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

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

中国恒天
CHTC

ANNUAL REPORT 2010

IMPORTANT NOTES

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

Baker Tilly China (the PRC Certified Public Accountants) and Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) have audited the financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2010 in accordance with the PRC Corporate Accounting Standards and Hong Kong Financial Reporting Standards, respectively, and have given unqualified audit opinions on both financial statements.

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

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

Contents

Chapter I Company Profile

1.	Statutory name of the Company	: 經緯紡織機械股份有限公司
	Name of the Company in English	: Jingwei Textile Machinery Company Limited
	Abbreviation of Company's Chinese name	: 經緯紡織
	Abbreviation of Company's English name	: JWTM
2.	Legal representative of the Company	: Ye Maoxin
3.	Company Secretary to the Board of Directors	: Ye Xuehua
	Telephone	: 8610 84534078-8188
	E-mail address	: yxh@jwgf.com
	Stock representative	: Qiu Lin
	Telephone	: 8610 84534078-8501
	E-mail address	: ql@jwgf.com
	Correspondence address	: Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Postal Code	: 100125
	Facsimile no.	: 8610 84534135
4.	Registered address of the Company	: 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC
	Postal Code	: 100176
	Business address of the Company	: Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Postal Code	: 100125
	Worldwide website	: http://www.jwgf.com
	E-mail address	: jwgf@jwgf.com
5.	Newspapers for corporate information disclosure in the PRC	: Securities Times
	Websites on which the Company's annual report is posted	: http://www.cninfo.com.cn http://www.hkex.com.hk http://www.jwgf.com
	Place where the annual report is available	: Secretariat to the Board
6.	Stock Exchanges on which shares of the Company are listed and stock codes	
	A Shares	
	Place of listing	: Shenzhen Stock Exchange
	Stock abbreviation	: Jingwei Textile
	Stock code	: 000666
	H Shares	
	Place of listing	: The Stock Exchange of Hong Kong Limited ("Stock Exchange")
	Stock abbreviation	: Jingwei Textile
	Stock code	: 0350
7.	Other relevant information of the Company	
	(1) Incorporation and registration	
	Date and place of incorporation of the Company	: 15 August 1995 at Taiyuan, Shanxi, the PRC
	Dates and places of changes to registration particulars	: 29 March 1996 at Taiyuan, Shanxi, the PRC 5 September 1996 at Taiyuan, Shanxi, the PRC 4 December 1996 at Taiyuan, Shanxi, the PRC 31 October 2000 at Taiyuan, Shanxi, the PRC 8 October 2003 at Beijing, the PRC 9 April 2007 at Beijing, the PRC
	Business licence registration number of enterprise legal person	: 110000450005710
	Tax registration certificate number	: GSJZ110192110052522
	Organization code	: 11005252-2
	(2) Auditors	
	PRC	: Baker Tilly China 2/F., Building B, Huatong Mansion, No. 19 Chegongzhuang West Road Yi, Haidian District, Beijing, The PRC
	Hong Kong	: Baker Tilly Hong Kong Limited 12/F, China Merchants Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
	(3) Hong Kong legal advisers	: Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Central, Hong Kong
	(4) Registrar and transfer office for H shares	: Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Chapter II Summary of Accounting and Business Data

Section I Key operating data for the year

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

	2010 *RMB*
Operating profit	599,570,209.71
Total profit	668,591,411.33
Net profit attributable to shareholders of the Company	244,716,850.09
Net profit attributable to shareholders of the Company after extraordinary gains/losses	120,765,582.01
Net cash flow from operating activities	1,046,757,376.31

2. Non-recurring profit or loss

Unit: RMB

Breakdown of non-recurring profit or loss	**Amount for current period**
(1) Profit or loss from disposal of non-current assets (including the elimination portion of assets impairment provision)	83,109,874.79
(2) Governmental subsidies included in current profit or loss, which is closely related to the business of the Company, excluding the fixed amount or fixed proportion governmental subsidies granted according to certain standards and requirements of the national policy	60,483,494.60
(3) Profit or loss on debt restructuring	1,430,885.64
(4) Profit or loss on changes in fair value arising from held-for-trading financial assets and held-for-trading financial liabilities (excluding the valid hedging business relating to the Company's business), as well as investment gains from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets	3,963,877.12
(5) Other non-operating income and expense except the above	4,137,428.65
Total	153,125,560.80
Less: Impact of income tax	16,637,253.24
Non-recurring profit or loss after income tax	136,488,307.56
Of which:	
Non-recurring profit or loss attributable to the shareholders of parent company	123,951,268.08
Non-recurring profit or loss attributable to minority interest	12,537,039.48

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

1. Key accounting data

Unit: RMB

	2010	2009	Increase/Decrease of current year over previous year (%)	2008
Total operating income (RMB)	7,287,232,568.71	3,571,472,295.37	104.04	3,707,895,439.97
Total profit (RMB)	668,591,411.33	–85,236,919.63	884.39	50,396,248.96
Net profit attributable to shareholders of the parent company (RMB)	244,716,850.09	–78,890,775.73	410.20	25,855,511.70
Net profit attributable to shareholders of the parent company after extraordinary gains/losses (RMB)	120,765,582.01	–269,524,336.54	144.81	–113,583,767.60
Net cash flow generated from operating activities (RMB)	1,046,757,376.31	321,786,374.69	225.30	40,518,810.06

	End of 2010	End of 2009	Increase/Decrease of current year-end over previous year-end (%)	End of 2008
Total assets (RMB)	11,340,459,043.03	6,817,098,155.77	66.35	6,010,576,706.82
Equity attributable to the shareholders of the listed company (RMB)	3,064,121,270.29	2,756,917,886.87	11.14	2,850,881,813.67
Share capital (share)	603,800,000.00	603,800,000.00		603,800,000.00

2. Key financial indicators

Unit: RMB

	2010	2009	Increase/Decrease of current year over previous year (%)	2008
Basic earnings per share (RMB/share)	0.41	–0.13	415.38	0.04
Diluted earnings per share (RMB/share)	0.41	–0.13	415.38	0.04
Basic earnings per share after extraordinary gains/losses (RMB/share)	0.20	–0.45	144.44	–0.19
Weighted average net return on assets (%)	8.46	–2.81	increase by 11.27 percentage points	0.91
Weighted average net return on assets after extraordinary gains/losses (%)	4.18	–9.78	increase by 13.96 percentage points	–4.10
Net cash flow per share generated by operating activities (RMB/share)	1.734	0.533	225.33	0.067

	End of 2010	End of 2009	Increase/Decrease of current year-end over previous year-end (%)	End of 2008
Net asset per share attributable to shareholders of the Company (RMB/share)	5.075	4.566	11.15	4.722

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

Consolidated Statement of Comprehensive Income

	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*
For the year ended 31 December					
Turnover	6,987,647	3,498,019	3,645,693	5,370,325	5,523,945
Profit/(loss) before taxation	533,325	(82,439)	53,522	202,119	230,540
Income tax expense	(124,192)	(29,224)	(25,750)	(26,513)	(23,574)
Profit/(loss) after tax for the year from continuing operations	409,133	(111,663)	27,772	175,606	206,966
Profit after tax for the year from discontinued operation	101,360	–	–	–	–
Profit/(loss) for the year	510,493	(111,663)	27,772	175,606	206,966
Profit/(loss) attributable to:					
Owners of the Company	244,717	(78,891)	25,855	162,206	189,095
Non-controlling interests	265,776	(32,772)	1,917	13,400	17,871
	510,493	(111,663)	27,772	175,606	206,966
Earnings/(loss) per share (RMB)	0.41	(0.13)	0.04	0.27	0.31
Net assets per share (RMB)	5.07	4.57	4.72	4.68	4.50
Return on net assets (%)	8.41	(2.86)	0.91	5.74	6.97

Assets and Liabilities

	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*	2006 *RMB'000*
At 31 December					
Total Assets	11,340,460	6,817,098	6,027,046	6,387,817	6,411,037
Total Liabilities	(7,021,944)	(3,894,207)	(2,955,164)	(3,329,803)	(3,535,276)
Shareholders' Equity	4,318,516	2,922,891	3,071,882	3,058,014	2,875,761

Chapter III Movements in Share Capital and Information on Shareholders

Section 1 Changes in the number of shares during the year

Unit : share

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

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

Unit: share

Name of shareholder	Number of shares subject to terms of lock-up at the beginning of the year	Number of shares released from terms of lock-up in the year	Number of new shares subject to terms of lock-up in the year	Number of shares subject to terms of lock-up at the end of the year	Reasons for terms of lock-up	Date of release from terms of lock-up
China Textile Machinery (Group) Company Limited	195,640,000	0	0	195,640,000	Share segregation reform	–
Ye Maoxin	8,580	2,145	0	6,435	Shares held by senior management	4 January 2010
Yao Yuming	10,304	2,576	0	7,728	Shares held by senior management	4 January 2010
Liu Xianming	2,520	630	0	1,890	Shares held by senior management	4 January 2010
Total	195,661,404	5,351	0	195,656,053	–	–

Note: As set forth in the above table, for the year ended 31 December 2010, except for the changes in the proportion of restricted and unrestricted floating shares of the Company, there was no change in the Company's shareholding structure. According to "Administrative Measures for Shares Held by the Directors, Supervisors and Senior Management of the Listed Company and the Changes" issued by China Securities Regulatory Commission ("CSRC") and the register of members provided by the China Securities Depository and Clearing Corporation Limited, an aggregate of 5,351 shares of the Company held by 3 members of the senior management of the Company previously subject to lock-up were released during the reporting period, therefore such shares became unrestricted floating A shares.

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

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

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

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

Section 2 Issuance of shares and listing

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

Section 3 Information on Shareholders

1. Shareholdings of substantial shareholders

As at 31 December 2010, the Company's top ten registered shareholder and top ten holders of shares without selling restrictions are as follows:

Unit : share

Total number of shareholders:	31,028 shareholders including one legal-person promoter shareholder, 30,990 holders of domestically listed domestic shares held by the public (A Shares), 37 holders of overseas listed foreign shares (H Shares)				
Shareholding of top ten registered shareholders					
Name of shareholder	**Type of shareholder**	**Percentage to total share capital**	**Total number of shares held**	**Number of shares subject to terms of lock-up held**	**Number of shares under pledge or lock-up**
China Textile Machinery (Group) Company Limited *(Note i(1))*	State-owned legal person	33.83%	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited *(Note i(2))*	Overseas legal person	29.83%	180,089,599	0	0
Shandong International Trust Corporation – Zexi Ruijin No.1 Fund	Funds, wealth management products and others	2.24%	13,518,520	0	0
Industrial and Commercial Bank of China-CMB Core Value Mixed Securities Investment Fund	Funds, wealth management products and others	1.73%	10,447,912	0	0
China Construction Bank – China AMC Dividend Mixed Open-end Securities Fund	Funds, wealth management products and others	1.16%	6,999,955	0	0
Industrial and Commercial Bank of China – GF Large-cap Growth Mixed Securities Investment Fund	Funds, wealth management products and others	0.91%	5,499,941	0	0
Beijing International Trust Co., Ltd. – Ze Xi Phase 2 Collective Capital Trust Plan For Investment In Securities	Funds, wealth management products and others	0.71%	4,274,880	0	0
Bank of China – CMB Pioneer Securities Investment Fund	Funds, wealth management products and others	0.54%	3,247,989	0	0
ICBC Credit Suisse Asset Management Co., Ltd. – ICBC – Specific Clients' Assets	Funds, wealth management products and others	0.42%	2,538,973	0	0
China Resources SZITIC Trust Co., Ltd. – Fu Xiang No. 4 Trust For Application Of New Shares	Funds, wealth management products and others	0.37%	2,216,443	0	0

Section 3 Information on Shareholders (continued)

Shareholdings of the top ten shareholders of shares not being subject to term of lock–up		
Name of shareholder	**Number of unrestricted floating shares held**	**Class of shares**
HKSCC Nominees Limited	180,089,599	Overseas listed foreign shares
Shandong International Trust Corporation – Zexi Ruijin No.1 Fund	13,518,520	Domestically listed domestic shares
Industrial and Commercial Bank of China-CMB Core Value Mixed Securities Investment Fund	10,447,912	Domestically listed domestic shares
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed domestic shares
China Construction Bank – China AMC Dividend Mixed Open-end Securities Fund	6,999,955	Domestically listed domestic shares
Industrial and Commercial Bank of China – GF Large-cap Growth Mixed Securities Investment Fund	5,499,941	Domestically listed domestic shares
Beijing International Trust Co., Ltd. – Ze Xi Phase 2 Collective Capital Trust Plan For Investment In Securities	4,274,880	Domestically listed domestic shares
Bank of China – CMB Pioneer Securities Investment Fund	3,247,989	Domestically listed domestic shares
ICBC Credit Suisse Asset Management Co., Ltd. – ICBC – Specific Clients' Assets	2,538,973	Domestically listed domestic shares
China Resources SZITIC Trust Co., Ltd. – Fu Xiang No. 4 Trust For Application Of New Shares	2,216,443	Domestically listed domestic shares
Connected relationship or concert-party relationship among the above shareholders	Among the top ten registered shareholders of the Company, China Textile Machinery (Group) Company Limited is not connected with any of the other nine shareholders, nor is it a party acting in concert with any of them as defined in Administrative Measures for Information Disclosure of the Movement in Shareholdings of Listed Companies. It is not known whether other holders of shares without selling restrictions as aforesaid are connected with one another or whether any of these shareholders falls within the meaning of parties acting in concert as defined in Administrative Measures for Information Disclosure of the Movement in Shareholdings of Listed Companies.	

