10)	165,973,417.55	2,922,891,304.42
III. Increase or decrease for this period (Decrease is represented by "-")	-	-	-	29,189,636.93	(26,880.74)	173,249,006.82	202,411,763.01
(I) Net profit	-	-	-	29,189,636.93	-	1,262,885.33	30,452,522.26
(II) Profit and losses directly taken to owner's equity	-	-	-	-	(26,880.74)	-	(26,880.74)
1. Net changes in the fair value of financial assets available for sale	-	-	-	-	-	-	-
2. Effect on changes in other owner's equity in the investees under the equity method	-	-	-	-	-	-	-
3. Effect on income tax related to the items taken to owner's equity	-	-	-	-	-	-	-
4. Others	-	-	-	-	(26,880.74)	-	(26,880.74)
Sub-total for (I) and (II) above	-	-	-	29,189,636.93	(26,880.74)	1,262,885.33	30,425,641.52
(III) Capital injected and reduced by the owner	-	-	-	-	-	171,986,121.49	171,986,121.49
1. Capital injected by the owner	-	-	-	-	-	171,986,121.49	171,986,121.49
2. Settlement by shares taken to owner's equity	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-
(IV) Profit appropriation	-	-	-	-	-	-	-
1. Withdrawal from surplus reserve	-	-	-	-	-	-	-
2. Allocation to owner (or shareholder)	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-	-	-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-	-	-	-
2. Transfer of surplus reserve to capital (or share capital)	-	-	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
IV. Balance at the end of this period	<u>603,800,000.00</u>	<u>1,244,377,317.17</u>	<u>574,533,957.37</u>	<u>366,282,604.36</u>	<u>(2,913,235.84)</u>	<u>339,222,424.37</u>	<u>3,125,303,067.43</u>

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

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

For the six months ended 30 June 2010

Unit: RMB

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

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

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

For the half year ended 30 June 2010

Unit: RMB

Items	Amount for the year				Shareholders' equity in total
	Share capital	Capital reserve	Surplus reserve	Unallocated profit	
I. Balance at the end of the previous year	603,800,000.00	1,244,713,617.49	366,881,070.16	127,322,449.74	2,342,717,137.39
Add: Change in accounting policies	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-
II. Balance at the beginning of this year	603,800,000.00	1,244,713,617.49	366,881,070.16	127,322,449.74	2,342,717,137.39
III. Increase or decrease for this period (Decrease is represented by "-")	-	-	-	2,345,664.41	2,345,664.41
(I) Net profit	-	-	-	2,345,664.41	2,345,664.41
(II) Profit and losses directly taken to owner's equity	-	-	-	-	-
1. Net changes in the fair value of financial assets available for sale	-	-	-	-	-
2. Effect on changes in other owner's equity in the investees under the equity method	-	-	-	-	-
3. Effect on income tax related to the items taken to owner's equity	-	-	-	-	-
4. Others	-	-	-	-	-
Sub-total for (I) and (II) above	-	-	-	2,345,664.41	2,345,664.41
(III) Capital injected and reduced by the owner	-	-	-	-	-
1. Capital injected by the owner	-	-	-	-	-
2. Settlement by shares taken to owner's equity	-	-	-	-	-
3. Others	-	-	-	-	-
(IV) Profit appropriation	-	-	-	-	-
1. Withdrawal from surplus reserve	-	-	-	-	-
2. Allocation to owner (or shareholder)	-	-	-	-	-
3. Others	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-	-
2. Transfer of surplus reserve to capital (or share capital)	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-
4. Others	-	-	-	-	-
IV. Balance at the end of this period	<u>603,800,000.00</u>	<u>1,244,713,617.49</u>	<u>366,881,070.16</u>	<u>129,668,114.15</u>	<u>2,345,062,801.80</u>

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

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

For the six months ended 30 June 2010

Unit: RMB

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

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



Notes to the Financial Statements

For the half year ended 30 June 2010

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

(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, 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 30 June 2010, and the Company’s and Group’s results of operations and cash flows for the year then ended.

3. Accounting year

The accounting year of the Group starts 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.

Notes to the Financial Statements

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Cash and Cash equivalents

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

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. 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.

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

(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.

(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.

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.

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.

Notes to the Financial Statements

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (continued)

(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.

(3) Transfer and measurement of financial asset

Transfer of financial asset means that the Group transfers or delivers the financial asset to parties (transferee) other than the issuers of the financial asset. If the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the Group shall derecognise the financial asset. 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall be dealt with in the following manner: If the Group has not retained control, it shall derecognise the financial asset and recognise the assets or liabilities created in the transfer. 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, and recognise the corresponding liabilities.

(4) 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.

Notes to the Financial Statements

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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*

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.

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.

Notes to the Financial Statements

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investment (continued)

(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.

(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.

Notes to the Financial Statements

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

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.

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.

Fixed assets that are leased under finance lease should be accounted for by the fair value of the leased asset on the commencement date of the leasing or the current value of minimum lease payments (the lower one applies), and should be depreciated according to the depreciation policy of owned fixed-assets.

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.

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.

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 intangible asset with indefinite useful life, the Group shall review its useful life during each accounting period, carry out impairment test 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.



Notes to the Financial Statements

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. 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.

18. 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.

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

19. 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.

20. Changes in accounting policies and accounting estimates

The Group has no changes in accounting policies and accounting estimates during the reporting period.

21. Prior period adjustment

The Group has no prior period adjustment for reporting period.

Notes to the Financial Statements

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

III. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS
(I) Subsidiaries owned by the Group at the end of 2009 and during the reporting period:

Name	Place of registration	Business nature	Scope of operation	Registered capital RMB	Actual investment made by the Group at period end/investment made prior to acquisition or disposal RMB	Total shareholding of the Group/shareholding prior to acquisition or disposal %	Total percentage of voting rights held by the Group/voting rights held by the Group prior to acquisition or disposal %
Subsidiaries acquired through merger under the same control							
Qingdao Hongda Textile Machinery Company Limited	China	Production & Sales (P&S)	Textile & Machinery (T&M)	114,000,000	111,335,820	97.663	97.663
Tianjin Hongda Textile Machinery Company Limited	China	P&S	T&M	78,500,000	78,500,000	100	100
Zhengzhou Hongda New Type Textile Machinery Company Limited	China	P&S	T&M	74,500,000	73,010,000	98	98
Shenyang Hongda Textile Machinery Company Limited	China	P&S	T&M	71,000,000	69,580,000	98	98
Changde Textile Machinery Company Limited	China	P&S	T&M	42,349,900	40,232,400	95	95
Wuxi Jingwei Textile Technology Testing Company Limited	China	Tech R&D	Carding products	49,530,000	49,530,000	100	100
Shanxi Jingwei Heli Machinery Company Limited	China	P&S	T&M	100,000,000	30,000,000	30	71.43
Wuxi Jingwei Textile Machinery Sales Services Company Limited	China	Sales	T&M	1,000,000	1,000,000	100	100
Subsidiaries acquired through merger not under same control							
Xianyang Jingwei Textile Machinery Company Limited	China	P&S	T&M	75,079,600	75,079,600	100	100
Wuxi Hongda Textile Machinery Parts Company Limited	China	P&S	T&M	20,000,000	7,000,000	35	51.25
Tai Yuan Jingwei Electric Appliance Company Limited	China	P&S	T&M	5,000,000	5,000,000	100	100
Huangshi Jingwei Textile Machinery Company Limited	China	P&S	T&M	30,000,000	24,902,014.83	90	90
Investing in newly established subsidiaries							
Tianjin Jingwei New Type Textile Machinery Company Limited	China	P&S	T&M	16,000,000	16,000,000	100	100
Hong Kong Huaming Company Limited	HK China	Import&Export	T&M	USD7,700,000	USD7,700,000	100	100
Beijing Jingpeng Investment Management Export Company Limited	China	Investment Management	Sales/Consultation	100,000,000	100,000,000	100	100
Beijing Jingwei Textile New Technology Company Limited	China	P&S	T&M	100,000,000	100,000,000	100	100
Shanghai Weixin Mechatronics Limited	China	P&S	T&M	16,000,000	16,000,000	100	100
Shanghai Chuangan Commerce & Trade Management Consulting Company Limited	China	Sales	T&M	2,000,000	1,800,000	90	90
Yichang Jingwei Textile Company Limited	China	P&S	T&M	20,000,000	20,000,000	100	100
Shanxi Jingwei Textile Machinery Parts Company Limited	China	P&S	T&M	40,000,000	35,860,000	89.65	89.65
Shenyang Hongda Huaming Textile Machinery Company Limited	China	P&S	T&M	40,000,000	40,000,000	98.50	100
Shanghai Jingwei Dongxing Blomring-Carding Machinery Company Limited	China	P&S	T&M	50,000,000	46,247,088	100	100
Jingwei Textile Machinery Yuci Materials Company Limited	China	Sales	T&M	5,000,000	5,000,000	99.92	100
Shanghai WSP Mould and Injection Plastic Limited	China	P&S	T&M	5,256,800	2,628,410.50	50	100
Beijing Hongbo Property Development Machinery Company Limited	China	Development & Sales (D&S)	Property	100,000,000	65,000,000	65	65
Jinzhong Jingwei Casting Company Limited	China	P&S	T&M	25,000,000	17,200,000	68.80	68.80
Yichang Hengtian Development Properties Company Limited	China	D&S	Property	20,000,000	20,000,000	100	100

Notes to the Financial Statements

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

III. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(II) Subsidiaries which the Group Increased Shareholdings in during the reporting period:

Name	Place of registration	Business nature	Scope of operation	Registered capital RMB	Actual investment made by the Group at period end/investment made prior to acquisition or disposal RMB	Total shareholding of the Group/shareholding prior to acquisition or disposal %	Total percentage of voting rights held by the Group/voting rights held by the Group prior to acquisition or disposal %
Subsidiaries acquired through merger not under same control							
Anshan Jingwei Haihong Agricultural Machinery Company Limited	China	P&S	Agricultural Machinery	40,000,000	38,855,400	51	51
Hubei Xinchufeng Automobile Co., Ltd (Note)	China	P&S	Coach, car	200,000,000	100,000,000	50	50

Note: The Company directly holds 50% equity in Hubei Xinchufeng Automobile Co., Ltd. However, pursuant to the Articles, 4 Directors of the 7 members of the Board of Directors are appointed by the Company and the passing of a Board resolution requires the affirmative vote of a simple majority of all Directors. Therefore the Company has actual control over this company and thus the company is incorporated into the consolidated financial statements.

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

Item	30 June 2010		1 January 2010	
	Foreign Currencies	RMB Equivalent	Foreign Currencies	RMB Equivalent
Cash		1,770,950.96		1,028,131.30
RMB	1,673,229.18	1,673,229.18	917,276.87	917,276.87
USD	439.40	3932.76	16.00	109.25
HKD	31,867.10	28,043.29	31,849.28	28,043.29
EURO	5,707.70	48,395.72	6,698.24	65,623.33
Yen	70,150.00	5,175.81	70,132.93	5,175.81
Pound	1,050.00	11,526.90	1,050.00	11,526.90
Swiss Franc	59.50	375.85	57.00	375.85
CAD	40.00	271.45		
Bank deposit		1,345,982,794.03		1,199,541,715.10
RMB	1,334,898,667.41	1,334,898,667.41	1,184,642,435.11	1,184,642,435.11
USD	11,863.56	106,193.95	444,952.70	3,038,226.02
HKD	6,579,532.19	5,790,036.18	7,101,352.17	6,252,740.59
EURO	199,865.14	1,694,662.14	201,259.30	1,971,757.53
Swiss Franc	553,290.75	3,493,234.35	551,511.40	3,636,555.85
Other currency funds		144,080,782.56		77,122,340.58
RMB	140,254,785.97	140,254,785.97	77,118,858.22	77,118,858.22
HKD	1,227.23	1,079.96	3,954.98	3,482.36
USD	427,304.27	3,824,916.63		
Total		<u>1,491,834,527.55</u>		<u>1,277,692,186.98</u>

Note: At the balance sheet date, other 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 RMB33,444,598.04, deposits pledged to banks for guarantee for mortgage bank loans of customers of RMB15,238,477.39, tender deposits of RMB4,977,223.67 and performance guarantees of RMB1,000,000.00.