Section 3 Information on Shareholders (continued)

1. Shareholdings of substantial shareholders (continued)

Notes:

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

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

The legal representative of China Textile Machinery (Group) Company Limited is Zhang Jie. It was established on 28 December 1983, with a registered capital of RMB2,735,820,000. China Textile Machinery (Group) Company Limited is principally engaged in the manufacture and sale of textile machinery.

On 15 January 2007, China Textile Machinery (Group) Company Limited pledged 204,255,248 shares of the Company (representing 33.83% of the Company's total share capital, including the 100% state-owned legal person shares) held by it to China Hengtian Group Company (currently known as "China Hengtian Group Company Limited", hereafter referred to as "China Hengtian Group Company Limited") as a security for the guarantee in the amount of RMB1.494 billion given by China Hengtian Group Company Limited. The pledge period commences from the effective date of the registration of the pledge of shares (i.e. 15 January 2007) and ends on the date falling two years after the expiry date of the guarantee period according to the guarantee agreement.

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

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

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

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

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

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

100%

China Hengtian Group Company Limited

87.57%

China Textile Machinery (Group) Company Limited

33.83%

The Company

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

Section 3 Information on Shareholders (continued)

1. Shareholdings of substantial shareholders (continued)

ii. As at 31 December 2010, so far as the Directors, Supervisors and senior management of the Company were aware, the following person/entity (other than Directors, Supervisors or senior management of the Company) who had interests in the shares of the Company, which were required to be recorded in the register kept in accordance with section 336 of Part XV of the Securities and Futures Ordinance were as follows:

Long positions in the H shares of the Company:

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

Note: Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21 October 2003 as shown on the website of the Stock Exchange. However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000 shares, which, if correct, represents approximately 5.66%, instead of 5.00% (as stated in such notice) of the total issued H shares of the Company as at 31 December 2010. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company since 21 October 2003. The Company is also unable to ascertain the actual number of H Shares held by Zhang Sheng Hang from the register of members of the Company as none of the H Shares was registered in the name of Zhang Sheng Hang as at 31 December 2010.

Long positions in the A shares of the Company:

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

Save as disclosed above, in accordance with the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, the Company had not received any notice regarding the interests or short positions in the shares and underlying shares of the Company as at 31 December 2010.

Chapter IV Directors, Supervisors, Senior Management and Staff

Section I Directors, supervisors and senior management

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

Executive directors

Mr. Ye Maoxin, aged 48, a post-graduate, and a Senior Engineer, is Chairman of the Company. Mr. Ye holds various positions, including the Chairman of Company's subsidiaries, Shanghai Weixin Electrical and Machinery Company Limited and Hong Kong Huaming Company Limited, the chairman and General Manager of Hubei Xinchufeng Automobile Co., Ltd., Vice Chairman of the equity holding company Anhui Huamao Jingwei New Type Textile Company Limited and Chief Supervisor of China Textile Machinery and Technology Import and Export Corporation. Mr. Ye has served as Vice Chairman, General Manager and Secretary of the Party Committee of the Company from December 2005 to August 2007, Deputy General Manager of China Textile Machinery (Group) Company Limited in October 2005, Deputy General Manager of China Hengtian Group Company Limited since September 2006. He has been the Standing Vice Chairman of the Company since August 2007. The send as the Chairman of the Company since August 2010.

Mr. Li Xiaohong, aged 44, master degree qualification, senior economist Deputy Chairman of the Company. Mr. Li was the director of treasury department of China Hengtian Group Company Limited, China Textile Machinery (Group) Company Limited from December 2005 to October 2008, the vice president of China Hengtian Group Company Limited since June 2008, deputy general manager of China Textile Machinery (Group) Company Limited since October 2008, deputy chairman of the Company since August 2010. Mr. Li is also the deputy chairman of China Garments Co., Ltd (a company listed on the Shenzhen Stock Exchange, stock code: 000902), director of Kama Co., Ltd (a company listed on the Shanghai Stock Exchange, stock code: 900953).

Mr. Yan Fuquan, aged 47, a post-graduate, PhD student and Senior Accountant, is the Executive Director of the Company. Since June 2004, he has been Chief Accountant of China Hengtian Group Company Limited and has become Chief Accountant of China Textile Machinery (Group) Company Limited since December 2004. He served as a Director of China Textile Machinery (Group) Company Limited since December 2005. He was Supervisor of the Company from August 2001 to April 2006 and has been the Director of the Company since April 2006.

Mr. Shi Tinghong, aged 48, a post-graduate, Engineer, Senior Economist and Senior Information Manager, is the Executive Director of the Company. Mr. Shi was the Assistant to General Manager of China Textile Machinery (Group) Company Limited since November 2005. Since December 2005, he has been the Director of Strategic Management Department of China Hengtian Group Company Limited and China Textile Machinery (Group) Company Limited. He has also been the Secretary to the Board of Directors of China Hengtian Group Company Limited since December 2006. He has been Director of the Company since June 2005.

Mr. Yao Yuming, aged 49, a post-graduate and Senior Accountant, is the Executive Director, General Manager and Secretary of the Party Committee of the Company. He is also Chairman of various subsidiaries of the Company, namely the Zhengzhou Hongda New Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Yichang Hengtian Development Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited, Beijing Jingpeng Investment Management Company Limited and Shanghai Chuangan Trading Company Limited Anshan Jingwei Haihong Agriculteral Machinery Limited and Shanghai Huayuan Hyperthermia Technology Co., Ltd., Vice-Chairman of Zhangrong International Trust Co., Ltd., Director of Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Type Textile Machinery Company Limited, Wuxi Jingwei Textile Technology Testing Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited, Shanxi Jingwei Heli Machinery Manufacturing Company Limited, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited, Shanghai Weixin Electrical and Machinery Company Limited, Xianyang Jingwei Machinery Manufacturing Company Limited, Xianyang Jingwei Textile Machinery Company Limited and Hubei Xinchufeng Automobile Co., Ltd, Director and General Manager of Hong Kong Huaming Company Limited, Director of the equity holding companies including, Hongda Research Company Limited, Hongda Investment Company Limited and China Textile Machinery and Technology Import and Export Corporation and Hengtian Real Estate Co., Ltd., Chairman of the Supervisory Committee of Anhui Huamao Jingwei New Type Textile Company Limited. Mr. Yao has been Director of the Company since August 1995 and was Financial Controller of the Company from August 1995 to April 2008. He was Standing Deputy Manager of the Company from August 2000 to August 2007. He has been General Manager and Secretary of the Party Committee of the Company since August 2007.

Section I Directors, supervisors and senior management (continued)

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

Independent Non-Executive Directors

Mr. Xu Wenying, aged 59, university qualification, senior engineer at professional level, expert with government special subsidy by the State Council, state registered consulting engineer. Mr. Xu is now the deputy director of China National Textile And Apparel Council, officer of Textile Products Technological Improvement Consultation Services Centre, etc. Mr. Xu was the chief supervisor of China Cotton Textile Association in 1999, chief supervisor of China Yarn Dyed Weaving Association from 2000 to 2009, deputy director of PRC Textile Industry Federation in 2006, independent non-executive director of the Company since August 2010. Mr. Xu has been handling the management of textile industry technological transformation, textile engineering consulting and planning, management of cotton textile and yarn dyed industries for a long time. Mr. Xu is familiar with the cotton textile, synthetic fabric, textile machinery professions. Mr. Xu is currently the independent director of Shandong Weiqiao Textile Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2698) and Huafu Top Dyed Melange Yarn Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002042) and Lianfa Textile Company Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002394). From 2002 to 2008, Mr. Xu was the independent director of Black Peony (Group) Co., Ltd (a company listed on the Shanghai Stock Exchange, stock code: 600510)

Mr. Liu Huangsong , aged 42, PhD holder, researcher, tutor of PhD course. Mr. Liu is currently the officer of Economic Prospect Forecast Study Unit of Economic Research Centre of Shanghai Social Science Institute, and he is now an independent non-executive director of Shanghai Prime Machinery Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2345). He had been successively the independent director of Xinyu Hengdeli Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 3389), an independent non-executive director of Shanghai Prime Machinery Company Limited (a company listed on the Hong Kong Stock Exchange), supervisor of the general committee of Shanghai Old Student Union, Fodan University, supervisor of Shanghai Investment Institute, supervisor of Shanghai Econometric Institute. His main academic achievements include “Exploration of Economic Cycle Operation”, “Low Efficiency Investment Theory for the Stock Market – Investment and development research of the Stock Market in China” etc. He was successively awarded the achievement award for Philosophy and Social Science of Shanghai, Shanghai Dawn Scholar designation, Zhang Zhong Li academic award. Mr. Liu has been the independent non-executive director of the Company since June 2010.

Ms. An Guojun, aged 38, PhD in economics, post-doctoral studies in finance, senior economist, deputy researcher, accountant. Since December 2007 and up till now Ms. An has been the deputy researcher of Financial Market Unit of Finance Research Centre of China Social Science Institute, committee member of the Professional Committee of Bond Market of the Dealer Association of Inter-bank Market of China, post-doctoral student, tutor of master degree course, visiting researcher of Financial Product Centre, senior researcher of Financial Experiment Room. She is mainly in charge of the tracking, analysis and study of macro-economics and investment in the financial market, analysis of monetary policy and fiscal policy, assessment of wealth management product, study on the development of bond market and financial stability, management of asset portfolio, credibility of local governments, she has participated in the setting up and running of investment funds in sector. Ms. An was senior manager of the Financial Market Department of Industrial and Commercial Bank of China from December 2006 to August 2008, she has been the independent non-executive director of the Company since August 2010.

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

Section I Directors, supervisors and senior management (continued)

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

Supervisors

Mr. Tu Kelin, aged 60, a holder of MBA and Senior Political Worker, is Chairman of the Supervisory Committee of the Company. From September 2001, he has been the Deputy Secretary of the Party Committee and Secretary of Disciplinary Committee of China Textile Machinery (Group) Company Limited. He has been the Supervisor of the Company since August 2001 and the Chairman of the Supervisory Committee since August 2007.

Ms. Peng Zeqing, aged 58, a university graduate and Senior Political Worker, is Vice Chairman of Supervisory Committee of the Company. She is Director of Yichang Jingwei Textile Machinery Company Limited, a subsidiary of the Company and Supervisor of a equity holding company, Hongda Research Company Limited. Ms. Peng has been Secretary of Disciplinary Committee of the Company since July 2002, Chairman of the Labour Union of the Company since July 2004, Deputy Secretary of the Party Committee of the Company since April 2005 and Vice Chairman of the Supervisory Committee of the Company since June 2005.

Mr. Liu Hong, aged 40, master degree qualification accountant. Mr. Liu worked in the No. 17 Office of the Supervisory Board of the State-owned Assets Supervision & Administration Commission of the State Council from October 2004 to October 2005; he was chief accountant of China Information Technology Designing & Consulting Institute from October 2005 to January 2009; deputy director of the treasury department of China Hengtian Group Company Limited from February 2009 to December 2009; deputy general manager of textile business department of China Hengtian Group Company Limited from January 2010 to June 2010. Mr. Liu has been a supervisor of the Company since August 2010.

Mr. Li Xisheng, aged 51, is university qualification and senior political worker. He has been the Chairman of the Labour Union of the Yuci Branch of the Company from July 2005 to December 2010 and a Supervisor of the Company since August 2007.

Ms. An Yongzhi, aged 40, university qualification senior accountant. Ms. An was the vice officer of the audit unit of the Company from August 2002 to February 2007; officer of the audit unit of the Company from March 2007 to September 2008; director of the risk management department of the Company since October 2008, and she has been the supervisor of the Company since August 2010.

Section I Directors, supervisors and senior management (continued)

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

Deputy General Managers

Mr. Lin Jianwang, aged 55, a post-graduate, and Professor Grade Senior Engineer, is Standing Deputy General Manager of the Company. He is currently Chairman of the Company's subsidiary, namely, Wuxi Jingwei Textile Technology Testing Company Limited, Director of Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Xianyang Jingwei Machinery Manufacturing Company Limited, Xianyang Jingwei Textile Machinery Company Limited, Huangshi Jiangwei Textile Machinery Company Limited, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited Director and General Manager of Beijing Jingwei Textile Machinery New Technology Company Limited, Shanghai Weixin Electrical and Machinery Company Limited, Deputy General Manager of the Company's equity holding company, namely, Hongda Research Company Limited, Director of Zhengzhou Hongda Non-woven Fabric Company Limited. From March 2000, he has been Director and General Manager of Beijing Jingwei Textile Machinery New Technology Company Limited. He was Deputy General Manager of the Company from August 2000 to June 2008. Since June 2008, he has been Standing Deputy General Manager of the Company.

Mr. Shi Jianping, aged 49, a post-graduate and Senior Engineer. He is currently Chairman of Wuxi Jingwei Textile Technology Sales Company Limited, Director of Qingdao Hongda Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited Shenyang Hongda Huaming Textile Machinery Company Limited, and Beijing Jingwei Textile Machinery New Technology Company Limited, and Supervisor of the Company's equity holding company China Textile Machinery and Technology Import and Export Corporation. Mr. Shi was Assistant to General Manager of the Company and General Manager of Blowing Machinery Business Department of the Company from October 2003 to June 2005. He was Supervisor of the Company from August 2004 to June 2005. He has been a Deputy General Manager of the Company since June 2005.

Mr. Liu Xianming, aged 48, a post-graduate, a master degree holder in Economics and Senior Engineer. He is Chairman of the Company's subsidiary Huangshi Jingwei Textile Machinery Company Limited, Director of Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited and Shanxi Jingwei Textile Machinery and Special Parts Company Limited and Hubei Xinchufeng Automobile Co., Ltd., and Supervisor of the equity holding company Hongda Research Company Limited. Mr. Liu was Vice Chairman of the Supervisory Committee and Assistant to General Manager of the Company from May 2003 to June 2005. He has been a Deputy General Manager of the Company since June 2005.

Mr. Wang Weizhi, aged 53, a university graduate and Senior Political Worker. Mr. Wang was a Director of the Company's subsidiary, Beijing Jingwei Textile Machinery New Technology Company Limited. Mr. Wang was consecutively Deputy Secretary of Group Committee, Secretary of Group Committee, Secretary of Party Branch, Deputy Head of Organisation Department of Party Committee and Secretary of Party Branch of Chemical Fibre Machinery Department of Jingwei Textile Machinery Plant from January 1983 to July 1995, Deputy Secretary of Party Committee of the Company from July 1997 to August 2000, and from June 2002 to November 2009. He was a Director of the Company from November 1999 to August 2004. He has been a Deputy General Manager of the Company since June 2002.

Section I Directors, supervisors and senior management (continued)

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

Company Secretary

Mr. Ye Xuehua, aged 46, a post-graduate, a master degree holder in Management and Senior Engineer. He is Chairman of the Supervisory Committee of the Company's subsidiary, namely, Shanghai Weixin Electrical and Machinery Company Limited and Beijing Jingwei Textile New Technology Company Limited. Mr. Ye has been Secretary to the Board since March 2000 and has been a Deputy General Manager of the Company since August 2010.

Financial Controller

Mr. Mao Faqing, aged 41, a post-graduate, Ph.D in Economics, Senior Accountant, PRC registered accountant, PRC registered tax advisor, is the Financial Controller of the Company. Mr. Mao is also a director of the Company's subsidiaries, namely, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Type Textile Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited and Beijing Jingpeng Investment Management Company Limited, Supervisor of Shanghai Weixin Electrical and Machinery Company Limited and Zhongrong International Trust Co., Ltd., Financial Controller of Beijing Jingwei Textile Machinery New Technology Company Limited and Supervisor of the equity holding company Hongda Investment Company Limited and Hengtan Real Estate Co., Ltd. Mr. Mao had been Head of the Finance Department from September 2000 to September 2010 and Deputy Financial Controller of the Company since March 2008. He has been Financial Controller of the Company since April 2008.

Chief Economist

Ms. Wang Xiqiao, aged 52, a university qualification, senior accountant, chief economist of the Company. Ms. Wang is a director of the Company's subsidiaries Zhengzhou Hongda New Textile Machinery Company Limited and Jingwei Textile Machinery Yuci Material Co. Limited, chief supervisor of Qingdao Hongda Textile Machinery Company Limited and Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited, supervisor of Shanxi Jingwei Heli Machinery Manufacturing Company Limited and Hubei Xinchufeng Automobile Co., Ltd. Ms. Wang was deputy division head of the finance division of Jingwei Textile Machinery Plant from April 1992 to August 1995, deputy director and director of the finance department of the Company from August 1995 to September 2000, and assistant chief accountant, management director of the Company from September 2000 to August 2010, she has been the chief economist of the Company since August 2010.

Section I Directors, supervisors and senior management (continued)

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

Name	Position	Gender	Age	Beginning date of current term of office	Ending date of current term of office	Number of shares held at beginning of the year	Number of shares held at the end of the year	Reasons for change	Total remuneration received from the Company during the reporting period (RMB'0000) (before tax)	Whether salary received from the shareholder of the Company or other associated unit
Ye Maoxin	Chairman	Male	48	15 August 2010	15 August 2013	8,580	8,580	–	–	Yes
Li Xiaohong	Vice Chairman	Male	44	15 August 2010	15 August 2013	–	–	–	–	Yes
Yan Fuquan	Director	Male	47	15 August 2010	15 August 2013	–	–	–	–	Yes
Shi Tinghong	Director	Male	48	15 August 2010	15 August 2013	–	–	–	–	Yes
Yao Yuming	Director General Manager	Male	49	15 August 2010	15 August 2013	10,304	10,304	–	49.28	No
Xu Wenying	Independent Non-executive Director	Male	59	15 August 2010	15 August 2013	–	–	–	–	No
Liu Huangsong	Independent Non-executive Director	Male	42	15 August 2010	15 August 2013	–	–	–	1.1	No
An Guojun	Independent Non-executive Director	Female	38	15 August 2010	15 August 2013	–	–	–	–	No
Tu Kelin	Chairman of Supervisory Committee	Male	60	15 August 2010	15 August 2013	–	–	–	–	Yes
Peng Zeqing	Vice Chairman of Supervisory Committee	Female	58	15 August 2010	15 August 2013	–	–	–	45.91	No
Liu Hong	Supervisor	Male	40	15 August 2010	15 August 2013	–	–	–	–	Yes
Li Xisheng	Supervisor	Male	52	15 August 2010	15 August 2013	–	–	–	23.47	No
An Yongzhi	Supervisor	Female	40	15 August 2010	15 August 2013				26.78	No
Lin Jianwang	Standing Deputy General Manager	Male	55	15 August 2010	15 August 2013	–	–	–	55.46	No
Shi Jianping	Deputy General Manager	Male	49	15 August 2010	15 August 2013	–	–	–	45.91	No
Liu Xianming	Deputy General Manager	Male	48	15 August 2010	15 August 2013	2,520	2,520	–	48.01	No
Wang Weizhi	Deputy General Manager	Male	53	15 August 2010	15 August 2013	–	–	–	26.71	No
Ye Xuehua	Deputy General Manager Company Secretary	Male	46	15 August 2010	15 August 2013	–	–	–	43.57	No
Mao Faqing	Financial Controller	Male	41	15 August 2010	15 August 2013	–	–	–	45.91	No
Wang Xiqiao	Chief Economist	Female	52	15 August 2010	15 August 2013	–	–	–	45.91	No
Total	–	–	–	–	–	21,404	21,404	–	456.92	–

Save as disclosed above, as at 31 December 2010, none of the Directors, Supervisors, senior management and their respective spouses or children under the age of 18 had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), nor had any of them been granted any rights or short positions to subscribe for any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which was required to be recorded in the register established and maintained in accordance with section 352 of the Securities and Futures Ordinance or required to be notified to the Company and the Stock Exchange in accordance with Model Code for Securities Transactions by Directors of the Listed Issuers. During the reporting period, none of the Directors, Supervisors or senior management had any material interests in the contacts executed by the Company or its subsidiaries.

Section I Directors, supervisors and senior management (continued)

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

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

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

(1) Resigned Directors, Supervisors

Name	Original Position	Reason of resignation	Date
Liu Haitao	Chairman	Expiry of term of office	15 August 2010
Ye Maoxin	Standing Vice Chairman	Expiry of term of office	15 August 2010
Fan Xinmin	Vice Chairman	Expiry of term of office	15 August 2010
Liu Hong	Director	Expiry of term of office	15 August 2010
Zhang Jianguo	Director	Expiry of term of office	15 August 2010
Gao Yong	Independent Non-executive Director	Expiry of term of office	15 August 2010
Zhao Xizi	Independent Non-executive Director	Expiry of term of office	15 August 2010
Chen Zhong	Independent Non-executive Director	Personal reasons	3 June 2010
Yu Shiquan	Independent Non-executive Director	Expiry of term of office	15 August 2010
Liu Jiebo	Supervisor	Expiry of term of office	15 August 2010
Zhang Xiaoli	Supervisor	Expiry of term of office	15 August 2010
Dong Min	Supervisor	Expiry of term of office	15 August 2010
Lain Jinhua	Supervisor	Expiry of term of office	15 August 2010

(2) Election of Director, Supervisor and senior management

Name	Position	Date
Ye Maoxin	Chairman	15 August 2010
Li Xiaohong	Vice Chairman	15 August 2010
Xu Wenying	Independent Non-executive Director	15 August 2010
An Guojun	Independent Non-executive Director	15 August 2010
Liu Hong	Supervisor	15 August 2010
An Yongzhi	Supervisor	15 August 2010
Ye Xuehua	Deputy General Manager	15 August 2010
Wang Xiqiao	Chief Economist	15 August 2010

Section II Staff

As at 31 December 2010, the total number of staff of the Group was 13,769, among which 505, 1,189 and 811 were at the senior, middle and junior levels respectively, and 5,433 received tertiary education or above. Amongst the staff in the Group, 1,420 were engaged in technical, scientific research and development, 1,382 in sales and marketing, 2,310 in operation and management, 8,408 in production and 249 in other areas. For the year ended 31 December 2010, the total remuneration for the staff of the Group amounted to RMB992,878,000 (RMB457,824,000 for the corresponding period of last year). The remuneration is determined with reference to the standard of the position and performance of the staff. In addition, the number of retired staff of the Group was 2,265 for the year ended 31 December 2010.

Chapter V Structure of Corporate Governance

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

I. Current Structure of Corporate Governance

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

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

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

II. Performance of Independent Non-executive Directors

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

The Independent Non-executive Directors have conscientiously performed their duties in accordance with relevant laws, rules and regulations and the Articles of Association. They have participated in the work of the Board and in the discussions in respect of significant matters. They also gave advice on regulating the operation and business activities of the Company based on their professional knowledge and experience and they had no objection to such subject matters in the Company in 2010. The Independent Non-executive Directors offered their independent opinion as to whether the connected transactions were fair and equitable. They also participated in the work of Audit Committee to review the financial matters of Company. The Independent Non-executive Directors protected the overall interests of the Company as well as the legal interests of the shareholders as a whole and made positive contribution to the development of the Company.