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Trading financial assets

	Fair value at end of period RMB	Fair value at beginning of period RMB
Trading financial assets	2,145,289.36	2,170,449.36
Total	<u>2,145,289.36</u>	<u>2,170,449.36</u>

3. Notes receivable

	30 June 2010 RMB	1 January 2010 RMB
Bank's acceptance bill	1,501,846,763.85	1,063,843,957.54
Commercial acceptance bill	43,800,000.00	70,400,000.00
Total	<u>1,545,646,763.85</u>	<u>1,134,243,957.54</u>

As at 30 June 2010, the unexpired bill receivables amounted to RMB752,338,876.85 have been endorsed to certain creditors. Discounted unexpired bills amounted to RMB59,572,000.00.

4. Accounts receivable

	30 June 2010				1 January 2010			
	Original book value RMB	Proportion %	Provision for bad debt RMB	Net book value RMB	Original book value RMB	Proportion %	Provision for bad debt RMB	Net book value RMB
Within 1 year	405,829,441.40	73.77	(1,564,140.71)	404,265,300.69	362,561,665.90	72.92	(266,481.96)	362,295,183.94
Within 1 to 2 years	36,640,355.03	6.66	(2,153,613.37)	34,486,741.66	29,219,836.02	5.88	(4,916,650.05)	24,303,185.97
Within 2 to 3 years	24,036,581.31	4.37	(6,875,593.73)	17,160,987.58	20,088,577.47	4.04	(8,009,309.46)	12,079,268.01
Over 3 years	83,601,436.10	15.20	(81,473,553.98)	2,127,882.12	85,294,828.74	17.16	(84,242,794.72)	1,052,034.02
Total	<u>550,107,813.84</u>	<u>100</u>	<u>(92,066,901.79)</u>	<u>458,040,912.05</u>	<u>497,164,908.13</u>	<u>100</u>	<u>(97,435,236.19)</u>	<u>399,729,671.94</u>

As of 30 June 2010, top 5 debt amounts are as follows:

Top 5 debt amounts RMB	Ageing	% of accounts receivable
<u>210,438,664.33</u>	<u>1 to 3 years</u>	<u>38.33</u>

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

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Prepayment to suppliers

The ageing of advances to suppliers is provided as follows:

	30 June 2010				1 January 2010			
	Original book value RMB	Proportion %	Provision for bad debt RMB	Net book value RMB	Original book value RMB	Proportion %	Provision for bad debt RMB	Net book value RMB
Within 1 year	414,830,528.38	98.19		414,830,528.38	289,807,234.44	99.29		289,807,234.44
Within 1 to 2 years	5,834,874.63	1.38	(32,417.75)	5,802,456.88	790,256.02	0.27	(32,417.75)	757,838.27
Within 2 to 3 years	477,451.08	0.11	(16,941.64)	460,509.44	302,202.73	0.10	(16,941.64)	285,261.09
Over 3 years	1,340,960.62	0.32	(356,285.00)	984,675.62	992,938.62	0.34	(356,285.00)	636,653.62
Total	422,483,814.71	100	(405,644.39)	422,078,170.32	291,892,631.81	100	(405,644.39)	291,486,987.42

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

6. Other receivables

The ageing of other receivables is as follows:

	30 June 2010				1 January 2010			
	Original book value RMB	Proportion %	Provision for bad debt RMB	Net book value RMB	Original book value RMB	Proportion %	Provision for bad debt RMB	Net book value RMB
Within 1 year	242,921,563.85	55.68	(205,074.29)	242,716,489.56	160,384,446.36	50.87	(205,074.29)	160,179,372.07
Within 1 to 2 years	81,651,195.14	18.71	0.00	81,651,195.14	63,599,313.01	20.17	(24,873.00)	63,574,440.01
Within 2 to 3 years	31,784,644.03	7.29	(752,786.97)	31,031,857.06	27,293,012.79	8.66	(752,786.97)	26,540,225.82
Over 3 years	79,935,874.33	18.32	(14,090,022.83)	65,845,851.50	64,002,470.65	20.30	(14,157,271.83)	49,845,198.82
Total	436,293,277.35	100	(15,047,884.09)	421,245,393.26	315,279,242.81	100	(15,140,006.09)	300,139,236.72

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

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Inventories

Inventories details

	30 June 2010	1 January 2010
	<i>RMB</i>	<i>RMB</i>
Raw materials	396,961,059.63	304,796,967.74
Unfinished products	415,542,575.12	337,547,095.47
Finished products	510,430,548.58	519,263,675.05
Completed properties for sale	139,592,535.27	86,870,608.76
Property development cost	194,269,765.26	176,134,685.54
Less: Provision for impairment	<u>(85,660,782.17)</u>	<u>(88,301,752.20)</u>
Total	<u>1,571,135,701.69</u>	<u>1,336,311,280.36</u>

Note: The above completed properties for sale and properties under development for sale are the Huanyuan guanjuncheng project belonging to Beijing Bohong Property Development Company Limited, a subsidiary of the Company. During the year, there is no capitalised borrowing cost.

Changes of provision for obsolete stocks are as follows:

Category	1 January 2010	Accrual of	Write-back amount	Write-off amount	30 June 2010
	<i>RMB</i>	the period	of the period	of the period	<i>RMB</i>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	
Raw materials	15,412,214.96			(3,428.38)	15,408,786.58
Unfinished products	35,246,230.53			(276,528.12)	34,969,702.41
Finished products	<u>37,643,306.71</u>	<u>300,000.00</u>	<u>(2,205,422.05)</u>	<u>(455,591.48)</u>	<u>35,282,293.18</u>
Total	<u>88,301,752.20</u>	<u>300,000.00</u>	<u>(2,205,422.05)</u>	<u>(735,547.98)</u>	<u>85,660,782.17</u>



Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Long-term equity investments

Long-term equity investment is stated as follows:

Note of Investee	Original book value at 1 January		Additions	Reductions	Original book value at 31 June		Proportion of ownership held by the Group	Provision for impairment loss	Cash dividends
	Cost	2010			2010	2010			
	RMB	RMB	RMB	RMB	RMB	RMB		RMB	RMB
(1) Using the cost method:									
Hongda Investment Company Ltd	24,866,602.17	24,866,602.17			24,866,602.17		9.38%		
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 (note 1)	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%		
Qingdao Jinyi Pressing and casting Company Ltd (Note 3)	1,057,000.00	1,057,000.00			1,057,000.00		27%		
Qingdao Qingfeng Forging Company (Note 2)	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%		
Others		1,943,071.34		629,189.16	1,313,882.18			1,356,883.87	
(2) Using the equity method									
China Textile Machinery and Technology Import and Export Corporation ("China Texma Tech")	30,000,000.00	53,981,912.11	3,344,142.35		57,326,054.46		25%		
Hongda Research Company Limited	20,000,000.00	25,598,483.92			25,598,483.92		40%		
Zhengzhou Hongda Non-woven Fabric Company Limited	17,000,000.00	8,919,484.37		992,197.58	7,927,286.79		23.74%		
Hengyang Textile Machinery Company Limited	12,896,800.00	11,352,341.30	310,937.34		11,663,278.64		49%		
Anhui Huamao Jingwei New Type Textile Company Limited	12,500,000.00	7,741,017.68	578,525.23		8,319,542.91		25%		
Shenyang Jingxing Textile Machinery Company Limited	1,000,000.00						31.25%		
Qingdao Ruihe Real Estate Company Limited	4,400,000.00		4,091,507.38		4,091,507.38		44%		
Total		167,084,886.33	8,325,112.30	1,621,386.74	173,788,611.89			6,356,883.87	
Less: Provision for impairment of long-term investment								6,356,883.87	
Net book value of long-term investment					167,431,728.02				

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. 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 expressly 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: There are no significant restrictions on transferring of investment income from investee.

9. Fixed Assets

Changes in fixed assets during the year are as follows:

Category	At 1 January 2010 RMB	Addition RMB	Reduction RMB	At 30 June 2010 RMB
1. Cost	2,721,215,019.64	38,797,730.47	59,688,264.59	2,700,324,485.52
Buildings	977,473,961.45	1,042,902.75	20,170,515.45	958,346,348.75
Machinery and equipment	1,627,366,461.19	30,513,475.13	33,491,427.69	1,624,388,508.63
Motor vehicle	116,374,597.00	7,241,352.59	6,026,321.45	117,589,628.14
2. Accumulated depreciation	1,417,831,895.54	57,538,277.55	43,045,922.99	1,432,324,250.10
Buildings	333,154,108.72	12,125,062.69	12,959,240.16	332,319,931.25
Machinery and equipment	1,015,257,199.82	39,952,245.03	26,153,055.55	1,029,056,389.30
Motor vehicle	69,420,587.00	5,460,969.83	3,933,627.28	70,947,929.55
3. Provision for impairment	22,955,236.25		1,061,120.89	21,894,115.36
Buildings	1,477,261.32		246.99	1,477,014.33
Machinery and equipment	21,468,937.10		1,060,873.90	20,408,063.20
Motor vehicle	9,037.83			9,037.83
4. Net book value	1,280,427,887.85			1,246,106,120.06
Buildings	642,842,591.41			624,549,403.17
Machinery and equipment	590,640,324.27			574,924,056.13
Motor vehicle	46,944,972.17			46,632,660.76

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in RMB Yuan unless otherwise stated)**IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****10. Construction in progress**

Project name	1 January	Additions during the year	Complete and transfer to fixed assets during the year	30 June	Capital source	Budget	Proportion of construction investment in budget
	2010			2010			
	RMB	RMB	RMB	RMB		RMB	%
New plant in Tianjin industry zone	48,910,782.34	15,291,263.00		64,202,045.34	Company's own funds	276,000.00	23
Phase 2, Qingdao Laoshan	2,623,929.00	24,433,291.00	(241,380.00)	26,815,840.00	Company's own funds	47,100.00	57
Phase I, New Plant Area Project of Wuxi Hongda Textile Machinery and Special Parts and Utility Works for renovation	42,749,737.33	6,564,123.22	(977,386.27)	48,336,474.28	Company's own funds	60,000.00	80
Workshop and industry zone construction of Chufeng Automobile	0.00	39,090,000.00	0.00	39,090,000.00	Company's own funds	82,500.00	47
Others	21,340,295.95	16,179,830.35	(14,853,899.49)	22,666,226.81	Company's own funds		
Total	<u>115,624,744.62</u>	<u>101,558,507.57</u>	<u>(16,072,665.76)</u>	<u>201,110,586.43</u>			