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

Name of Independent Non-executive Directors	Number of board meetings held during the year (number)	Attendance in person (number)	Attendance by proxy (number)	Attendance by various communication means (number)	Absence (number)
Gao Yong	8	8	0	0	0
Zhao Xi Zi	8	8	0	0	0
Chen Zhong	5	5	0	0	0
Yu Shiquan	8	8	0	0	0
Xu Wenying	10	7	0	3	0
An Guojun	10	7	0	3	0
Liu Huangsong	13	10	0	3	0

III. Independent Operation of the Company

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

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

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

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

2. Regarding financial management control, the Company set up financial control and management systems according to the stipulations of the relevant laws and regulations, such systems effectively and strongly prevent and reduce the operating risks of the Company. The Company strengthened the setting up of positions, enhanced the quality of employees, seriously implemented the "Enterprise Accounting Standards" and integrated several systems such as the "Regulations of the management of the financial controller" and "Financial and accounting reporting system" etc, and ensured that the financial reports could objectively reflect the financial conditions, business results and cash flow of the Company.

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

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

3. Regarding the management of subsidiaries, the Company set up a series of management regulations according to the internal control guidelines, strengthened the supervision, control and guidance of the production and operating activities of our subsidiaries, and we obtained the fi nancial reports and operating situations of the subsidiaries through the directors, supervisors and senior management that we appointed to them. All external borrowing, external investment, external guarantee, disposal of material assets and material matters of the subsidiaries were subject to the prior approval of the Company.
4. Regarding external guarantee, for 2010 the Company strictly followed the relevant stipulations of the "Company Law", "Notice on the standardization of funds transactions between listed companies and connected parties and certain problems regarding the external guarantee of listed companies" (Zheng Jian Fa [2003] No. 56) and the "Articles of Association" of the Company and did not have any violation regarding guarantee. With reference to the relevant stipulations of the "Guidelines for internal control" of the Shenzhen Stock Exchange, the Company had strict, adequate and effective internal control over external guarantee.
5. Regarding substantial investment, the Company strictly abided by the relevant law and regulation and the stipulations of the "Articles of Association", the respective authorities of the shareholders' meeting, board of directors, chairman and managerial staff were safeguarded so that they could effectively serve their functions in the investment decision making process, and that the authorities and responsibilities were clear, the effi cient running of the Company was ensured. The Company also formulated the "Administrative measures for the subscription of new shares" to standardize subscription of new shares, reduce operating risks, obtain largest benefits and protect the interests of shareholders.
6. In respect of information disclosure, the Company has set up enhanced systems and mechanisms such as the information disclosure management system, investor relationship management system and material information internal reporting system in accordance with the Listing Rules of Shenzhen Stock Exchange and the Rules Governing the Listing of Securities of the Stock Exchange and other relevant regulations set out in legal provisions so as to fulfi l the responsibility regarding information disclosure to ensure the truthfulness, accuracy and completeness in all material respects of every signifi cant aspect of information disclosure. In order to enhance the accountability of the person in charge for the disclosures in annual reports, improve the quality and transparency of such disclosures in annual reports and regulate the external information users and the management of inside information, the Company formulated "Accountability System for Material Error in the Disclosures within Annual Reports", "Management System for External Information User" and "Management System for Insider" so as to further supplement the information disclosure system of the Company. Those systems were considered and passed at the Board Meeting held on 24 March 2010.

During the year, the Company further advised the controlling shareholders and related person of laws and regulations so as to deepen their familiarity and understanding on the legal structure and basic principles of regulated operation of listed companies to prevent non-compliance. Also, the Company arranged relevant training for directors, supervisors and senior management of the Company to further raise their concept in credibility and their legal awareness.

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

The full text of the "Report on Self-evaluation of Internal Control System for the Year 2010" of the Company was published on the website of cninfo (http://www.cninfo.com.cn), the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.jwgf.com) for shareholders' reference. The Independent Non-executive Directors of the Company issued opinions regarding the self-evaluation report of the Company's internal control:

The Company has established a relatively comprehensive internal control system which is in compliance with the requirements of the relevant laws of the State, administrative rules and regulations and departmental measures. The internal control system is legal, reasonable and effective. The Company's activities including corporate governance, production and operation, information disclosure and substantial events were carried out in accordance with all requirements of the internal control system of the Company so that the internal or external risks which may exist in each detail of the activities were reasonably controlled. The internal control of the Company is effective. The "Report on the Self-evaluation of Internal Control System for the Year 2010" of the Company is true and objective in refl ecting the actual state of internal control of the Company. The Company shall comply with the "General standard on internal control of enterprise" and the requirements of other related guidelines from 1 January 2011. Based on the development strategy of the Company, it shall further establish a sound internal control system, reinforce the inspection and supervision of the effectiveness and effi ciency of internal control execution, continuously enhance the execution ability of internal control and raise the effectiveness of internal control.

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

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

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

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

Because of the changes in Directors of the new session, the Audit Committee currently only has two members. Neither of these members possesses the professional qualification or experience as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (ªListing Rules"), though one of them has experiences 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. The Board has been taking steps to identify an independent non-executive Director with the appropriate qualification requirements under the Rule 3.10(2). Personal particulars of Mr. Li Min (candidate of independent non-executive Director to be elected and approved in 2010 general meeting) has been published in the Company's related circular dated 14 March 2011.

During the reporting period, except as disclosed in the above provision, the Company has fully complied with the Code Provisions of Codes on Corporate Governance in Appendix 14 to the Listing Rules of the Stock Exchange.

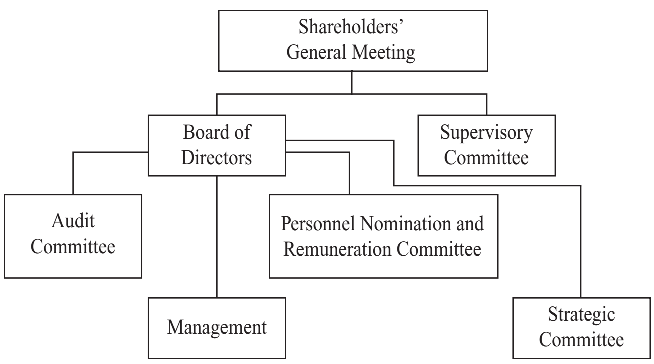
I. Corporate Governance

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

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

According to the development needs of the Company, the Board of the Company approved the establishment of a new special committee on 14 March 2011: Strategic Committee, and has passed the "Working Rules for Strategic Committee" to further strengthen the work of the Board.

The Structure of Corporate Governance of the Company:



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

II. Board

The sixth Board of the Company temporary comprises 8 Directors, of which 5 are Executive Directors and 3 are Independent Non-Executive Directors. The Company will elect one more Independent Non-Executive Director in the 2010 annual general meeting, such that the Board comprises 9 Directors.

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

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

The positions of Chairman and General Manager (Chief Executive Officer) of the Company are taken up by different persons and there is a clear division of work between the two roles. The Chairman presides at the Board meetings and reviews the implementation of the Board's resolutions. General Manager, supported by the Board and other senior management of the Company, is responsible for the management and coordination of the Group's business, and for making daily decisions in accordance with the strategy formulated by the Board. From 1 January 2010 to 15 August 2010, Chairman of the Company was Mr. Liu Haitao, from 15 August 2010 to 31 December 2010, the Chairman of the Company was Mr. Ye Maoxin. In 2010, the General Manager (Chief Executive Officer) of the Company is Mr. Yao Yuming.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Board (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at the end of 2010, one Directors held management positions in the Company, accounting for 1/8 of the total number of Directors. This arrangement enabled the Board to review and supervise the procedure of management of the Company.

During the reporting period, the fifth Board of the Company has four Independent Non-executive Directors, representing 1/3 of the total number of Directors. The sixth Board of the Company comprises three Independent Non-Executive Directors. The Company will elect more Independent Non-Executive Director in the 2010 annual general meeting, such that the number of Independent Non-Executive Directors reaches 4. Independent Non-executive Directors are familiar with the duties and obligations of being the directors and independent non-executive directors of listed companies. During the reporting period, Independent Non-executive Directors, with a prudent, responsible and serious attitude, participated in the Board's meetings, fully leveraged on their experiences and expertises in perfecting the corporate governance and formulation of major decisions, and have provided objective opinions on the Company's significant events and connected transactions. Independent Non-executive Directors have promoted the scientific approach in the Board's decisions and the decision-making process and safeguarded the interests of the Company and shareholders as a whole.

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

II. Board (continued)

In 2009, the Company held 18 Board meetings to discuss about the Company's overall strategic and investment proposals as well as the operation and financial performance of the Company. The Board meeting achieved efficient and timely discussions and prudent decisions. Independent non-executive Directors of the Company had no objection to the Company's decisions. Attendance percentage of the meetings was 98.86% (including attendance by other Directors as proxy) and the details are as follows:

Name of Director	Position	Total number of meetings	Attendance in person	Attendance via communication means	Attendance by proxy	Absence	Not attending in person for two consecutive meetings?	Remarks
Ye Maoxin	Chairman	18	14	3	1	0	No	–
Liu Haitao	Chairman	8	8	0	0	0	No	Expiry of term of office on 15 August 2010
Li Xiaohong	Vice Chairman	10	7	3	0	0	No	Assume office on 15 August 2010
Fan Xinmin	Vice Chairman	8	6	0	1	1	No	Expiry of term of office on 15 August 2010
Yan Fuquan	Director	18	13	3	1	1	No	–
Shi Tinghong	Director	18	14	3	1	0	No	–
Liu Hong	Director	8	8	0	0	0	No	Expiry of term of office on 15 August 2010
Yao Yuming	Director, General Manager	18	15	3	0	0	No	–
Zhang Jianguo	Director	8	8	0	0	0	No	Expiry of term of office on 15 August 2010
Xu Wenying	Independent non-executive Director	10	7	3	0	0	No	Assume office on 15 August 2010
Liu Huangsong	Independent non-executive Director	13	10	3	0	0	No	Assume office on 3 June 2010
An Guojun	Independent non-executive Director	10	7	3	0	0	No	Assume office on 15 August 2010
Gao Yong	Independent non-executive Director	8	8	0	0	0	No	Expiry of term of office on 15 August 2010
Zhao Xi Zi	Independent non-executive Director	8	8	0	0	0	No	Expiry of term of office on 15 August 2010
Chen Zhong	Independent non-executive Director	5	5	0	0	0	Yes	Expiry of term of office on 3 June 2010
Yu Shiquan	Independent non-executive Director	8	8	0	0	0	No	Expiry of term of office on 15 August 2010

Number of Board meetings convened during the year		18
Of which:	Number of on-site meetings	15
	Number of meetings convened via communication means	3
	Number of on-site meetings with communication means	0

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

II. Board (continued)

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

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

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

Specialized Board Committees

During the reporting period, the Board has established two specialized committees and each of which has defined terms of reference. Their respective scope of supervision are as follows:

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

II. Board (continued)

Audit Committee

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

As at 31 December 2010, the members of the Audit Committee under the sixth Board of the Company are Mr. Liu Huangsong (Chairman of the Committee) and Mr. An Guojun. Both of the members are Independent Non-executive Directors. Pursuant to Rule 3.21 of the Listing Rules, all the members of the audit committee must be non-executive directors with a minimum of three members. The Company will elect one more Independent Non-Executive Director with the appropriate qualification requirements under the Rule 3.10(2) of the Listing Rules in the 2010 annual general meeting, and appoint him to save as a member of the Audit Committee so as to meet the above requirement. Personal particulars of the candidate of independent non-executive Director to be elected and approved in the 2010 general meeting has been published in the circular to be distributed to the shareholders of the Company.

Two meetings of the Audit Committee were held in 2010. All the matters passed by the Audit Committee have been properly recorded and filed according to the relevant rules. The Chairman of the Audit Committee reported to the Board on all the important matters.

The attendance of members of Audit Committee during 2010 is as follows:

Name of the committee member	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Liu Huangsong (Chairman of the sixth Committee)	1	1	100%
An Guojun	1	1	100%
Gao Yong (Chairman of the fifth Committee)	1	1	100%
Yu Shiquan	1	1	100%

The work of Audit Committee for the year include: reviewed the completeness of the 2009 Annual Report, 2010 Interim Report and the relevant accounts of the Company, and reviewed the material opinions on financial reporting as set out in financial statements and reports. It also reviewed the Company's internal financial reporting procedures, financial and accounting policies and practices, and conducted relevant discussions with Executive Directors, General Manager and external Auditors. The Committee examined the independence of external Auditors and considered and approved its terms of employment and remuneration. It also discussed the nature, scope and relevant reporting obligations of Auditors and provided written reports and recommendations to the Board in a timely manner.

The Audit Committee has reviewed the result of the Group for the year ended 31 December 2010.

Personnel Nomination and Remuneration Committee

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

As at 31 December 2010, the sixth Personnel Nomination and Remuneration Committee comprises three Independent Non-executive Directors and two Executive Directors, including Mr. Xu Wenying (Chairman of the Committee), Mr Ye Maoxin, Mr. Yao Yumin, Mr. Liu Huangsong and Ms. An Guojun. The relevant requirements were complied with.

II. Board (continued)

Personnel Nomination and Remuneration Committee (continued)

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

In 2010, the Personnel Nomination and Remuneration Committee has convened two meetings and all members attended. All issues approved in the meetings of the Committee are recorded and filed in accordance with the relevant rules. The Chairman of the Committee will report all important issues discussed to the Board.

III. Mechanism of supervision

Supervisory Committee

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

In 2010, the Supervisory Committee of the Company held 7 meetings and all the Supervisors attended the meetings and the Board meetings and have performed the duties of Supervisory Committee in a diligent manner. The Supervisory Committee reviewed matters including the financial information related to the Company's 2009 annual report and 2010 first quarterly, interim and third quarterly reports; reviewed the change of session of the Company's Supervisory Committee, elected the members of the sixth Supervisory Committee, elected the chairman and vice-chairman of the Supervisory Committee; reviewed the Composite Services Agreement and the continuing connected transactions as well as the capital increase and equity acquisition in connection with Hengtian Real Estate Co., Ltd. The Committee has monitored the management of the Board and senior management of the Company and provided recommendations thereon to the management.

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

Name	Position	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Tu Kelin	Chairman of Supervisory Committee	7	7	100%
Peng Zeqing	Vice Chairman of Supervisory Committee	7	7	100%
Liu Hong	Supervisor	4	4	100%
Li Xisheng	Supervisor	7	7	100%
An Yongzhi	Supervisor	4	4	100%
Liu Jiebo (Retired)	Supervisor	3	3	100%
Zhang Xiaoli (Retired)	Supervisor	3	3	100%
Dong Min (Retired)	Supervisor	3	3	100%
Lian Jinhua (Retired)	Supervisor	3	3	100%

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

III. Mechanism of supervision (continued)

Internal Control and Internal Audit

The Board is responsible for making a balanced, clear and comprehensive assessment on the performance and prospect of the Group. The Board is also responsible for making arrangement for the preparation of accounts of the Company (including accounts for the year ended on 31 December 2010) on a going concern basis that reasonably and fairly reflect the financial conditions of the Group, as well as arranging for the announcement of price-sensitive information and financial disclosure. The management provides to the Board all relevant information and records which enables the Board to make the above evaluations and to prepare the accounts and financial disclosure. The external auditors of the Company confirms that they are responsible for preparing a report in respect of the financial statements for the year under review within the Report of the Auditors.

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

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

The Company has always placed a lot of emphasis on internal control and has established corresponding internal management mechanism and procedures in aspects of operations, finance, administration and human resources. To consistently standardize corporate governance, the Board of the Company has reviewed the effectiveness of the internal control system of the Company for the year 2010 and the review covered its financial controls, operational monitoring, compliance controls and risk management functions. Especially, the Board has considered the resources in respect of accounting and financial reporting, the sufficiency of the qualification and experience of the staff and adequacy of staff training and the related budget.

III. Mechanism of supervision (continued)

Fee to External Auditors and Term of Service

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

It was approved by shareholders of the Company in 2010 at the 2009 annual general meeting of the Company held in 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 ended 31 December 2010. In November 2010, the Company received a notice from Vocation International Certified Public Accountants Co., Ltd. informing the Company that it had joined Baker Tilly International and become the latter's only member in mainland China, and the H-share audit business of its former Hong Kong member company, UHY Vocation HK CPA Limited (formerly, UHY Vocation HK CPA Limited天職香港會計師事務所有限公司 was the Company's original international auditors appointed for the financial year ended 31 December 2010, hereinafter referred to as) had been merged with that of Baker Tilly Hong Kong Limited (formerly, Baker Tilly Hong Kong Limited香港天華會計師事務所有限公司, hereinafter referred to as "Baker Tilly Hong Kong"). At the same time, the Chinese name of Baker Tilly Hong Kong was renamed as "天職香港會計師事務所有限公司". Accordingly, it was approved by shareholders of the Company at the 2010 extraordinary general meeting of the Company in November 2010 to terminate the appointment of 天職香港會計師事務所有限公司(UHY Vocation HK CPA Limited) (Hong Kong Certified Public Accountants) as the international auditors respectively for the year ended 31 December 2010, and it was approved by shareholders of the Company to appoint Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) as the international auditors for the year ended 31 December 2010. The appointment was effected from such discontinuance of engagement of UHY Vocation HK CPA Limited) (Hong Kong Certified Public Accountants).

The aggregate remuneration to Baker Tilly Hong Kong Limited and Baker Tilly China (as the international and PRC auditors of the Company respectively) for the year 2010 was RMB3,000,000.

Financial Controller

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

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

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

Interests in shares of the Substantial Shareholders

Save as disclosed in Chapter III "Movements in share capital and information on shareholders", to the best knowledge of the Directors, Supervisors and senior management of the Company, as at 31 December 2010, no person (other than the Directors, Supervisors and senior management of the Company) holds any interests or short positions in the shares or underlying shares of the Company which shall be notified to the Company and the Stock Exchange pursuant to in Divisions 2 and 3 of Part XV of Securities and Futures Ordinance or any interests or short positions recorded in the register required to be maintained pursuant to section 336 of Securities and Futures Ordinance.

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

III. Mechanism of supervision (continued)

Shareholders, investors' relationship and other stakeholders

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

General Meeting

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

Substantial shareholder

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

Information disclosure and management of investors' relationship

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

Evaluation and Incentive of Senior Management

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

IV. Summary

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

Chapter VI General Meetings of Shareholders

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

Meeting	Date on which meeting was held	Media on which resolutions were published	Date of announcement
The First Extraordinary General Meeting of 2010	12 April 2010	Websites of cninfo and the Stock Exchange,	12 April 2010
		Securities Times and website of the Company	13 April 2010
The Annual General Meeting, Class Meeting for Holders of A Shares and Class Meeting for Holders of H Shares of 2009	3 June 2010	Websites of cninfo and the Stock Exchange,	3 June 2010
		Securities Times and website of the Company	4 June 2010
The Second Extraordinary General Meeting of 2010	13 August 2010	Websites of cninfo and the Stock Exchange,	13 August 2010
		Securities Times and website of the Company	14 August 2010
The Third Extraordinary General Meeting of 2010	30 November 2010	Websites of cninfo and the Stock Exchange,	30 November 2010
		Securities Times and website of the Company	1 December 2010

Chapter VII Directors' Report

Section I Operation Review of the Company during the Reporting Period

1. Management Discussion & Analysis

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

In 2010, the Company achieved new breakthroughs and developments. The market of textile machinery industry is generally improving. There are abundant textile enterprises' orders for the Group's textile machinery, and production and operation were in good conditions. At the same time, all business segments and business units achieved relatively faster developments. Zhongrong International Trust Co., Ltd. ("Zhongrong Trust") was included in the consolidated statements of the Company since August 2010. It achieved good operating results and raised the overall profitability of the Company. As at 31 December 2010, the total assets of the Company amounted to RMB11,340.46 million, which is an increase of 66.35% as compared with the previous year; and its net assets amounted to RMB4,318.516 million, representing an increase of 47.75% as compared with last year.

For the year ended 31 December 2010 and as stated in the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the Group's revenue amounted to RMB7,230.486 million which includes RMB6,987.647 million from continuing operation and RMB242.839 million from discontinued operation and profit attributable to equity holders of the Company amounted to RMB244.717 million, representing an increase of 106.70% and 410.20% from respectively those of last year. As at 31 December 2010, the Group's carrying amount of bank balances was RMB2,415.614 million, borrowings due within one year was RMB1,450.133 million, of which borrowings in the U.S. dollars amounted to US$42.620 million (equivalent to RMB282.262 million), and the remaining balances were borrowings in Renminbi. The interest rates were in the range of 3.5% to 5.56% per annum. The Group had long-term borrowings of RMB278.37 million. The gearing ratio (long-term borrowings divided by net asset value) was 6.45%.

As at 31 December 2010, the Group did not have bank and cash balances pledged to secure short-term bank loan granted to the Group (2009: Nil).

As at 31 December 2010, none of the short-term investments of the Group were pledged as security for the Group's bank loans (2009: Nil).

For the year ended 31 December 2010 and as stated in the financial report prepared in accordance with PRC Corporate Accounting Standards, operating revenue of the Group amounted to RMB6,346.581 million, representing an increase of 77.70% from that of last year. Interest and handling fee income was RMB940.652 million. Operating profit was RMB599.570 million, representing a increase of 474.59% from that of last year. Net profit attributable to shareholders of the parent company was RMB244.717 million, representing an increase of 410.20% over that of the previous year.

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

1. Management Discussion & Analysis (continued)

Among the above items:

Operating revenue of the Company was RMB4,439.664 million, representing an increase of 98.15% over that of the previous year; its operating profit was RMB-21.169 million, representing a decrease of 148.51% over that of the previous year. Net profit of the Company was RMB12.381 million, representing a decrease of 80.44% over that of the previous year.

Major controlled subsidiaries:	Interest and handling fee income of Zhongrong International Trust Co., Ltd. was RMB940.652 million while operating profit was RMB501.598 million.
	Operating revenue of Qingdao Hongda Textile Machinery Company Limited was RMB1,587.223 million while operating profit was RMB27.450 million.
	Operating revenue of Shenyang Hongda Textile Machinery Company Limited was RMB199.069 million while operating profit was RMB5.061 million.
	Operating revenue of Changde Textile Machinery Company Limited was RMB448.753 million while operating profit was RMB12.550 million.
	Operating revenue of Beijing Jingwei Textile Machinery New Technology Company Limited was RMB271.909 million while operating profit was RMB103.112 million.
	Operating revenue and operating profit of Yichang Jingwei Textile Machinery Company Limited amounted to RMB260.740 million and RMB19.533 million respectively.
	Operating revenue of Wuxi Hongda Textile Machinery Special Parts Company Limited was RMB170.507 million, while operating profit was RMB14.987 million.

The major activities of the Group in 2010 were as follows:

(1) Making breakthrough in technological innovations

In 2010, the Company focused on technological innovations, consolidated the technological innovation system, increased technological investment and the efforts to implement projects supported by national technological funds, further accelerated new product developments and the innovation with self-own intellectual properties. Throughout the year, 34 new products were developed and 61 patents were granted, and the Company has passed a series of verification for technological development outcomes: The Jingwei e-System passed the verification for technological outcome by the PRC Textile Industry Federation; modification, installation and adjustment of the demonstration line of digital cotton spinning equipments have been completed in the Wuxi Jingwei Textile Technology Testing base, and has become a model of the Company's technology in cotton textile complete equipments; roving and spinning unit, auto-winder and other key units of cotton spinning equipments have also passed verification for technological outcome, reaching international advanced level and have become the first choice of textile enterprises for raising labour productivity and saving energy. At the same time, the Company has significant achievements in product research and development, commercialized certain new products with good market reception.

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

1. **Management Discussion & Analysis (continued)**

(2) Record high in market sales

Since 2010, in the face of the great changes in market conditions, the Company and various companies have been continuously enhancing the effort for market development and ensuring smooth product delivery and after sales services by all means in order to meet customer requirements. As a result, the market share of key products has been further strengthened and increased, and there was record high in both sales and new orders. There was a rapid growth in sales of complete set of equipments, and the sales of special parts was also greatly increased. The Company has also conducted research study on key international markets, customer visits and market promotions, facilitating the development of the international market. We have also organized and participated in a series of international exhibitions, which has greatly strengthened the image of the Company's products in the international market. A substantial growth in income from export sales was also recorded in 2010.