11. Intangible Assets

Category	Land use right	Patent rights	Norpatent technology	Computer Software	Others	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Original value						
At beginning of period	395,560,593.13	6,120,767.32	3,369,468.00	13,959,180.00	2,269,713.00	421,279,721.45
Increase of the year	95,076,458.25	6,300,000.00		48,470.07		101,424,928.32
Decrease of the year	-	-	-	-	-	-
Amount at end of the period	490,637,051.38	12,420,767.32	3,369,468.00	14,007,650.07	2,269,713.00	522,704,649.77
Cumulative amortization						
At beginning of period	(48,460,315.98)	(2,218,117.92)	(3,369,468.00)	(7,747,322.51)	(907,884.96)	(62,703,109.37)
Accrual amount of the year	(4,376,601.35)	(371,680.98)		(1,079,216.08)	(113,485.62)	(5,940,984.03)
Decrease of the year	-	-	-	-	-	-
At end of year	(52,836,917.33)	(2,589,798.90)	(3,369,468.00)	(8,826,538.59)	(1,021,370.58)	(68,644,093.40)
Net amount						
At beginning of period	<u>347,100,277.15</u>	<u>3,902,649.40</u>		<u>6,211,857.49</u>	<u>1,361,828.04</u>	<u>358,576,612.08</u>
At end of period	<u>437,800,134.05</u>	<u>9,830,968.42</u>		<u>5,181,111.48</u>	<u>1,248,342.42</u>	<u>454,060,556.37</u>

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
12. Deferred income tax assets

Category	Deductible (taxable) temporary differences and deductible losses		Deferred income tax assets (liabilities)	
	30 June 2010 RMB	1 January 2010 RMB	30 June 2010 RMB	1 January 2010 RMB
Provision for impairment	16,268,070.67	16,268,070.67	2,440,210.60	2,440,210.60
Offset of unrealized profits of inventory	12,486,492.76	12,486,492.76	2,366,561.85	2,366,561.85
Deductible losses	48,041,050.73	57,494,471.53	7,206,157.61	8,624,170.73
Others	480,000.00	480,000.00	72,000.00	72,000.00
Total	77,275,614.16	86,729,034.96	12,084,930.06	13,502,943.18

13. Provision for assets impairment

Category	1 January 2010 RMB	Accrual in period RMB	Due to the extended scope of consolidation RMB	Write-back amount RMB	Write-off amount RMB	30 June 2010 RMB
Provision for obsolete stocks	88,301,752.20	300,000.00		(2,205,422.05)	(735,547.98)	85,660,782.17
Provision for long-term equity investment impairment	6,356,883.87			-	-	6,356,883.87
Provision for fixed assets impairment	22,955,236.25			-	(1,061,120.89)	21,894,115.36
Total	230,594,758.99	744,068.50	1,059,200.00	(4,641,520.97)	(6,324,294.85)	221,432,211.67

14. Short-term loans

Category	30 June 2010 RMB	1 January 2010 RMB
Credit loans	629,981,796.15	312,239,783.67
Guarantee loans	120,000,000.00	130,000,000.00
Notes financing	59,572,000.00	130,465,661.36
Total	809,553,796.15	572,705,445.03

There are no overdue loans in the short-term loans in the Group as of 30 June 2010.

15. Notes payable

Category	30 June 2010 RMB	1 January 2010 RMB
Bank's Acceptance Bill	145,250,927.62	104,999,184.31
Commercial Acceptance Bill	6,639,007.87	23,018,365.48
Total	151,889,935.49	128,017,549.79

There are no payables for shareholders holding 5% and above equity interest of the Company in notes payable as of 30 June 2010.

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Accounts payable

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

Shareholder's Name	30 June 2010 RMB	1 January 2010 RMB
CTMC	<u>6,301,379.63</u>	<u>6,301,379.63</u>

17. Advances from customers

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

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

Category	30 June 2010		1 January 2010	
	RMB	%	RMB	%
Within 1 year	<u>423,184,341.00</u>	<u>100</u>	<u>193,009,852.00</u>	<u>100</u>

The abovementioned advance receipts are from advance receipts related to old buildings from Huayuanguanjuncheng.

18. Employee benefits payable

Category	1 January 2010 RMB	Accrual in year RMB	Payment in year RMB	30 June 2010 RMB
Wage, bonus, allowance and subsidy	23,717,598.94	174,324,263.31	(195,149,329.29)	2,892,532.96
Employee welfare		8,741,783.86	(7,260,937.29)	1,480,846.57
Social insurance	18,034,115.19	45,047,461.71	(37,966,213.98)	25,115,362.92
Including: medical insurance	1,580,155.03	12,120,236.78	(11,937,951.76)	1,762,440.05
basic endowment insurance	14,196,928.06	28,859,769.45	(21,657,957.96)	21,398,739.55
annuity payments				
unemployment insurance	1,996,837.01	2,215,165.74	(2,720,421.76)	1,491,580.99
injury insurance	145,170.58	1,037,142.78	(848,270.74)	334,042.62
childbirth insurance	115,024.51	815,146.96	(801,611.76)	128,559.71
Housing fund	6,811,441.63	8,496,085.86	(7,025,396.99)	8,282,130.50
Labor union fund	4,462,687.77	2,663,042.17	(2,076,077.10)	5,049,652.84
Vocational training fund	10,172,161.75	506,025.50	(2,019,047.59)	8,659,139.66
Non-monetary benefits		53,220.00	(29,053.00)	24,167.00
Compensation to employees for termination of employment relationship	14,685,126.04	500,025.50	(6,842,070.28)	8,343,081.26
Others	91,439.01	5,549,639.56	(5,422,316.38)	218,762.19
Including: payment by cash settled shares				
Total	<u>77,974,570.33</u>	<u>245,881,547.47</u>	<u>(263,790,441.90)</u>	<u>60,065,675.90</u>

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Tax payable

Categories of taxes	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
Value-added tax payable	20,603,203.40	22,212,518.23
Business tax payable	1,195,666.43	5,856,221.19
Enterprise income tax payable	12,702,596.32	13,113,997.61
Urban land use tax	13,742,210.43	11,264,938.67
Others	6,256,543.24	9,907,409.65
Total	<u>54,500,219.82</u>	<u>62,355,085.35</u>

20. Dividends payable

Investor's name	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
CTMC	17,607,600.00	17,607,600.00
Change Textile Machinery Plant	1,150,782.25	1,150,782.25
Others	1,121,988.44	1,121,988.44
Total	<u>19,880,370.69</u>	<u>19,880,370.69</u>

21. Other payables

As at 30 June 2010, payables to shareholders holding 5% and above equity interest of the Company are as follows:

Shareholder's name	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
CTMC	<u>16,562,395.89</u>	<u>16,562,395.89</u>

**Notes to the Financial Statements**

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**22. Long-term payables due within one year***(1)*

Category	30 June 2010 RMB	1 January 2010 RMB
Long-term borrowing due within one year	427,822,797.11	75,707,797.11
Long-term payables due within one year	29,555,838.66	30,469,247.39
Total	<u>457,378,635.77</u>	<u>106,177,044.50</u>

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

Category	30 June 2010 RMB	1 January 2010 RMB
Credit loans	400,000,000.00	50,000,000.00
Pledged loans	18,180,000.00	16,065,000.00
Factoring financing loan	9,642,797.11	9,642,797.11
Total	<u>427,822,797.11</u>	<u>75,707,797.11</u>

(3) Long-term payable due within one year

Category	30 June 2010 RMB	1 January 2010 RMB
Retirement and supplemental benefit obligation	2,214,254.47	3,127,663.20
Including: Early retired staff welfare	1,024,254.47	1,247,663.20
Retired staff welfare	1,190,000.00	1,880,000.00
CMB Finance Lease Ltd.	27,341,584.19	27,341,584.19
Including: Principal	34,248,684.12	34,248,681.12
Unrecognised financing charges	<u>(6,907,096.93)</u>	<u>(6,907,096.93)</u>

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
23. Long-term borrowings

Categories	30 June 2010 RMB	1 January 2010 RMB
Credit loan	710,000,000.00	600,000,000.00
Pledged loans	34,920,000.00	41,895,000.00
Factoring financing loans	9,642,797.11	14,257,044.85
Total	<u>754,562,797.11</u>	<u>656,152,044.85</u>
Less: Long-term loans with maturity within one year Including Mortgage loan	427,822,797.11 —	75,707,797.11 —
Long-term loans with maturity over one year	<u>326,740,000.00</u>	<u>580,444,247.74</u>

The interest rates for the above loans range from 4.860% to 5.400%.

24. Long-term payables

Categories	30 June 2010 RMB	1 January 2010 RMB
Retirement and supplemental benefit obligation	39,507,272.35	39,265,295.33
Welfare for early retired staff	2,502,735.83	2,400,824.30
Retired persons' welfare	37,004,536.52	36,864,471.03
CMB Finance Lease Ltd.	101,943,879.93	116,657,929.01
Unrecognised financing charges	117,056,755.57	128,432,554.20
Land premiums payable	(15,112,875.64)	(11,774,625.19)
	29,994,000.00	
Total	<u>171,445,152.28</u>	<u>155,923,224.34</u>

25. Special payables

Categories	At 1 January 2010 RMB	Additions RMB	Reductions RMB	At 30 June 2010 RMB
Tax rebate for import of key components of automatic winding machines	60,163,884.14	9,672,171.53		69,836,055.67
Special fund		60,000,000.00		60,000,000.00
Total	<u>60,163,884.14</u>	<u>69,672,171.53</u>		<u>129,836,055.67</u>

Note: The special fund of RMB60,000,000 was allocated pursuant to the Caiqi[2009] No.319 Central State-owned capital operating budget for major technological innovation and industrialized project funds delivered by the Ministry of Finance, to support the construction of the technological centre. The Group applied it as State investment according to the requirement. After the conversion into State capital and the latest increase in financing by the Company, China Hengtian Group Company Limited (the beneficial controller of the Company) or China Textile Machinery (Group) Company Limited (the controlling shareholder of the Company) would complete the increase of capital in the Company.

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in RMB Yuan unless otherwise stated)**IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****26. Other non-current liabilities**

Item	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
Assets-related government grant		
– Land purchase money refund	10,036,556.30	10,036,556.30
– Development and industrialization investment grant for Efficient intelligent coarse spinner series products	5,000,000.00	5,000,000.00
– Project of installation of material technical equipments of new model textile machineries	3,085,447.29	3,128,996.43
– Investment grant for the Company's scientific and technological projects	1,000,000.00	1,000,000.00
– Investment grant on the project of high-end twisting machine	5,451,250.00	5,451,250.00
– Investment grant on the project of Efficient modernization and industrialization of cotton textile complete equipment	17,414,244.45	24,282,195.69
– Investment grant on research on coordinated emulate technology of Textile production line		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 high-speed bearing and spindle	4,850,000.00	4,350,000.00
– Investment grant on the project of new type high speed warp knitting machine industrialization	2,633,435.32	2,633,435.32
– Investment in intelligent high-speed jet loom	4,060,000.00	
– Project in respect of the fully automatic rotor spinning machine and the modern automatic consecutive cotton weaving model production line	1,790,000.00	
– Others	630,000.00	630,000.00
Earnings-related government grant		
– Financial subsidy of textile machine and weaving machine expansion project	709,704.25	1,324,715.75
– Project in respect of the 2010 Shanxi Province promotion of technological achievements	100,000.00	
– Project in respect of the 2010 Shanxi Province technological innovation Plan	900,000.00	
– Others	309,226.91	356,161.51
Total	<u>57,969,864.52</u>	<u>60,213,311.00</u>

27. Share capital

Item	1 January 2010/30 June 2010(Share) <i>RMB</i>
1. Restricted shares	195,656,053.00
Other domestic shares held	16,053.00
Including: Shares held by domestic legal persons	
Total number of restricted shares	<u>195,656,053.00</u>
2. Non-restricted shares	
1. RMB-denominated ordinary shares	227,343,947.00
2. Foreign shares listed overseas	180,800,000.00
Total number of non-restricted shares	<u>408,143,947.00</u>
3. Total number of shares	603,800,000.00

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

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Surplus reserve

Category	At 1 January 2010 RMB	Additions RMB	Reductions RMB	At 30 June 2010 RMB
Statutory surplus reserve	396,770,911.21			396,770,911.21
Discretionary surplus reserve	177,763,046.16			177,763,046.16
Total	<u>574,533,957.37</u>			<u>574,533,957.37</u>

29. Unappropriated Profit

	30 June 2010 RMB	30 June 2009 RMB
Unappropriated profit at beginning of the period	<u>337,092,967.43</u>	<u>434,150,573.02</u>
Add: Net profit of the period	29,189,636.93	(78,890,775.73)
Less: Accrual of statutory surplus reserve	—	12,128,829.86
Profit available for distribution	366,282,604.36	343,130,967.43
Less: Accrual of surplus reserve	—	—
dividends payable – last year's/previous year's cash dividends approved on the general shareholders' meeting	—	6,038,000.00
Undistributed profit at end of the period	<u>366,282,604.36</u>	<u>337,092,967.43</u>

30. Operating income

Category	30 June 2010 RMB	30 June 2009 RMB
Main operations	2,167,704,362.22	1,174,596,427.05
Textile machinery	2,158,783,748.40	1,114,619,610.05
Real estate	972,138.00	59,976,817.00
Others	7,948,475.82	
Other operations	288,779,999.09	104,002,717.85
Operating leases	9,234,964.92	3,068,048.33
Sales of raw materials and accessories	271,856,956.17	100,334,669.52
Others	7,688,078.00	600,000.00
Total	<u>2,456,484,361.31</u>	<u>1,278,599,144.90</u>

Total revenues of top five clients stand at RMB370,601,180.00 (compared with RMB212,522,840.00 last year) which accounts for 15% of the total operating income, compared with 17% of last year.