(3) Significant progress was achieved in structural adjustment

The Company actively propelled structural adjustment, and made significant progress in aspects such as industry development, business restructuring as well as personnel adjustments. The Company completed the acquisition of 36% equity interest in Zhongrong Trust, became the largest shareholder of Zhongrong Trust and has entered into the financial industry which has greatly enhanced the profitability of the Company, and has laid a solid foundation for the further provision of financial services to the textile machinery business. There was also new progress in the non-textile machinery business of the Company. The Company has developed new business areas such as vehicles, agricultural machinery and health care. At the same time, all textile machinery enterprises have made good progress in non-textile machinery business along with their blooming main businesses.

(4) Continuously strengthening internal management

In 2010, steady progress was made in the Company's strategic management works, with the assessment and preparation of strategic planning completed. Various members of the Group achieved significant enhancement of production capacity through the improvement of production process and adjustment of production organization structure, and the building up of flexible and agile production methods, ensuring the product supply in the buoyant market conditions. The Company is continuously strengthening supply chain management relying on its overall advantages to raise the bargaining power and, realizing the goal to suppress price upsurge and control purchasing cost. At the same time, the Company's risk management ability is continuously enhanced. Risks were effectively controlled through the tightening of risk control on operating activities such as significant investments, credit sales business and risk procurement. In 2010, the Company further promoted information management. We built up the Jingwei special parts online store, actively improved the application of business systems such as ERP and these rendered better support to the Company's production and operation. The Company has also supplemented and improved the ISO9001 quality management system and management standards, such that they could better meet the needs of the Company's development and operation management. The Company and various companies successfully passed the annual audit, and have achieved new gains in the operation of the systems.

(5) Enhancing fund management, ensuring that fund requirements are met.

The Company actively deployed internal resources to ensure that fund requirements are met. The Company reinforced the centralized management of funds so as to regulate and make good use of the unutilised capital; in addition, the Group continually increased its cash flow by methods such as the opening up of financing channels, the increase of bank credit facilities and the reduction of finance cost. These effectively guaranteed the funding requirements of production and operation as well as structural adjustment. Besides, through the analysis of receivables, the various companies have enhanced contract settlement management, controlling the ratio of receivables acceptance and increasing cash inflow and efficiency.

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

2. Principal activities of the Company and its operation

(1) Analysis of principal activities by industry and product

Unit: RMB'000

Activities by products						
By industry or product	Operating revenue	Operating cost	Gross profit margin (%)	Increase or decrease of operating revenue compared with last year (%)	Increase or decrease of operating cost compared with last year (%)	Increase or decrease of gross profit margin compared with last year (%)
Textile machinery	5,320,693.91	4,671,570.09	12.20	86.85	75.06	Increase by 5.91 percentage points
Financial trust	940,652.07	328.56	99.97	–	–	–
Real estate	242,853.99	159,796.96	34.20	(13.43)	(25.11)	Increase by 10.26 percentage points
Non-textile machinery	164,143.32	145,767.43	11.20	–	–	–
Other business revenue	618,889.28	525,194.23	15.14	39.60	37.49	Increase by 1.30 percentage points
Total	7,287,232.57	5,502,657.27	24.49	104.04	68.60	Increase by 15.88 percentage points

(2) Principal activities by region

Unit: RMB'000

Region	Total operating revenue	Increase or decrease of total operating revenue compared with last year (%)
PRC	6,787,698	101.44
Asia	499,206	167.33
Africa	169	-98.51
Others	160	-95.89
Total	7,287,233	104.04

(3) Major customers and suppliers

For the year ended 31 December 2010, the total sales by the Group to the 5 largest customers amounted to RMB987.190 million, representing 15.56% of operating revenue for the year.

For the year ended 31 December 2010, the total purchase by the Group from the 5 largest suppliers amounted to RMB877.15975 million, representing 38.23% of the total purchases for the year.

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

3. Change in the assets composition during the Reporting Period

Unit: RMB'000

Items	End of the reporting period	Beginning of the reporting period	Increase/decrease (%)	Reason for difference
Currency funds	2,415,614.05	1,277,692.19	89.06%	Note 1
Financial assets held for trading	84,349.92	2,170.45	3,786.29%	Note 2
Bill receivables	2,099,738.84	1,134,243.96	85.12%	Note 3
Prepayment	429,722.49	291,486.99	47.42%	Note 4
Financial assets purchased under agreements to resell	24,000.00			Note 5
Non-current assets due within one year	63,809.96	25,293.60	152.28%	Note 6
Financial assets available for sale	954,209.35			Note 5
Long-term receivables	62,039.87	32,362.97	91.70%	Note 7
Long-term equity investments	304,589.88	160,728.00	89.51%	Note 8
Construction in progress	225,737.56	115,624.74	95.23%	Note 9
Intangible assets	472,953.68	358,576.61	31.90%	Note 10
Goodwill	843,156.68	2,258.41	37,234.05%	Note 11
Deferred tax assets	23,998.70	13,502.94	77.73%	Note 12
Other non-current assets		69,605.98		Note 13
Long-term amortization expenses	9,225.43			Note 5
Short-term borrowings	929,296.03	572,705.45	62.26%	Note 14
Bill payable	225,171.54	128,017.55	75.89%	Note 15
Accounts payable	2,170,306.90	1,172,324.56	85.13%	Note 16
Advances from customers	900,026.13	640,622.81	40.49%	Note 17
Employee benefits payables	358,613.37	77,974.57	359.91%	Note 18
Taxation payable	243,742.23	62,355.09	290.89%	Note 19
Dividend payable	2,149.12	19,880.37	–89.19%	Note 20
Other payables	925,428.57	257,404.76	259.52%	Note 21
Non-current liabilities due within one year	553,000.24	106,177.04	420.83%	Note 22
Long-term borrowings	218,370.00	580,444.25	–62.38%	Note 23
Bonds payable	60,000.00			Note 24
Special payables	129,843.37	60,163.88	115.82%	Note 25
Operating income	6,346,580.50	3,571,472.30	77.70%	Note 26
Interest income	19,371.65			Note 27
Handling fees and commission income	921,280.42			Note 27
Operating cost	5,502,328.72	3,263,823.10	68.59%	Note 25
Business taxes and levies	83,524.13	25,061.04	233.28%	Note 28
Selling expenses	166,512.86	105,202.19	58.28%	Note 29
Administrative expenses	993,848.98	378,091.93	162.86%	Note 30
Asset impairment loss	41,335.20	–2,703.30	1,629.06%	Note 31
Non-operating expense	23,726.72	7,755.80	205.92%	Note 32
Income tax expenses	158,099.04	26,425.63	498.28%	Note 33

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

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

Note 1: The increase in currency funds as compared to the end of last year was mainly due to the consolidation of Zhongrong Trust this year and sales of the Group were better, sales revenue increased led to net operating cash inflow increased and short term loan increased.

Note 2: The increase in financial assets held for trading as compared to the end of last year was mainly due to the consolidation of Zhongrong Trust this year.

Note 3: The increase in bill receivables as compared to the end of last year was mainly because sales of the Group were better this year, sales revenue increased, thus there was an increase in using bills for settlement by various customers of the Company during the period, resulting in an increase in the balance of bill receivables as at the end of the period.

Note 4: The increase in prepayment as compared to the end of last year was mainly because sales of the Group were better this year, thus procurement volume increased resulting in an increase in prepayment.

Note 5: The increases in financial assets purchased under agreements to resell, financial assets available for sale, long-term amortization expenses as compared to the end of last year were mainly due to the consolidation of Zhongrong Trust this year.

Note 6: The increase in non-current assets amount due within one year as compared to the end of last year was mainly due to the increase in instalment sales of the goods of the Group.

Note 7: The increase in long term receivables as compared to the end of last year was mainly due to the increase in instalment sales of the goods of the Group.

Note 8: The increase in long-term equity investment as compared to the end of last year was mainly due to the increase in equity investment in Hengtian Real Estate Co., Ltd. during the period.

Note 9: The increase in construction in progress as compared to the end of last year was mainly due to the consolidation of Hubei Xinchufeng Automobile Co., Ltd and the fact that our subsidiaries were relocated and reformed to construct a new production zone in response to the appeal of local government.

Note 10: The increase in intangible assets as compared to the end of last year was mainly due to the consolidation of Hubei Xinchufeng Automobile Co., Ltd.

Note 11: The increase in goodwill as compared to the end of last year was mainly due to the acquisition of 36% of the equity interest of Zhongrong Trust.

Note 12: The increase in deferred income tax assets as compared to the end of last year was mainly due to the consolidation of Zhongrong Trust this year.

Note 13: The decrease in other non-current assets as compared to the end of last year was mainly due to the prepayment on construction of last year was brought forward and included as the construction in progress during the year.

Note 14: The increase in short-term borrowings as compared to the end of last year was mainly due to better sales, and the increase in short-term borrowings to supplement working capital.

Note 15: The increase in bills payable as compared to the end of last year was mainly because sales of the Group were better, thus procurement volume increased resulting in an increase in the issuance of bills payable.

Note 16: The increase in accounts payable as compared to the end of last year was mainly due to fact that the Company used more bills for settlement, for those are not yet due at the end of the period was adjusted in accordance with International Accounting Standards and the procurement volume increased resulting in the increase in amounts due to suppliers.

Note 17: The increase in advance from customers as compared to the end of last year was mainly due to the increase in the amount from the presale of products during the year.

Note 18: The increase in employee benefits payables as compared to the end of last year was mainly due to the consolidation of Zhongrong Trust this year.

Note 19: The increase in taxation payables as compared to the end of last year was mainly due to the consolidation of Zhongrong Trust this year.

Note 20: The decrease in dividend payable as compared to the end of last year was mainly due to the fact that we paid dividends to the parent company of the Group, CTMC.

Note 21: The increase in other payables as compared to the end of last year was mainly due to the increase in transfer sum of the equity interest of Zhongzhi Enterprise Group during the period.

Note 22: The increase in non-current liabilities amount due within one year as compared to the end of last year was mainly due to the fact there were more long term borrowings due within one year during the period.

Note 23: The decrease in long term borrowings as compared to the end of last year was mainly due to the fact that long term borrowings due within one year transferred to the non-current liabilities due within one year.

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

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

Note 24: The increase in bonds payables as compared to the end of last year was mainly due to the fact that the Group issued a two-year term small and medium enterprise collective bond during the year.

Note 25: The increase in special payables as compared to the end of last year was mainly due to the receipt of the Allocation of Significant Technological Innovation and Industrialization Funds under the State-owned Capital Operation Budget during the year.

Note 26: The increases in operating income and operating costs as compared to last year was mainly because sales of the Group were better this year, thus sales volume increased.

Note 27: The increases in interest income, handling fees and commission income as compared to last year were mainly due to the consolidation of Zhongrong Trust this year.

Note 28: The increases in business taxes and levies as compared to last year were mainly due to the consolidation of Zhongrong Trust this year.

Note 29: The increase in selling and distribution expenses as compared to last year was mainly because sales of the Group were better this year, thus sales volume increased and selling and distribution expenses increased accordingly.

Note 30: The increase in administrative expenses as compared to last year was mainly due to the consolidation of Zhongrong Trust this year.

Note 31: The increase in impairment loss in respect of assets as compared to the end of last year was mainly due to the fact that Group made provisions for impairment loss of our associates this year.

Note 32: The increase in non-operating expense as compared to last year was mainly due to the disposal of the power plant by the Group during this year.

Note 33: The increase in income tax expenses as compared to last year was mainly due to the consolidation of Zhongrong Trust this year.

4. Composition of the Company's cash flow

Net cash flow from the Group's operating activities for 2010 was RMB1,046.757 million, representing an increase of RMB724.971 million from net cash flow of RMB321.786 million for 2009. It was mainly due to adoption of inventory controls for accommodating to the changes in the macro-economic environment by the Company's subsidiary Zhongrong Trust, resulting in a reduction in the utilisation of funds, as well as an enhanced recovery of trade receivables, resulting in an increase in operating cash inflow.

Net cash flow from investing activities was RMB-590.192 million, representing an decrease of RMB582.244 million from RMB-7.948 million of net cash flow for 2009. It was mainly due to the increase of external investments by the Company's subsidiary Zhongrong Trust during the reporting period.