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in RMB Yuan unless otherwise stated)**IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****31. Operating cost**

Category	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Main operations	1,930,240,812.38	1,086,868,164.93
Textile machinery	1,923,312,982.89	1,045,045,908.86
Real estate	327,356.60	41,822,256.07
Others	6,600,472.89	
Other operations	233,256,819.58	98,786,809.20
Operating leases	5,313,865.74	3,068,048.33
Sales of raw materials and accessories	227,818,653.84	95,688,760.87
Others	124,300.00	30,000.00
Total	<u>2,163,497,631.96</u>	<u>1,185,654,974.13</u>

32. Business tax and levies

	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Business tax	1,153,258.07	3,892,352.97
Urban construction and maintenance fee	2,358,171.25	1,531,585.35
Educational surtax	1,282,732.20	568,240.53
Others	943,985.08	
Total	<u>5,738,146.60</u>	<u>5,992,178.85</u>

33. Financial expenses

	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Interest rate expense	31,757,063.95	36,258,187.37
Less: Capitalized interest expenses	-	(13,184,007.10)
Less: interest income	(12,380,926.64)	(4,772,178.85)
Exchange differences	(559,992.46)	1,067,940.97
Others	1,375,889.31	782,421.37
Total	<u>20,192,034.16</u>	<u>20,152,363.76</u>

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Assets impairment loss

Category	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Loss from bad debt	(1,992,030.42)	(10,260,885.86)
Loss from impairment of inventories	(1,905,422.05)	(1,465,186.16)
Total	<u>(3,897,452.47)</u>	<u>(11,726,072.02)</u>

35. Investment gain

Category	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Gain from long-term equity investment	2,796,327.19	6,689,976.22
Including: Profit announced by investee to be distributed under cost method	—	11,082,900.00
Gain (loss) recognized under equity method	2,932,914.72	(4,392,923.78)
Gain (loss) from disposal of long-term equity investment	(136,587.53)	—
Interest income from entrusted loans	—	6,631,358.61
Gain from investments in trading financial assets	911,520.31	—
Others	1,616,452.00	—
Total	<u>5,324,299.50</u>	<u>13,321,334.83</u>

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

36. Non-operating income

Category	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Income from disposal of fixed assets	4,898,391.24	5,412,731.50
Penalty income	34,913.96	268,033.72
Government grants	13,049,873.51	11,711,720.86
Others	2,727,473.95	992,793.50
Total	<u>20,710,652.66</u>	<u>18,385,279.58</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in RMB Yuan unless otherwise stated)**IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****37. Non-operating expenses**

Category	30 June 2010 RMB	30 June 2009 RMB
Loss from disposal of fixed assets	1,726,251.45	3,006,708.57
Loss on debt restructuring	42,007.98	5,044,640.59
Others	686,145.17	246,826.42
Total	<u>2,454,404.60</u>	<u>8,298,175.58</u>

38. Income tax

Category	30 June 2010 RMB	30 June 2009 RMB
Current income tax expenses	4,048,594.19	1,063,771.31
Deferred income tax expenses	1,418,013.12	1,094,165.46
	<u>5,466,607.31</u>	<u>2,157,936.77</u>

39. EPS

Category	30 June 2010 RMB	30 June 2009 RMB
Basic EPS	<u>0.05</u>	<u>(0.16)</u>

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

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

40. Net profit after deducting extraordinary gains and losses

Category	30 June 2010 RMB	30 June 2009 RMB
Net profit	29,189,636.93	(98,887,306.09)
Add/Less: extraordinary gains and losses	(15,705,516.28)	(14,210,693.22)
– Profit or loss on disposal of non-current assets	(3,283,064.94)	(2,406,022.93)
– Government grants	(13,049,873.51)	(11,711,720.86)
– Gains on entrusted loans	–	(6,631,358.61)
– Profit or loss on debt restructuring	(851,681.43)	4,872,334.07
– Net amount of non-operating income and expenses other than the above items	(2,551,492.65)	(841,694.28)
– Other extraordinary gains and losses	4,030,596.25	2,507,769.39
Net profit after deducting extraordinary gains and losses	<u>13,484,120.65</u>	<u>(113,097,999.31)</u>

Notes to the Financial Statements

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
41. Cash and cash equivalents

Category	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
Cash	1,437,174,228.45	1,207,372,241.74
Including: Cash on hand	1,770,950.96	1,028,131.30
Bank deposits that can be readily withdrawn on demand	1,345,982,794.03	1,199,541,715.10
Other monetary funds that can be readily withdrawn on demand	89,420,483.46	6,802,395.34
Balance of cash and cash equivalents	<u>1,437,174,228.45</u>	<u>1,207,372,241.74</u>
Restricted cash and cash equivalents of parent company and Subsidiaries of the Group	<u>54,660,299.10</u>	<u>70,319,945.24</u>

42. Supplementary information of cash flow statements

Category	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Reconciliation of net profit to cash flow from operating activities net profit	30,452,522.26	(109,958,713.61)
Add: Provision for assets impairment	(3,897,452.47)	(11,726,072.02)
Fixed assets depreciation	50,678,179.28	57,148,659.79
Intangible assets amortization	5,830,450.18	4,881,531.45
Amortization of long-term deferred expenses	81,580.12	-
Losses resulting from disposal of fixed assets, intangible assets or other long-term assets (less gains)	(3,052,463.25)	(2,406,022.93)
Fair value changes losses (less gains)	-	-
Financial costs	20,192,034.16	20,152,363.76
Investment losses (less gains)	(5,324,299.50)	(13,321,334.83)
Decrease in deferred income tax assets (less increase)	1,418,013.12	5,384,466.73
Inventory decrease	(221,428,176.43)	129,092,895.78
Decrease in operating receivables (less increase)	46,421,387.67	(120,906,182.69)
Increase in operating payables (less decrease)	10,773,214.95	80,725,478.91
Net cash flow from operating activities	(67,855,009.91)	39,067,070.34
Net changes of cash and cash equivalents at end of the year	1,437,174,228.45	927,752,672.06
Less: Cash at beginning of the year	(1,207,372,241.74)	(734,709,610.55)
Net increase of cash and cash equivalents	<u>229,801,986.71</u>	<u>193,043,061.51</u>

Notes to the Financial Statements

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

V. RELATED PARTIES AND TRANSACTIONS

(1) Related parties with controlling relationship

Company name	Place of registration	Business nature	Registered capital	% of voting rights	% of shares
CTMC	Beijing	Textile machinery manufacturing & trade	2,735,820,000.00	33.83	33.83

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

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

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

China Textile Industrial Corporation for Foreign Economic and Technological Cooperation	Controlled by the ultimate controlling parent company
Shandong KAMA Casting Company Limited	Controlled by the ultimate controlling parent company
Shandong KAMA Automobile Manufacturing Company Limited	Controlled by the ultimate controlling parent company
Hengtian Investment Company Limited	Controlled by the ultimate controlling parent company
Hongda Industries Company Limited	Controlled by the same parent company
Sales and Technical Services Company of China Textile Machinery Industry Corporation Company	Controlled by the same parent company
Hongda Investment Company Limited	Controlled by the same parent company
Jinlang Company Limited	Controlled by the same parent company
Jingwei Machinery (Group) Company Limited	Controlled by the same parent company
Jinzhong Jingwei Fibre Machinery Company Limited	Controlled by the same parent company
State-owned Yichang Textile Machinery Factory	Controlled by the same parent company
Yichang Chinese Textile Industry and Trade Company Limited	Controlled by the same parent company
Hi-Tech Heavy Industry Co., Ltd	Controlled by the same parent company
Hengyang Textile Machinery Company Limited	Associate
Shaoyang Textile Machinery Company Limited	Controlled by the same parent company
Technical Training Plant of Changde Textile Machinery Plant	Controlled by the same parent company
Qingdao Jinyi Pressing Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence
Shenyang Jingxing Textile Machinery Manufacturing Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence
China Texmatech Company Limited	Associate
Anhui Huamao Jingwei New Type Textile Company Limited	Associate
Hongda Research Institute Company Limited	Associate
Zhengzhou Hongda Non-wovens Company Limited	Associate
Qingdao Textile Machinery Jinhui Molds Company	Company in which key personnel of subsidiaries has significant influence ("Company in which Key Personnel of Subsidiaries has Significant Influence")
Qingdao Textile Machinery Kelifeng Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery Carding Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery Forging Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Electric Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery Nonwovens Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery and Lida Electric Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Luhuan Engineering Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery Jinshancheng Company	Company in which Key Personnel of Subsidiaries has Significant Influence
Qingdao Textile Machinery Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence
Shenyang Textile Machinery Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence
Shenyang Hongsheng Textile Machinery Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence
Tianjin Textile Machinery Plant	Company in which Key Personnel of Subsidiaries has Significant Influence
Tianjintian Textile Machinery Steel Modification Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence
Tianjintian Textile Machinery Heat Treatment Company Limited	Company in which Key Personnel of Subsidiaries has Significant Influence

Notes to the Financial Statements

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

V. RELATED PARTIES AND TRANSACTIONS (continued)

(3) The Company has made the following major connected transactions with related parties from January to June 2010

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

	January to June 2010	January to June 2009
	amount	amount
	<i>RMB</i>	<i>RMB</i>
Finished goods sold		
Companies controlled by the same parent company	18,042,957.00	2,639,646.00
Associates	87,040,747.00	63,218,021.00
Jointly controlled entities	–	–
Companies controlled by ultimate controlling parent company	67,596,562.00	1,220,513.00
Companies in which key personnel of subsidiaries has significant influence	–	1,216,694.00
Total	<u>172,680,266.00</u>	<u>68,294,874.00</u>
Raw materials and parts sold		
Companies controlled by the same parent company	71,521,386.00	15,513,792.00
Associates	148,910.00	8,945,669.00
Jointly controlled entities	–	–
Companies controlled by ultimate controlling parent company	15,607.00	2,456,083.00
Companies in which key personnel of subsidiaries has significant influence	2,546,613.00	474,413.00
Total	<u>74,232,516.00</u>	<u>27,389,957.00</u>
Processing charges		
Companies controlled by the same parent company	1,092,092.00	390,554.00
Total	<u>1,092,092.00</u>	<u>390,554.00</u>
Charges on provision of support services		
Controlling companies	–	2,946.00
Companies controlled by ultimate controlling parent company	41,048.00	274,012.00
Companies controlled by the same parent company	5,114,525.00	3,396,169.00
Total	<u>5,155,573.00</u>	<u>3,673,127.00</u>
Rental income received		
Companies controlled by the same parent company	2,373,977.00	2,599,891.00
Total	<u>2,373,977.00</u>	<u>2,599,891.00</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in RMB Yuan unless otherwise stated)**V. RELATED PARTIES AND TRANSACTIONS (continued)****(4) The Company has made the following major connected transactions with related parties from January to June 2010**

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

	January to June 2010 amount <i>RMB</i>	January to June 2009 amount <i>RMB</i>
Tools and molds purchased		
Associates	–	–
Companies controlled by the same parent company	4,851,366.00	1,663,521.00
Companies in which key personnel of subsidiaries has significant influence	–	–
Total	<u>4,851,366.00</u>	<u>1,663,521.00</u>
Molds purchased		
Associates	–	10,137,403.00
Companies controlled by the same parent company	–	–
Companies in which key personnel of subsidiaries has significant influence	78,284,974.00	22,326,819.00
Total	<u>78,284,974.00</u>	<u>32,464,222.00</u>
Energy purchased		
Companies controlled by the same parent company	18,242.00	28,027.00
Companies in which key personnel of subsidiaries has significant influence	341,384.00	1,325,146.00
Total	<u>359,626.00</u>	<u>1,353,173.00</u>
Packaging materials purchased		
Companies controlled by the same parent company	250,089.00	35,529.00
Companies in which key personnel of subsidiaries has significant influence	33,061,564.00	9,568,903.00
Total	<u>33,311,653.00</u>	<u>9,604,432.00</u>
Raw materials and parts purchased		
Associates	1,382,404.00	–
Companies controlled by the same parent company	64,132,243.00	11,559,891.00
Companies in which key personnel of subsidiaries has significant influence	204,859,164.00	61,418,668.00
Total	<u>270,373,811.00</u>	<u>72,978,559.00</u>
Finished goods purchased		
Companies controlled by the same parent company	130,171,467.00	69,546,972.00
Companies in which key personnel of subsidiaries has significant influence	50,224,245.00	8,189,755.00
Total	<u>180,395,712.00</u>	<u>77,736,727.00</u>

Notes to the Financial Statements

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

V. RELATED PARTIES AND TRANSACTIONS (continued)

(5) The Company has made the following major connected transactions with related parties in this year (continued)

	January to June 2010	January to June 2009
	amount	amount
	<i>RMB</i>	<i>RMB</i>
Processing fees paid		
Companies controlled by the same parent company	22,953,325.00	13,094,601.00
Companies in which key personnel of subsidiaries has significant influence	<u>2,437,362.00</u>	<u>3,951,656.00</u>
Total	<u><u>25,390,687.00</u></u>	<u><u>17,046,257.00</u></u>
Transportation services fees		
Companies controlled by the same parent company	<u>1,613,805.00</u>	<u>880,120.00</u>
Total	<u><u>1,613,805.00</u></u>	<u><u>880,120.00</u></u>
Repair and maintenance fees		
Companies controlled by the same parent company	<u>4,629,403.00</u>	<u>3,709,406.00</u>
Total	<u><u>4,629,403.00</u></u>	<u><u>3,709,406.00</u></u>
Other support fees		
Companies controlled by the same parent company	2,974,008.00	4,294,313.00
Companies in which key personnel of subsidiaries has significant influence	<u>5,350,134.00</u>	<u>615,653.00</u>
Total	<u><u>8,324,142.00</u></u>	<u><u>4,909,966.00</u></u>
Rental expenses		
Associates	—	—
Companies controlled by the same parent company	345,907.00	126,000.00
Companies in which key personnel of subsidiaries has significant influence	<u>—</u>	<u>4,763,159.00</u>
Total	<u><u>345,907.00</u></u>	<u><u>4,889,159.00</u></u>
Staff accommodation rental expenses		
Companies controlled by the same parent company	<u>—</u>	<u>—</u>
Total	<u><u>—</u></u>	<u><u>—</u></u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in RMB Yuan unless otherwise stated)**VI. CONTINGENT LIABILITIES****1. Guarantees**

Category	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
Guarantees to third parties:		
Guarantee for borrowings from a third party bank (Note 1)	150,000,000.00	150,000,000.00
Guarantee to banks for mortgage loans on behalf of residential property buyers (Note 2)	178,248,639.95	93,686,943.07
Guarantees to subsidiaries:		
Guarantees provided for banking facilities granted to subsidiaries (Note 3)	133,000,000.00	220,000,000.00
Total	<u>461,248,639.95</u>	<u>463,686,943.07</u>

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 30 June 2010, 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 RMB178,248,639.95 in respect of residential properties that have been sold but certificates of property rights have not been obtained.

Note 3: As at 30 June 2010, the Company has provided guarantees for its subsidiaries namely Beijing New Technology, Beijing Jingpeng, Yichang Jingwei, Tianjin Hongda to obtain comprehensive credit facilities of RMB133,000,000.00. To which RMB118,150,000,000.00 was used, the remaining credit facilities are amounted to RMB14,850,000,000.00.

VII. COMMITMENTS**1. Significant Commitments****(i) Capital commitments**

Category	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
Contracted but not recognized in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	7,580,966.59	392,896,690.50
– Commitment in relation to external investment	1,200,000,000.00	
Total	<u>1,207,580,966.59</u>	<u>392,896,690.50</u>

Notes: Commitments in relation to purchasing long-term assets represents monies to be paid for acquisition of fixed assets in next two years. Commitment in relation to external investment is the investment fund for the acquisition of Zhongrong International Trust Co., Ltd.

(2) Operating lease commitments

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

Category	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
Minimum lease payments under non-cancellable operating leases		
The first year after balance sheet date	4,898,000.00	11,028,452.00
The second year after balance sheet date		157,900.00
Total	<u>4,898,000.00</u>	<u>11,186,352.00</u>

Notes to the Financial Statements

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

VIII. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
1. Currency funds

Category	30 June 2010		1 January 2010	
	Amount of Foreign currency	RMB	Amount of Foreign currency	RMB
Cash		567,122.79		392,033.63
RMB	326,158.21	469,401.01	122,455.41	281,179.20
HKD	31,850.00	28,043.29	31,850.00	28,043.29
USD	575.00	3,932.76	16.00	109.25
EURO	4,939.80	48,395.72	6,698.24	65,623.33
Yen	70,150.00	5,175.81	70,150.00	5,175.81
Pound	1,050.00	11,526.90	1,050.00	11,526.90
Swiss Franc	57.00	375.85	57.00	375.85
Others	40.00	271.45	—	—
Bank Deposit	—	780,599,830.49	—	830,610,556.85
RMB	739,801,389.60	780,551,944.16	785,248,458.90	830,570,372.09
HKD	20,699.81	18,255.70	20,931.31	18,459.28
USD	3,052.38	29,630.63	3,183.09	21,725.48
Other currency funds	—	57,751,121.79	—	213,008,962.57
RMB	49,659,851.28	57,751,121.79	193,009,310.42	213,008,962.57
	—	—	—	—
Total		<u>838,918,075.07</u>		<u>1,044,011,553.05</u>

At the balance sheet date, other currency funds mainly included pledged bank balances and refundable deposits. Pledged bank balances was deposits pledged to banks for bill payables of RMB7,775,995.02.

2. Notes receivable

Category	30 June 2010 RMB	1 January 2010 RMB
Bank's Acceptance Bill	997,767,375.31	480,386,559.74
Commercial Acceptance Bill	43,800,000.00	70,400,000.00
Total	<u>1,041,567,375.31</u>	<u>550,786,559.74</u>

On 30 June 2010, the Group discounted unexpired acceptance bills with the right of recourse of RMB43,800,000. Unexpired acceptance bills with the right of recourse that have been endorsed amounted to RMB247,313,708.46.

3. Accounts receivable

The ageing of accounts receivable is provided as follows:

	30 June 2010				1 January 2010			
	Original book value RMB	Proportion %	Bad Debt Provision RMB	Net Book Value RMB	Original book value RMB	Proportion %	Bad Debt Provision RMB	Net Book value RMB
Within one year	218,398,803.56	83.26	(493,832.25)	217,904,971.31	254,222,941.26	84.97	—	254,222,941.26
One to two years	13,120,317.79	5.00	(49,218.26)	13,071,099.53	13,659,434.87	4.57	(676,094.85)	12,983,340.02
Two to three years	16,298,829.55	6.21	(2,853,608.87)	13,445,220.68	14,552,831.78	4.86	(3,990,039.89)	10,562,791.89
Above three years	14,508,644.73	5.53	(13,926,482.93)	582,161.8	16,769,976.09	5.60	(16,140,338.18)	629,637.91
Total	<u>262,326,595.63</u>	<u>100</u>	<u>(17,323,142.31)</u>	<u>245,003,453.32</u>	<u>299,205,184.00</u>	<u>100</u>	<u>(20,806,472.92)</u>	<u>278,398,711.08</u>

Notes to the Financial Statements

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

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

4. Advances to suppliers

The aging of advances to suppliers is stated as follows:

Category	30 June 2010				1 January 2010			
	Original book value RMB	Proportion %	Bad debt Provision RMB	Net Book value RMB	Original book value RMB	Proportion %	Bad debt Provision RMB	Net Book value RMB
Within one year	411,422,876.84	99.53		411,422,876.84	256,963,670.59	99.15		256,963,670.59
One to two years	957,753.40	0.23	(32,417.75)	925,335.65	1,320,493.40	0.51	(32,417.75)	1,288,075.65
Two to three years	300,139.54	0.07	(16,941.64)	283,197.90	238,640.49	0.09	(16,941.64)	221,698.85
Above three years	708,112.23	0.17	(282,752.62)	425,359.61	657,762.68	0.25	(282,752.62)	375,010.06
Total	413,388,882.01	100	(332,112.01)	413,056,770.00	259,180,567.16	100	(332,112.01)	258,848,455.15

5. Other receivables

The ageing of other receivables is provided as follows:

Category	30 June 2010				1 January 2010			
	Original book value RMB	Proportion %	Bad debt Provision RMB	Net Book value RMB	Original book value RMB	Proportion %	Bad debt Provision RMB	Net Book value RMB
Within 1 year	677,386,133.14	86.72		677,386,133.14	401,674,729.38	71.69		401,674,729.38
1 to 2 years	68,472,385.19	8.77		68,472,385.19	73,375,521.61	13.10	(24,873.00)	73,350,648.61
2 to 3 years	20,797,073.48	2.66		20,797,073.48	30,224,151.08	5.39		30,224,151.08
Over 3 years	14,447,388.24	1.85	(50,000.00)	14,397,388.24	55,047,873.50	9.82	(93,181.00)	54,954,692.50
Total	781,102,980.05	100	(50,000.00)	781,052,980.05	560,322,275.57	100	(118,054.00)	560,204,221.57

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

6. Inventories

Category	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
Raw materials	82,202,558.22	53,630,034.56
Unfinished products	119,858,280.24	103,296,138.22
Finished products	149,751,543.13	169,218,558.50
Less: Impairment	<u>(41,496,024.19)</u>	<u>(42,774,478.65)</u>
Total	<u>310,316,357.40</u>	<u>283,370,252.63</u>