Net cash flow from financing activities was RMB687.510 million. In comparison with 2009, there was an increase of RMB478.356 million of net cash flow from financing activities from RMB209.154 million for 2009, which was mainly due to the better sales condition and we supplemented the working capital by increasing borrowings.

Unit: RMB'000

Items	2010	2009
Net cash flow from operating activities	1,046,757	321,786
Net cash flow from investing activities	-590,192	-7,948
Net cash flow from financing activities	687,510	209,154
Effect of foreign exchange rate on cash	-856	-53
Net increase in cash and cash equivalents	1,143,219	522,939

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

5. Items measured at fair value

Unit: RMB

Item	Opening balance	Gain or loss due to change in fair value during the period	Cumulative change in fair value included in equity	Impairment provided during the period	Closing balance
Financial assets:					
Of which: 1. financial assets at fair value through current profit or loss	2,170,449.36	27,119,250.36		–	84,349,920.20
Of which: derivative financial assets					–
2. Financial assets available-for-sale			161,156,581.14		954,209,347.83
Sub-total of financial assets	2,170,449.36	27,119,250.36	161,156,581.14		1,038,559,268.03
Financial liabilities					
Real Estate for investment					
Biological assets for production					
Others					
Total	2,170,449.36	27,119,250.36	161,156,581.14		1,038,559,268.03

6. Financial assets and financial liabilities in foreign currency

Unit: RMB

Item	Opening balance	Gain or loss due to change in fair value during the period	Cumulative change in fair value included in equity	Impairment provided during the period	Closing balance
Financial assets:					
Of which: 1. financial assets at fair value through current profit or loss					
Of which: derivative financial assets					
2. Loans and receivables	19,169,731.14				53,360,208.45
3. Financial assets available-for-sale					
4. Held-to-maturity investment					
Sub-total of financial assets	19,169,731.14				53,360,208.45
Financial liabilities	51,240,571.06				283,754,198.70

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

7. Important information relating to the Company's operation

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

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

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

As at 31 December 2010, the Group's major controlled subsidiaries were as follows:

Unit: RMB'000

Name of enterprise	Principal activities	Registered capital	Equity interest held by the Group %	Total assets	Net assets	Net profit
Zhongrong International Trust Co., Ltd.	Funds trust movable property trust real estate trust,	580,000	36.00	2,043,314	1,539,309	384,741
Qingdao Hongda Textile Machinery Company Limited	Manufacture, sales, installation, repairing and leasing of special equipment for textile industry, textile machinery and related components	114,000	97.663	1,468,071	301,680	29,223
Shenyang Hongda Textile Machinery Company Limited	Technological development and research of textile machinery and related components; manufacture and processing of electronic and electric machinery and equipment and economic technological consultancy	71,000	98.00	270,124	104,161	5,136
Changde Textile Machinery Company Limited	Manufacture and sales of textile machinery and other machinery and parts and components, metallurgy powder	42,349.90	95.00	542,495	183,071	14,412
Beijing Jingwei Textile Machinery New Technology Company Limited	Technological development and sale of textile machinery and computer hardware and software, sale of special textile equipment, agricultural machinery, instruments and meters as well as automobile components	100,000	100.00	505,055	166,081	91,486
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Manufacture of new style textile machinery, other textile machinery and special parts and components as well as machinery and components for general use; sales of in-house products	20,000	35.00	243,100	77,903	13,589
Yichang Jingwei Textile Machinery Company Limited	Develop and manufacture textile machineries and its special ports and components	20,000	100.00	269,201	68,502	19,483

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

9. Fixed assets

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

10. Retirement benefit scheme

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

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

11. Donations

Donations made by the Group during the year amounted to RMB493,000 (2009: RMB984,000).

Section II Prospects for the future development of the Company

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

(1) Sustainable development of the textile industry with the strong support of state policy

In 2009 the State Council passed the “Adjustment and revitalization plan of the textile industry” which clearly pointed out that implementation must be carried out the plan to eliminate updated facilities and production capacity. This become the main momentum of the upgrade of textile sector, and thus drove the development of the textile machinery manufacturing industry. In the “Notice on further elimination of outdated production capacity of the State Council” (Guo Fa [2010] No. 7 document) it was pointed out that the accelerated elimination of outdated production capacity was the means to change economic development, important measure to adjust economic structure, to enhance the quality and benefits of economic growth. On top of the phasing out of all textile facilities constructed before the founding of the country and those with “1” as the first reference number that the cotton textile industry announced in the past, it also announced that spinning machine with “A” as the first letter were also on the elimination list, and it was pointed out that the “exchange with the facilities with the same capacity” and “exchange with the facilities with lower capacity” methods could be used to eliminate outdated capacity. The “Adjustment and revitalization plan of the equipment manufacturing industry” became the important opportunity for the development of textile industry of China, in that document, it was clearly spelt out that the automation of textile machinery was driven by an integrated implementation of the Adjustment and revitalization plan of the textile industry, and with roving and spinning unit, high speed weaving machine, full set of non-woven equipments, full set of special weaving equipments, dying machine with high efficiency, continuous and short work flow as the focus. The Ministry of Industry Information issued the “Guidance and opinion of the structural adjustment of the textile machinery industry” which indicated more concrete development objectives and requirements for the transformation and growth methods, enhancement of autonomous innovation, fostering of the integration of informationization and industrialization, strengthening of competitiveness of the textile machinery industry and it made a foundation for implementing the revitalization plan of the textile industry.

(2) Effects of the austerity measures of the state materialized, the textile industry saw rapid growth

The textile machinery industry is an upstream industry, it provides technological equipments for the economic development of the textile industry. Amid the environment of the textile sector chain, positive policies and demand in the market have important impact on the economic development of the textile machinery industry. In the long run, the textile industry in China will still maintain active growth trend.

(3) Decrease of population bonus, clear trend of demand for automated and intelligent facilities

After the financial crisis, the trend of the structural adjustment of the textile industry of China is getting clearer. Machine models with high degree of automation, capability to save labour input and to improve the quality of textile products are getting more and more attention from clients.

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

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

(4) Diversification and refinement of textile products force the technological upgrade of textile technology

The new development trend of textile products has made new requirements for the textile development. Firstly, diversified synthetic fabric processing makes new requirements for the traditional weaving machinery. Secondly, the processing is getting more and more refined, more and more shortage in the global supply of cotton raw materials, the industry must develop towards processing of synthetic fabric and refinement, the textile machinery companies must consider how to adapt their textile products to such changes. In the traditional textile machinery industry field, we should pay attention to technological improvement and upgrade of facilities to drive the integration of both informationalization and industrialization, to use the improvement of quality to bring about an increase in quantity, and further reduce the gap between the domestic facilities and the international advanced facilities.

2. Market Competition faced by the Company

Following the transfer of global textile industry into Asia with China and its neighbouring countries in particular, almost all textile machinery manufacturers have set up production bases in China. With their advantages in different aspects, overseas textile machinery companies have transferred some or the entire production of textile machine products into Asia through equity joint venture, wholly owned enterprise, cooperative joint venture etc, and by using localization policy, they continue to occupy and expand the market in China while the continuous growing of privately-owned enterprises make the competition in the market more and more intensified.

In the high end product market, overseas products have competitive advantages over the domestic products due to the technological advantages of the former, thus they have been occupying half or even more of the market share of the market in China for the long time. There is indeed keen competition between domestic and overseas products, the textile machinery companies from Germany, Switzerland, Italy and Japan etc do not have monopoly in the international market, they are conquering the Chinese market together, the keen competition of the textile machinery market in China is in fact a geographical extension of the keen competition of the textile machinery market in the world.

In the middle and low end markets, the quality of the yarn produced by the domestic textile machine can match that of the international advanced standard, it is very popular among users, its practicality is relatively high, while its price is low, in general it suits the production requirements of the domestic cotton yarn plants. However, the products are highly similar, the assets of the companies are very specific to their own usage, the exit from the market presents relatively large obstacles, , the market structure is high competitive, most companies in China do not have the capability to have differential competition, these factors are the main reasons why in China the textile machinery companies normally adopt the price competition strategy. The textile machinery companies can only actively follow the development trend of the textile products, and speed up the pace of upgrade of the sector in order to secure their market share in amid keen competition in the market.

3. Future development strategies of the Company

The development strategies of the Group for the future are to follow the state objectives of building and harmonious society, continue to intensify the corporate culture of "Results oriented, compliance with rules, stress on faith", to continue to improve the utilization rate of resources, enhance the overall competitiveness of the Company, to become one of the first class textile machinery companies in the world, maximize social benefits, shareholders' wealth, customer value and revenue of employees. The Company will insist on the development of the main businesses of the textile machinery according to the market changes. At the same time, we will develop into a financial and equity investment and non-textile machinery business unit with higher profitability, and strengthen our risk resistance and profitability.

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

4. The operational plan for the new financial year

In 2011, the Company will stress on the following tasks:

(1) To deepen the structural adjustment, enhance the competitiveness of the Company

We will continue to utilize our advantages in the textile industry, start cooperation of projects under different methods, expand the business scope of the main business of textile machinery, enhance our position and influence in the industry. We will continue to foster the structural adjustment of the non-textile machinery business, achieve rapid development, facilitate the enhancement of corporate value as a whole. We will actively foster the structural adjustment of products, develop high end textile equipment facilities, stress our features of high speed, great results, labour reduction, energy saving and emission reduction, green and environmental friendly, leader of the latest technological trend of textile machinery in China. We will continue to increase the structure adjustment of employees, control the scale of employees, continue to optimize the age structure of employees, gradually implement the objective of having a young and knowledgeable team.

(2) To speed up innovation in system and mechanism, increase the vitality of company development

The Company will stress on the long term development of the company, continue to improve the building up of a dual level research and development system, carry out autonomous research and development of critical technology, actively participate in the formulation of corporate technological development strategies, introduction of important technology and argument for the technological transformation project, provide debate of technological transformation project, provide consultancy services to company projects and technical decision making. Given the state technological centre, post-doctoral work station, the Company will continue to explore and develop system innovation, set up a complete, professional technical position remuneration system, to fully realize the value of talents, and create a good environment for the Company to enhance the autonomous innovative capability of the Company. At the same time, the Company will use the state special project subsidy to implement new methods and new channels of product R & D, increase the investment of funds in R & D, strengthen the development of new product, skills and technologies and inspection techniques. In addition, we will create a linking mechanism between the innovation and R & D department and sales department to ensure that R & D activities of the Company are conducted with accurate market knowledge, and are oriented towards to the needs of the customers, for the purposes of products, we will increase communication among the production, technical, sales and finance departments so as to form a operating model with quick feedback from the integrated production, sales and R & D departments and to enhance our capability to meet customers needs.

(3) To strengthen centralized management, enhance profitability of the Company.

The Company will further strengthen the business results by centralization, foster the progress of centralized marketing, strengthen the building up of the marketing system of the Company, further enhance the contract management and work flow for price review, set up an effective sales incentive mechanism, seriously study and analyze market trend, strengthen the promotion of new products and enhance the profitability. Regarding export, we will strengthen promotion in the international market, improve after-sales quality, and gradually explore new market while strengthening market share in the traditional market. As for the procurement of bulk commodities, we will make the best out of our large scale and brand and increase centralized procurement, strictly control procurement costs; actively develop new suppliers, introduce competition mechanism, gradually solve the problems caused by procurement from one single supplier and one brand of goods. We will strengthen the integration of procurement and technology, by introducing new materials, new technology and new brand, we will facilitate standardization, reduce costs by more design, improve the standard of market research and continue to make proper risk procurement.

(4) To strengthen internal management of the Company, ensure economic stability and running

The Company must actively coordinate the strategic coordination and cooperation among companies, and make use of the professional advantages of all companies, and optimize cooperation so as to facilitate share of resources, complement the advantages of one another, achieve a win-win situation, and further strengthen economic operation management, set up a scientific responsibility appraisal system. We will integrate safety management, quality management and onsite management through 6S management and standardization of safety production, create a company of safety nature, safeguard the stability of the Company and the quality of products. We will set up a management system for energy saving and emission reduction, implement the state energy saving and emission reduction policy, undertake social responsibilities, reduce the costs of energy. We will further strengthen quality management, encourage employees to improve quality and continue to improve our skills. We will further strengthen risk management, revise and improve the risk management systems of the Company and all companies, improve the risk control system, strengthen the risk analysis, risk assessment and control of all stages of operating management, and prevent operating risks in a comprehensive and effective way.