Changes of provision for obsolete stocks are as follows:

Category	1 January 2010 <i>RMB</i>	Accrual amount of the period <i>RMB</i>	Amount reversed during the period <i>RMB</i>	Write-off amount of the period <i>RMB</i>	30 June 2010 <i>RMB</i>
Raw materials	4,882,661.48	—	—	—	4,882,661.48
Unfinished product	16,836,351.02	—	—	(12,684.12)	16,823,666.90
Finished products	<u>21,055,466.15</u>	<u>—</u>	<u>(1,265,770.34)</u>	<u>—</u>	<u>19,789,695.81</u>
Total	<u>42,774,478.65</u>	<u>—</u>	<u>(1,265,770.34)</u>	<u>(12,684.12)</u>	<u>41,496,024.19</u>



Notes to the Financial Statements

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

7. Long-term Equity Investment

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

Name of Investee	Initial Investment RMB	At 1 January 2010 RMB	Additions RMB	Reductions RMB	At 30 June 2010 RMB	Proportion of owners held by the Group
1. Long-term Equity Investment calculated under equity method						
China Texma Tech Company Ltd	30,000,000.00	53,981,912.11	3,344,142.35		57,326,054.46	25.00%
Hongda Research Institute Company	20,000,000.00	25,598,483.92			25,598,483.92	40.00%
Zhengzhou Hongda Non-woven Company Ltd	17,000,000.00	8,919,484.37		992,197.58	7,927,286.79	23.74%
Hengyang textile Marching Company Limited	10,264,800.00	9,035,536.96	247,480.74		9,283,017.70	39.00%
2. Long-term Equity Investment calculated under cost method						
Hongda Investment Company Limited	24,866,602.17	24,866,602.17			24,866,602.17	9.38%
Beijing Jingpeng Investment Management Company Limited	96,000,000.00	96,000,000.00			96,000,000.00	96.00%
Shenyang Hongda Texma Company Limited	69,580,000.00	81,301,993.00			81,301,993.00	98.00%
Beijing Jingwei Textile New Technology Company Limited	98,400,000.00	98,407,084.00			98,407,084.00	98.40%
Shanxi Heli Jingwei Machinery Manufacturing Company Limited	30,000,000.00	39,288,285.00			39,288,285.00	30.00%
Changde Textile Machinery Company Limited	29,644,900.00	35,279,928.00			35,279,928.00	70.00%
Yichang Jingwei Textile Company Limited	15,000,000.00	15,000,000.00			15,000,000.00	75.00%
Tianjin Hongda Texma Company Limited	26,930,000.00	71,005,633.00			71,005,633.00	98.00%
Tianjin Jingwei Textile Machinery Company Limited	12,000,000.00	12,000,000.00			12,000,000.00	75.00%
Qingdao Hongda Textile Machinery Company Limited	44,100,000.00	96,009,790.51			96,009,790.51	97.66%
Shanghai Chuangan Trade & Commerce Company Limited	1,800,000.00	1,800,000.00			1,800,000.00	90.00%
Shanghai Wexin Electronic & Mechanical Company Limited	14,400,000.00	14,400,000.00			14,400,000.00	90.00%
Shanghai Jingwei Dongxing Blooming-Carding Machinery Company Limited	42,383,554.97	40,357,554.97			40,357,554.97	78.00%
Wuxi Jingwei Textile S&T Test Company Limited	2,000,000.00	4,765,534.00			4,765,534.00	10.00%
Wuxi Hongda Textile Machinery Parts Company Limited	32,960,000.00	34,152,507.00			34,152,507.00	66.55%
Wuxi Jingwei Textile Machinery Sales Services Company Limited	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%
Zhengzhou Hongda New Type Textile Machinery Company Limited	23,010,000.00	80,805,191.00			80,805,191.00	98.00%
Jingwei Textile Machinery Yuci Materials Company Limited	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	35,860,000.00			35,860,000.00	89.65%
Taiyuan Jingwei Electric Appliance Company Limited	4,900,000.00	5,212,000.00			5,212,000.00	98.00%
Hong Kong Huaming Limited	4,966,416.00	62,559,880.00			62,559,880.00	100.00%
Huangshi Jingwei Textile Machinery Company Limited	24,902,014.83	24,902,014.83			24,902,014.83	90.00%
Anshan Jingwei HoogKong Agriantinal Machinery Company Limited	38,855,400.00		38,855,400.00		38,855,400.00	51.00%
Hubei Xin ChuFeng Automobile Co., Ltd	100,000,000.00		100,000,000.00		100,000,000.00	50.00%
Jinzhong Jingwei Sounding Company Limited	17,200,000.00		17,200,000.00		17,200,000.00	68.80%
Total		1,042,772,847.01	159,647,023.09	992,197.58	1,201,427,672.52	

(2) There is no restriction on the ability of the investee in which the long-term equity investments are held by the Company as of 30 June 2010 to transfer capital to the Group.

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

**VIII. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
(continued)**
8. Fixed Assets

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

	At 1 January 2010 <i>RMB</i>	Addition <i>RMB</i>	Reduction <i>RMB</i>	At 30 June 2010 <i>RMB</i>
1. Cost	859,865,634.37	13,558,454.01	30,088,552.24	843,335,536.14
Buildings	298,197,853.35		1,287,545.59	296,910,307.76
Machinery and equipment	525,291,042.81	11,587,576.10	26,765,517.58	510,113,101.33
Motor vehicle	36,376,738.21	1,970,877.91	2,035,489.07	36,312,127.05
2. Accumulated depreciation	478,570,480.21	17,449,844.96	21,811,217.89	474,209,107.28
Buildings	113,713,909.92	3,462,994.12	717,735.10	116,459,168.94
Machinery and equipment	343,093,513.96	12,686,882.14	19,654,029.28	336,126,366.82
Motor vehicle	21,763,056.33	1,299,968.70	1,439,453.51	21,623,571.52
3. Provision for impairment	15,351,042.15		1,037,609.62	14,313,432.53
Buildings				
Machinery and equipment	15,351,042.15		1,037,609.62	14,313,432.53
Motor vehicle				
4. Net book value	365,944,112.01			354,812,996.33
Buildings	184,483,943.43			180,451,138.82
Machinery and equipment	166,846,486.70			159,673,301.98
Motor vehicle	14,613,681.88			14,688,555.53

9. Intangible Assets

Category	Land use right <i>RMB</i>	Patent rights <i>RMB</i>	Software <i>RMB</i>	Total <i>RMB</i>
Original value				
Amount at beginning of the period	98,663,717.00	8,165,012.71	8,549,759.40	115,378,489.11
Increase of the year			48,470.07	48,470.07
Decrease of the year				
Amount at end of the period	98,663,717.00	8,165,012.71	8,598,229.47	115,426,959.18
Accumulated amortization				
Amount at beginning of the period	(22,489,267.26)	(4,262,363.31)	(4,419,086.14)	(31,170,716.71)
Provision of the year	(996,169.48)	(371,680.98)	(676,747.04)	(2,044,597.50)
Decrease of the year				
Amount at end of the period	(23,485,436.74)	(4,634,044.29)	(5,095,833.18)	(33,215,314.21)
Amount at beginning of the period	76,174,449.74	3,902,649.40	4,130,673.26	84,207,772.40
Amount at end of the period	75,178,280.26	3,530,968.42	3,502,396.29	82,211,644.97
Remaining amortization life	35.1 year to 40.5year	3.8 year to 4.75 year	0.5 year to 3 year	

10. Provision for asset impairment

	1 January 2010 <i>RMB</i>	Provision for the period <i>RMB</i>	Decrease of the period Amount reversed during the period <i>RMB</i>	Write-off amount of the period <i>RMB</i>	30 June 2010 <i>RMB</i>
Provision for bad debt	21,256,638.93	436,206.10	(1,402,717.71)	(2,584,873.00)	17,705,254.32
Provision for inventory obsolete stocks	42,774,478.65	-	(1,265,770.34)	(12,684.12)	41,496,024.19
Provision for fixed asset impairment	15,351,042.15	-	-	(1,037,609.62)	14,313,432.53
Total	<u>79,382,159.73</u>	<u>436,206.10</u>	<u>(2,668,488.05)</u>	<u>(3,635,166.74)</u>	<u>73,514,711.04</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in RMB Yuan unless otherwise stated)**VIII. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
(continued)****11. Short-term borrowings**

Category	30 June 2010 RMB	1 January 2010 RMB
Bank loans	574,981,796.15	311,239,783.67
Notes facilities	43,800,000.00	90,400,000.00
Total	<u>618,781,796.15</u>	<u>401,639,783.67</u>

12. Notes payable

Category	30 June 2010 RMB	1 January 2010 RMB
Bank's acceptance bills	68,432,355.96	63,684,289.49
Commercial acceptance bills	570,110.53	1,386,100.00
Total	<u>69,002,466.49</u>	<u>65,070,389.49</u>

13. Employee benefits payable

Category	1 January 2010 RMB	Provision of the year RMB	Payment of the year RMB	30 June 2010 RMB
Wage, bonus, subsidy and allowance	7,972,723.34	50,927,054.19	(58,150,356.19)	749,421.34
Employees' welfare	–	1,748,600.73	(1,456,324.65)	292,276.08
Social insurance	886,291.03	14,272,953.54	(8,800,464.37)	6,358,780.20
Including: Medical insurance	151,982.93	3,575,453.29	(3,481,741.15)	245,695.07
Basic pension insurance	(267,544.52)	9,432,237.57	(3,200,081.01)	5,964,612.04
Annuity payment	–	–	–	–
Unemployment insurance	829,074.22	677,112.29	(1,540,975.32)	(34,788.81)
Work injury insurance	75,367.93	361,056.80	(335,109.08)	101,315.65
Birth insurance	97,410.47	227,093.59	(242,557.81)	81,946.25
Housing fund	6,007,217.66	1,570,914.38	(989,730.64)	6,588,401.40
Labor union	504,830.99	870,403.23	(312,122.34)	1,063,111.88
Education fee	741,352.35	449,370.84	(299,062.78)	891,660.41
Non-monetary benefits	–	–	–	–
Compensation to employees for termination of employment relationship	7,848,672.06	–	(584,978.55)	7,263,693.51
Others	–	35,745.00	(35,745.00)	–
Includings: Payment by cash-settled shares	–	–	–	–
Total	<u>23,961,087.43</u>	<u>69,875,041.91</u>	<u>(70,628,784.52)</u>	<u>23,207,344.82</u>

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

14. Tax payable

Categories of tax	30 June 2010 RMB	1 January 2010 RMB
Corporate income tax payable	3,623,468.26	3,623,468.26
Value added tax payable	9,016,159.50	14,685,084.83
Operating tax payable	305,714.40	163,867.70
Urban construction payable	–	231,880.67
Land use tax payable	10,477,232.68	8,727,360.43
Others	105,959.59	675,726.26
Total	<u>23,528,534.43</u>	<u>28,107,388.15</u>

15. Long-term payables due within one year

(1)

Category	30 June 2010 RMB	1 January 2010 RMB
Long-term borrowing due within one year	427,822,797.11	75,707,797.11
Long-term payables due within one year	27,971,584.19	27,971,584.19
Total	<u>455,794,381.30</u>	<u>103,679,381.30</u>

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

Category	30 June 2010 RMB	1 January 2010 RMB
Credit loans	400,000,000.00	50,000,000.00
Guaranteed loans		
Pledged loans	18,180,000.00	16,065,000.00
Factoring financing loan	9,642,797.11	9,642,797.11
Total	<u>427,822,797.11</u>	<u>75,707,797.11</u>

(3) *Long-term payable due within one year*

Category	30 June 2010 RMB	1 January 2010 RMB
Retirement and supplemental benefit obligation		
– Early retired staff welfare		
– Retired staff welfare	630,000.00	630,000.00
CMB Finance Lease Ltd.	27,341,584.19	27,341,584.19
– Principal	34,248,684.12	34,248,684.12
– Unrecognised financing charges	(6,907,096.93)	(6,907,096.93)
Total	<u>27,971,584.19</u>	<u>27,971,584.19</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Accounting Standards for Business Enterprises)
(All amounts are stated in RMB Yuan unless otherwise stated)**VIII. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS**
(continued)**16. Long-term borrowings**

Categories	30 June 2010 <i>RMB</i>	1 January 2010 <i>RMB</i>
Credit loans	710,000,000.00	600,000,000.00
Guaranteed loans	34,920,000.00	41,895,000.00
Factoring financing loans	9,642,797.11	14,257,044.85
Total	754,562,797.11	656,152,044.85
Less: Long-term loans with maturity within one year Including collateral loans	427,822,797.11 —	75,707,797.11 —
Long-term loans with maturity over one year	<u>326,740,000.00</u>	<u>580,444,247.74</u>

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

17. Unallocated profits

	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Unallocated profit at beginning of period	127,322,449.74	76,404,207.11
Add: Net profit of the period	2,345,664.41	63,284,714.04
Less: Accrual of statutory surplus reserve	—	(6,328,471.41)
Profit available for distribution to shareholders	129,668,114.15	133,360,449.74
Less: Accrual of free surplus reserve	—	—
Dividends payable – last year's/previous year's cash dividends approved at the general meeting	—	(6,038,000.00)
Unallocated profit at end of the period	<u>129,668,114.15</u>	<u>127,322,449.74</u>

18. Operating Income

Categories	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Principal activities	1,250,666,148.51	746,668,590.15
Other activities	396,541,616.39	22,537,454.17
Total	<u>1,647,207,764.90</u>	<u>769,206,044.32</u>

19. Operating cost

Categories	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Principal activities	1,199,035,250.70	743,210,759.26
Other activities	363,355,632.81	21,816,364.53
	<u>1,562,390,883.51</u>	<u>765,027,123.79</u>

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

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

20. Business tax and levies

Categories of tax	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Urban construction maintenance expense	(263,765.40)	309,170.53
Others	806,756.24	50,654.82
Total	<u>542,990.84</u>	<u>359,825.35</u>

21. Financial cost

Categories	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Interest expense	15,297,496.95	19,306,143.54
Less: interest income	(5,073,434.34)	(10,668,319.11)
Exchange differences	(916,479.05)	239,199.27
Expenses for financial institutions' proceedings	928,572.05	439,065.38
Total	<u>10,236,155.61</u>	<u>9,316,089.08</u>

22. Gain on investments

Categories	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Gain on long-term equity investments	2,599,425.51	9,956,327.85
Including: Profit recognized under cost method and announced by investee to be distributed	–	11,042,600.00
Gain/loss recognized under equity method	2,599,425.51	(1,086,272.15)
Gain on entrusted loan interest	–	3,562,450.61
Gain on tradable financial assets	238,249.51	–
Total	<u>2,837,675.02</u>	<u>13,518,778.46</u>

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

23. Non-operating income

Categories	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Income from disposal of fixed assets	2,881,156.79	1,658,533.37
Penalty income	4,944.00	21,554.60
Government grants	3,630,500.00	2,170,000.00
Others	889,189.41	525,143.93
Total	<u>7,405,790.20</u>	<u>4,375,231.90</u>

**Notes to the Financial Statements**

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

**VIII. INTERPRETATIONS FOR MAJOR ITEMS OF PARENT COMPANY'S FINANCIAL STATEMENTS
(continued)****24. Non-operating expense**

Categories	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Loss from disposal of fixed assets	1,027,851.92	725,537.62
Loss on debt restructuring	42,007.98	5,042,640.59
Penalty expense	—	—
Others	110,922.97	8,481.20
Total	<u>1,180,782.87</u>	<u>5,776,659.41</u>

25. Income tax

Categories	30 June 2010 <i>RMB</i>	30 June 2009 <i>RMB</i>
Current income tax expenses	15,985.00	719,419.27
Deferred income tax expenses	—	1,134,956.26
Total	<u>15,985.00</u>	<u>1,854,375.53</u>

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

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

	Notes	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Turnover	4	2,439,561	1,274,931
Cost of sales		<u>(2,163,797)</u>	<u>(1,188,549)</u>
Gross profit		275,764	86,382
Other income	5	44,890	37,366
Gain on fair value changes of investment held-for-trading		912	0
Distribution expenses		(55,689)	(42,938)
Administrative expenses		<u>(201,134)</u>	<u>(161,144)</u>
Operation profit		64,743	(80,334)
Finance cost	6	(31,757)	(23,074)
Share of Profit/(loss) of jointly controlled entities and associates		<u>2,933</u>	<u>(4,393)</u>
Profit before taxation	7	35,919	(107,801)
Taxation	8	<u>(5,467)</u>	<u>(2,158)</u>
Profit for the period		<u>30,452</u>	<u>(109,959)</u>
Attributable to:			
Equity holders of the Company		29,190	(98,887)
Minority interests		<u>1,262</u>	<u>(11,072)</u>
		<u>30,452</u>	<u>(109,959)</u>
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share) – basic and diluted	9	<u>0.05</u>	<u>(0.16)</u>

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

	<i>Notes</i>	30 June 2010	31 December 2009
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	11	1,447,724	1,396,494
Prepaid lease payments		429,450	340,113
Intangible assets	12	32,200	12,373
Deposits paid for acquisition of property, plant and equipment		–	–
Interests in associated companies		52,505	107,593
Available-for-sale financial assets		114,926	53,135
Deferred tax assets		12,085	13,503
Other non-current assets		163,448	49,268
		<u>2,252,338</u>	<u>1,972,479</u>
Current assets			
Inventories	13	1,237,273	1,073,306
Properties under development for sale		194,270	176,135
Completed properties for sale		139,593	86,871
Trade and other receivables	14	2,637,011	1,943,709
Prepaid lease payments		8,350	8,349
Amounts due from holding company		64	64
Amounts due from fellow subsidiaries		127,610	104,916
Amounts due from associated companies		143,802	167,257
Taxation recoverable		–	4,150
Financial assets measured at fair value, the change of which is accounted for in the profit or loss		2,145	2,170
Pledged bank deposits		144,081	70,320
Cash and cash equivalents	15	1,347,754	1,207,372
		<u>5,981,953</u>	<u>4,844,619</u>
Current liabilities			
Trade and other payables	16	3,087,708	2,249,627
Amounts due to holding company		24,912	41,540
Amounts due to fellow subsidiaries		17,255	44,275
Amounts due to associated companies		1,245	13,152
Taxation payable		54,500	13,114
Borrowings – amount due within one year		1,207,821	648,413
Obligation under finance leases		29,556	27,342
		<u>4,422,997</u>	<u>3,037,463</u>
Net current assets		<u>1,558,956</u>	<u>1,807,156</u>
Total assets less current liabilities		<u>3,811,294</u>	<u>3,779,635</u>
Non-current liabilities			
Borrowings – amount due after one year		326,740	580,444
Finances leases liabilities		101,944	116,658
Other non-current liabilities		257,307	159,642
		<u>685,991</u>	<u>856,744</u>
		<u>3,125,303</u>	<u>2,922,891</u>
Capital and reserves			
Share capital	17	603,800	603,800
Reserves		2,182,281	2,153,117
Equity attributable to equity holders of the Company		2,786,081	2,756,917
Non-controlling interests		339,222	165,974
		<u>3,125,303</u>	<u>2,922,891</u>

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

	Unaudited								
	Attributable to equity of the group						Total RMB'000	Minority interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus RMB'000	Exchange reserve RMB'000	Retained profits RMB'000			
At 1 January 2009	603,800	1,253,404	384,642	177,763	(2,878)	434,150	2,850,881	221,001	3,071,882
Total comprehensive income for the period						(98,887)	(98,887)	(11,072)	(109,959)
Arising on acquisition of subsidiaries	-	(9,619)	-	-			(9,619)	(19,768)	(29,387)
Interest paid						(6,038)	(6,038)		(6,038)
Profit for the period									
At 30 June 2009	<u>603,800</u>	<u>1,243,785</u>	<u>384,642</u>	<u>177,763</u>	<u>(2,878)</u>	<u>329,225</u>	<u>27,36,337</u>	<u>190,161</u>	<u>2,926,498</u>
At 1 January 2010	<u>603,800</u>	<u>1,244,377</u>	<u>396,771</u>	<u>177,763</u>	<u>(2,886)</u>	<u>337,092</u>	<u>2,756,917</u>	<u>165,974</u>	<u>2,922,891</u>
Profit for the period	-	-	-	-		29,190	29,190	1,263	30,453
Total recognised income and expense for the year	-	-	-	-	(27)		(27)		(27)
Arising on acquisition of subsidiaries								171,986	171,986
Dividends paid									
At 30 June 2010	<u>603,800</u>	<u>1,244,377</u>	<u>396,771</u>	<u>177,763</u>	<u>(2,913)</u>	<u>366,283</u>	<u>2,786,081</u>	<u>339,222</u>	<u>3,125,303</u>

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

	Six months ended 30 June	
	2010 <i>RMB '000</i> (Unaudited)	2009 <i>RMB '000</i> (Unaudited)
Net cash used in operating activities	<u>(67,855)</u>	<u>39,067</u>
Cash flows from investing activities		
cash flow disposal of equity and financial investment, net	(97,418)	(10,258)
purchases of property, plant and equipment	(41,127)	(30,867)
disposal of property, plant and equipment	<u>3,446</u>	<u>8,891</u>
Net cash flows from investing activities	<u>(135,099)</u>	<u>(32,234)</u>
Cash flows from financing activities		
dividends paid and interest paid	19,954	(35,841)
cash of borrowings	789,769	776,000
repayment of borrowings due	<u>(376,975)</u>	<u>(553,945)</u>
Net cash flows from financing activities	<u>432,748</u>	<u>186,214</u>
Net decrease in cash and cash equivalents	229,794	193,047
Cash and cash equivalents at 1 January	1,207,372	734,710
Effect of foreign exchange rate changes	<u>8</u>	<u>(4)</u>
Cash and cash equivalents at 30 June	<u>1,437,174</u>	<u>927,753</u>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalent	1,437,174	927,753
Time deposits with maturity of more than three months	<u>43,890</u>	<u>100,000</u>
	<u><u>1,393,284</u></u>	<u><u>827,753</u></u>

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

1 GENERAL INFORMATION

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

These consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

The Company and its subsidiaries (the "Group") are principally engaged in manufacturing and sales of textile machinery mainly in the PRC. The registered address of the Company is 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC.

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values (if applicable), as appropriate.

A number of new or revised HKFRSs are effective for the financial year beginning on 1 January 2010. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements for the six months ended 30 June 2010 as were applied in the preparation of the Group's financial statements for the year ended 31 December 2009.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in an annual report, and should be read in conjunction with the Company's 2009 Annual Report.

Impact of new and revised Hong Kong financial reporting standards ("HKFRSS") and changes in accounting policies

Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the condensed consolidated interim financial statements. The adoption of these new and revised standards and interpretations had no material effect on the results and the financial position of the Group for the current or prior accounting periods:-

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible hedged items
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HK-Int 4 (Amendment)	Determination of Length of Lease Term in respect of Hong Kong Land Leases

Impact of HKFRSs issued but not yet effective

HKFRS 9	Financial Instruments ⁴
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 (Amendment)	Presentation-Classification of Right Issues ¹
HK(IFRIC)-Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

In May 2009, the HKICPA issued Improvements to HKFRSs* which set out amendments to HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. The Group adopt the amendments to HKFRSs from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

¹ Effective for annual periods beginning on or after February 1, 2010

² Effective for annual periods beginning on or after July 1, 2010

³ Effective for annual periods beginning on or after January 1, 2011

⁴ Effective for annual periods beginning on or after January 1, 2013

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.



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

3 BASIS OF PREPARATION

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

4 SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009.

HKFRS 8 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) manufacturing and sales of textile machinery; (b) sales of materials, parts and components; and (c) sales of developed properties.

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

	Manufacturing and sales of textile machinery	Sales of materials, parts and components	Property development	Eliminations	Total
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
For the six months ended 30 June 2010					
Turnover					
External sales	2,166,732	271,857	972	–	2,439,561
Inter-segment sales		313,728		(313,728)	–
Total	<u>2,166,732</u>	<u>585,585</u>	<u>972</u>	<u>(313,728)</u>	<u>2,439,561</u>
Inter-segment sales are charged at prevailing market rates.					
Result					
Segment result	<u>30,457</u>	<u>7,141</u>	<u>(5,058)</u>		32,540
Unallocated income					28,968
Unallocated expenses					(3,271)
Finance costs					(31,757)
Gain on fair value changes of held-for-trading investments					
Interest income					–
					12,381
Share of profit/(loss) of jointly controlled entities and associates					<u>2,933</u>
(Profit)/loss before taxation					35,929
Taxation					<u>(5,477)</u>
Profit for the period					<u>30,452</u>

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

4 SEGMENT INFORMATION (continued)

	Manufacturing and sales of textile machinery	Sales of materials, parts and components	Property development	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the six months ended 30 June 2009					
Turnover					
External sales	1,114,619	100,335	59,977	–	1,274,931
Inter-segment sales	–	268,380		(268,380)	–
Total	1,114,619	368,715	59,977	(268,380)	1,274,931
Segment results from inter-segment sales which are charged at prevailing market rates					
Segment result	(90,956)	(12,679)	13,214	–	(90,421)
Unallocated income					18,385
Unallocated expenses					(8,298)
Finance costs					(23,074)
Share of results of jointly controlled entities and associated companies					(4,393)
Loss before taxation					(107,801)
Taxation					(2,158)
Loss for the period					(109,959)

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

5 OTHER INCOME

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from banks	12,381	4,772
Interest income due from related parties		6,631
Government subsidies	13,050	11,712
Investment gain	(137)	
Net exchange gain	560	(1,068)
Dividends income from available-for-sale investments		11,083
Net gain on disposal of property, plant and equipment	3,172	2,406
Others	15,864	1,830
Total	44,890	37,366



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

6 FINANCE COST

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses:		
Interest expense arising from bank loans due within five years	31,757	23,074

7 (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) Profit before taxation after charging of the following items		
Amortisation of intangible assets	1,564	1,656
Amortisation of land use rights	4,377	3,226
Depreciation of property, plant and equipment	57,538	57,149
Auditor's remuneration	728	346
Provision (write back) for doubtful debts	(1,992)	(10,261)
Provision (write back) for inventories	(1,905)	(1,465)
Operating lease expense-land and buildings	5,520	3,310
Research and development costs	34,995	23,882
Staff costs, including directors' and supervisors' emoluments	245,881	191,513

8 INCOME TAX EXPENSES

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	4,049	1,064
Deferred tax		
Charge for the year	1,418	1,094
Total	5,467	2,158

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the period attributable to the owners of the Company of RMB 29,190,000 (January to June 2009: Loss of RMB98,887,000) and 603,800,000 (January to June 2009: 603,800,000) shares in issue during the period.

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

10 DIVIDEND

No dividend was proposed by the Company for the six months ended 30 June 2010 (January to June 2009: nil).

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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2010					
Net amount at the beginning of the period	642,842	590,641	46,945	116,066	1,396,494
Additions		15,482.00	7,241	101,558	124,281
Assigned assets after construction	1,043	15,030		(16,073)	
Depreciation	(12,125)	(39,952)	(5,461)		(57,538)
Disposals and other reductions	(7,211)	(6,278)	(2,092)		(15,581)
As at 30 June 2010					
Net amount at the end of the period	<u>624,549</u>	<u>574,923</u>	<u>46,633</u>	<u>201,619</u>	<u>1,447,724</u>
As at 1 January 2009					
Net amount at the beginning of the period	624,817	589,584	71,395	74,105	1,359,901
Additions	456	7,237	2,620	49,521	59,834
Assigned assets after construction	2,596	17,201	262	(20,059)	
Depreciation	(11,510)	(40,620)	(5,018)		(57,148)
Disposals and other reductions	(7,339)	(8,623)	(4,066)		(20,028)
As at 30 June 2009					
Net amount at the end of the period	<u>609,020</u>	<u>564,779</u>	<u>65,193</u>	<u>103,567</u>	<u>1,342,559</u>

12 INTANGIBLE ASSETS

	Patents and licences <i>RMB'000</i>	Software <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2010				
Net amount at the beginning of the period	3,902	6,212	2,259	12,373
Additions	6,300	48	14,930	21,278
Amortisation	(372)	(1,079)		(1,451)
As at 30 June 2010				
Net amount at the end of the period	<u>9,830</u>	<u>5,181</u>	<u>17,189</u>	<u>32,200</u>
As at 1 January 2009				
Net amount at the end of the period	4,284	6,449	2,259	12,992
Additions		504		504
Amortisation	(553)	(1,103)		(1,656)
As at 30 June 2009				
Net amount at the end of the period	<u>3,731</u>	<u>5,850</u>	<u>2,259</u>	<u>11,840</u>



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

13 INVENTORIES

	30 June 2010	31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	381,552	289,385
Work in progress	380,573	302,301
Finished goods	475,148	481,620
	<hr/>	<hr/>
Total	<u>1,237,273</u>	<u>1,073,306</u>

14 TRADE AND OTHER RECEIVABLES

	30 June 2010	31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivable	454,778	409,042
Less: Provision for doubtful debts	(92,067)	(97,435)
	<hr/>	<hr/>
Bills receivable	362,711	311,607
Prepayments, deposits and other receivables	1,529,932	1,116,376
	<hr/>	<hr/>
Total	<u>2,637,011</u>	<u>1,943,709</u>

15 BANK BALANCES AND CASH

	30 June 2010	31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong dollars	5,819	6,284
United States dollars	3,935	3,038
Euro	1,743	2,037
Others	3,511	3,654
Total	<u>15,008</u>	<u>15,013</u>

16 TRADE AND OTHER PAYABLES

	30 June 2010	31 December 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,642,622	1,153,448
Bills payable	151,890	126,918
Accrued charges and other payables	1,293,196	969,261
	<hr/>	<hr/>
Total	<u>3,087,708</u>	<u>2,249,627</u>

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

17 SHARE CAPITAL

	Number of shares		Amount	
	30 June 2010	31 December 2009	30 June 2010 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>
Registered, issued and fully paid				
A shares, RMB 1.00 each	195,656,053	195,656,053	195,656	195,656
restricted	227,343,947	227,343,947	227,344	227,344
others	180,800,000	180,800,000	180,800	180,800
H shares, RMB 1.00 each	<u>603,800,000</u>	<u>603,800,000</u>	<u>603,800</u>	<u>603,800</u>

18 CONTINGENT LIABILITIES

	30 June 2010 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>
Guarantees for bank loans of third party	150,000	150,000
Guarantees for mortgage bank loans of customers	178,249	93,687
Total	<u>328,249</u>	<u>243,687</u>

19 COMMITMENTS
(a) Capital commitments

	30 June 2010 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>
Authorised but not yet announced	<u>1,507,581</u>	<u>392,897</u>

(b) Lease commitments

	30 June 2010 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>
Land and buildings	4,898	
Within one year		11,028
In the second to fifth years inclusive		158
	<u>4,898</u>	<u>11,186</u>



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

20 RELATED PARTIES TRANSACTIONS

For the six months period ended on 30 June 2010, the Group has the following transactions with its related companies:

(1) Transactions with holding companies

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Supporting services income received	—	3
	<u>—</u>	<u>3</u>
	<u>—</u>	<u>3</u>

(2) Transactions with fellow subsidiaries

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	85,640	3,860
Sale of materials, parts and components	71,537	17,970
Processing fee received	1,092	391
Other supporting services income received	5,156	3,670
Rental income received	2,374	2,600
	<u>165,798</u>	<u>28,491</u>
Purchases of goods and services		
Purchase of finished goods	130,171	69,547
Purchase of materials, parts and components	64,132	11,560
Purchase of tools module	4,851	1,664
Purchase of castings	—	—
Purchase of package	250	36
Purchase of energy	18	28
Processing fee paid	22,953	13,095
Transportation services expense paid	1,614	880
Repairs and maintenance services expense paid	4,629	3,709
Other supporting services expense paid	2,974	4,294
Rental expense paid	346	126
Staff accommodation rental expense paid	—	—
	<u>231,940</u>	<u>104,939</u>
Total	231,940	104,939

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

20 RELATED PARTIES TRANSACTIONS (continued)

(3) Transactions with associates

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	87,041	63,218
Sale of materials, parts and components	149	8,946
Processing fee received		—
	<hr/>	<hr/>
Total	87,190	72,164
Purchases of goods and services		
Purchase of materials, parts and components	1,382	—
Purchase of tools module		—
Purchase of castings	—	10,137
Processing fee paid		—
Rental expense paid		—
	<hr/>	<hr/>
Total	1,382	10,137

(4) Transactions with jointly controlled entities

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of finished goods	—	—
Sale of materials, parts and components	—	—
	<hr/>	<hr/>
	—	—

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

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods and services		
Sale of finished goods	—	1,217
Sale of materials, parts and components	2,547	474
	<hr/>	<hr/>
Total	2,547	1,691
Purchase of goods and services		
Purchase of finished goods	50,224	8,190
Purchase of materials, parts and components	204,859	61,419
Purchase of tools module	—	—
Purchase of castings	78,285	22,327
Purchase of energy	341	1,325
Purchase of package	33,062	9,569
Processing fee paid	2,437	3,951
Other supporting services fee paid	5,350	615
Rental expense	—	4,763
	<hr/>	<hr/>
Total	374,559	112,159



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

20 RELATED PARTIES TRANSACTIONS (continued)

(6) Transactions with other state-owned entities

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sales of goods and services		
Sale of finished goods	68,171	82,986
Sale of materials, parts and components	575	25,974
	<u>68,746</u>	<u>108,960</u>
Purchases of goods and services		
Purchase of finished goods	3,779	77,653
Purchase of materials, parts and components	56,483	106,217
Purchase of energy	13,126	1,557
Processing fee paid	8,344	15,993
Purchase of tools module	8	1,664
Purchase of castings	—	32,805
	<u>81,740</u>	<u>235,889</u>
Total	<u>81,740</u>	<u>235,889</u>

21 COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Salaries and other short-term employee benefits	1,787	1,697
Post-employment benefits	154	149
Total	<u>1,941</u>	<u>1,846</u>

Chapter VIII Documents Available for Inspection

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

1. The interim report for the year 2010 which bears the original signature of the Chairman of the Board of Directors;
2. The financial reports which bear the original signatures and seal of by the officer in charge of the Company, the officer in charge of the Company's accounting matter and the person in charge of accounting firm;
3. All documents which were publicly disclosed in the newspapers specified by the China Securities Regulatory Commission during the reporting period; and
4. Articles of Association of the Company.

Jingwei Textile Machinery Company Limited
Board of Directors

18 August 2010