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

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

(5) To facilitate refined financial management, enhance financial control capability

We will strengthen centralized management of finance, strengthen treasury management, enhance the benefits of funds utilization, strengthen the review and verification of contracts by the finance department, strengthen the management of pricing and settlement, try hard to improve the quality of contracts. We will actively facilitate the systematic, complete and coordinated budget management, safeguard the achievement of operating objectives, further improve standards, strictly control all expenditures. We will continue to launch activities for all employees to cut costs, enhance the capability to control costs internally. We will foster informationalization, facilitate the standardizing, standardization of financial management, standardize accounting and audit methods, further improve the quality of accounting information. We will strengthen the timeliness and effectiveness of financial analysis to provide effective information for decision making by the Company.

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

Funds for the Company's day-to-day manufacturing, operations and research and development will be mainly from self-owned funds, while the outstanding portion will be provided by bank credit facilities. Meanwhile, the Company will actively seek new investment projects to meet its strategic development needs, so as to form new streams of economic growth, such as acquisition of relevant external resources or import of technologies. The amount of funds needed will be determined with reference to the potential projects, while the source of funding may be collected in accordance with the circumstances of the possible projects including self-owned funds, bank loans or financing on the capital market. In 2011, our fund-raising channels will be further widened. We will endeavour to carry out fund raising by innovative methods and secure our funding requirement for production, operation, strategic adjustment and development of the Company through various channels and methods.

6. Inherent risks and mitigation strategies

2011 is the first year of the “Twelve Five-year” development plan. During the “Twelve Five-year” the economy of the state will continue to maintain sustainable and relatively faster growth, particularly the weighting of the income of residents in the allocation of national income will be largely increased, this measure will provide strong support to consumption such as all kinds of textile products and automobiles, and this also provide a new development opportunities to textile machinery and non-textile machinery. However, the uncertainly and instability of economic development still exist. As a result of the depreciation of US dollars, Renminbi may continue to appreciate, this will squeeze the room for export of textile machinery products, and competition of the textile machinery market will be keener. Exchange rate and inflation will be the main factors affecting the economic development of the textile industry of our state in 2011. Besides, China has entered into another round of interest hike cycle, the financial policy of the state is contracting, more and more austerity measures are targeted at the real estate market, this will make the business environment of the non-textile machinery business of the Company more difficult. The Company will actively adopt measures to cope with risks:

(1) To carry out adjustment and improvement of the industry, facilitate the optimization of the structure of the industry and product structure, maintain the core position in the textile machinery industry while reducing our reliance on the textile machinery business, switch to textile machinery business, financial business and non-textile machinery business as the main businesses.

(2) To enhance technological innovation, set up a flexible and highly efficient R & D mechanism, facilitate the speeding up of the pace of R & D of product, enhance the core competitiveness of the Company.

(3) To show the decision-making, technological, marketing, financial and information technology functions, strengthen the integrated business operation system, improve the awareness of serving customers and the actual results.

(4) To improve the efficiency of decision-making process and speed of feedback to the market, strengthen the integration of resources, improve the efficiency of the operation of capital.

(5) To promote information strategy, improve and expand the functions of the information system, create a “digital Jingwei” information environment to support intensive operation and integrated management.

(6) To improve and optimize the risk management mechanism, enhance the reporting of operational risks and continually strengthen the Company’s ability and standard of withstanding risks.

(7) To improve and optimize the Company’s management structure, reduce the hierarchy of the Company’s management structure, standardize the operation of parent and subsidiaries, and make the Company a truly internationally competitive operational company.

Section III Investments of the Company

1. Use of proceeds

The Company's raised previously were used up. No proceeds was used in 2010. The utilisation of accumulated proceeds from the issue of shares by the Company is set out in the 2003 Annual Report of the Company.

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

See Chapter IX 3(1).

Section IV Routine work of the Board of Directors

1. The Board meetings and the details of resolutions

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

Meeting	Date on which meeting was held	Summary of resolutions or newspapers and media on which the resolutions were published	Date of announcement
Extraordinary Board Meeting of the Fifth Board	8 January 2010	Websites of cninfo and the Stock Exchange,	26 January 2010
		Securities Times and website of the Company	27 January 2010
The Sixteenth Meeting of the Fifth Board	24 March 2010	Websites of cninfo and the Stock Exchange,	24 March 2010
		Securities Times and website of the Company	25 March 2010
Extraordinary Board Meeting of the Fifth Board	14 April 2010	Websites of cninfo and the Stock Exchange,	14 April 2010
		Securities Times and website of the Company	15 April 2010
The Seventeenth Meeting of the Fifth Board	28 April 2010	Websites of cninfo and the Stock Exchange,	28 April 2010
		Securities Times and website of the Company	29 April 2010
Extraordinary Board Meeting of the Fifth Board	20 May 2010	Websites of cninfo and the Stock Exchange,	20 May 2010
		Securities Times and website of the Company	21 May 2010
Extraordinary Board Meeting of the Fifth Board	9 June 2010	Websites of cninfo and the Stock Exchange,	9 June 2010
		Securities Times and website of the Company	10 June 2010
The Eighteenth Meeting of the Fifth Board	23 June 2010	Websites of cninfo and the Stock Exchange,	23 June 2010
		Securities Times and website of the Company	24 June 2010
Extraordinary Board Meeting of the Fifth Board	20 July 2010	Websites of cninfo and the Stock Exchange,	20 July 2010
		Securities Times and website of the Company	21 July 2010

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

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

Meeting	Date on which meeting was held	Summary of resolutions or newspapers and media on which the resolutions were published	Date of announcement
The First Meeting of the Sixth Board	16 August 2010	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	16 August 2010 17 August 2010
The Second Meeting of the Sixth Board	17 August 2010	2010 Interim Report and its summary of the Company were considered and approved	–
The Third Meeting of the Sixth Board	20 September 2010	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	21 September 2010 28 September 2010
Extraordinary Board Meeting of the Sixth Board	27 September 2010	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	27 September 2010 28 September 2010
Extraordinary Board Meeting of the Sixth Board	19 October 2010	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	19 October 2010 20 October 2010
The Fourth Meeting of the Sixth Board	22 October 2010	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	22 October 2010 25 October 2010
The Fifth Meeting of the Sixth Board	8 November 2010	Agreed to change the international auditor of the Company for 2010	–
Extraordinary Board Meeting of the Sixth Board	11 November 2010	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	11 November 2010 12 November 2010
Extraordinary Board Meeting of the Sixth Board	28 December 2010	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	28 December 2010 29 December 2010
Extraordinary Board Meeting of the Sixth Board	30 December 2010	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	30 December 2010 31 December 2010

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

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

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

The Board of the Company implemented all the resolutions diligently. The general mandate granted at the general meetings to the Directors to exercise powers to repurchase part of H Shares was not exercised during the reporting period.

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

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

(1) The Audit Committee of the Board of Directors reviewed the "2010 Audit Plan" as prepared by the Company's registered accountants for annual audit, Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountant) and Baker Tilly China (the PRC Certified Public Accountant) and agreed to the respective audit plan and arrangements.

(2) Before the registered accountants for annual audit commenced site audit, the Audit Committee of the Board of Directors reviewed the 2010 financial statements prepared by the Company and issued written opinion. The Audit Committee of the Board of Directors considered that the financial statements of the Company was prepared in accordance with the PRC Corporate Accounting Standards, that the accounting policies were appropriately applied and accounting estimations were made reasonably, and that the financial statements were in compliance with the Corporate Accounting Standards, the Corporate Accounting System and the relevant regulatory requirements required by the Ministry of Finance. The entities included for accounts consolidation and the content of the financial statements of the Company were complete and the basis of consolidation was accurate. The financial statements of the Company were true, accurate and complete and no material mistakes or omissions were identified. Therefore, the Audit Committee of the Board of Directors agreed that the financial statements prepared by the Company be submitted to the registered accountants for annual audit.

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

(4) After the registered accountants for annual audit issued preliminary audit opinions, the Audit Committee of the Board of Directors reviewed the 2010 financial statements of the Company again and issued written opinion. The Audit Committee of the Board of Directors considered that the preliminary audit results were in compliance with the requirements of Corporate Accounting Standards. The state of affairs and the operating results of the Company for 2010 were fairly disclosed with respect to significant aspects.

(5) The Audit Committee of the Board of Directors considered that Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) and Baker Tilly China (the PRC Certified Public Accountants) have complied with their code of practice of being independent, objective and fair in providing audit services to the Company and have performed their duties to complete the audit of the Company for 2010.

(6) On 14 March 2011, a meeting was convened by the Audit Committee of the Board of Directors. The conclusion report for the 2010 audit of the Company carried out by the registered accountants and the recommendation to reappoint the registered accountants for 2011 were considered and approved at the meeting.

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

The Personnel Nomination and Remuneration Committee reviewed the remuneration of the Directors, Supervisors and senior management of the Company for the year 2010 and considered the remuneration standard and the evaluation of the said personnel who received remuneration from the Company were in compliance with the relevant regulations.

Section V Profit distribution proposal for the year

In 2010, the Company realised a net profit of RMB12,381,104.48, 10% of which (i.e. in the sum of RMB1,238,110.45) will be appropriated to the statutory surplus reserve in accordance with the Articles of Association of the Company. The distributable profit accrued for the year was RMB11,142,994.03. The realisable distributable profit for shareholders was RMB138,465,443.77. In view of the profit condition of the Company in 2010 and taking full consideration of shareholders' interest and the long-term development of the Company, the proposed profit distribution plan for 2010 is as follows: distribute 2010 final dividend RMB0.07 per share (tax inclusive), totalling RMB42,266,000.00. The undistributed profit of RMB96,199,443.77 of the Company will be carried forward for use in subsequent years.

Cash dividends for the previous three years of the Company:

Unit: RMB

	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the listed company in the consolidated financial statements	Percentage of net profit attributable to shareholders of the listed company in the consolidated financial statements	Distributable profit for the year
2009	–	-78,890,775.73	–	127,322,449.74
2008	6,038,000.00	25,855,511.70	23.35%	76,404,207.11
2007	6,038,000.00	162,206,513.23	3.72%	19,292,911.11
Proportion of the amount of cash dividends within the past three years to the latest annual average net profit (%)				33.18%

Section VI Other reporting items

1. Directors' and Supervisors' interest in contracts

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

2. Directors' and Supervisors' Service Contracts

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

Section VI Other reporting items (continued)

3. Specific explanation and independent opinions by the Independent Non-executive Directors regarding the use of funds by controlling shareholders and other related parties and the external guarantees of the Company

Pursuant to the provisions of the "Notice regarding the Regulations of Certain Issues on the Movements of Funds Between Listed Companies and Related Parties and External Guarantees of Listed Companies" (CSRC [2003] No. 56) ("Notice") and "Notice regarding the Regulation of Certain Issues on External Guarantees of Listed Companies" (CSRC [2005] No. 120), etc issued by the CSRC, we, as Independent Non-executive Directors of the Company, being responsible to the Company, the shareholders and investors, have seriously reviewed the use of funds by controlling shareholders and other related parties and the circumstances of the external guarantees. The special explanation and Independent opinions in respect of which is as follows:

In 2010, the Company strictly executed the requirements of the relevant documents, strictly controlled the risks of external guarantee and the use of funds by connected parties. No controlling shareholders or other related parties of the Company have used the funds of the Company in violation of rules, and the circumstances of guarantee disclosed in the 2010 Annual Report of the Company were true. There was no guarantee in violation of rules, and the decision-making of the Company on external guarantee was in compliance with the requirements by laws, regulations and the Articles of Association of the Company. The interests of the Company, its shareholders and particular those of the minority shareholders were not harmed.

4. Statement made by the Board of Directors regarding their responsibilities of the internal control of the Company

The Board of Directors of the Company carried out a self-examination of the internal control of the Company for 2010, no material defects in the design and execution of the internal control of the Company was found. The Board of Directors of the Company considered that the internal control system of the Company was healthy and had been executed effectively. The Board of Directors of the Company and all members of the Board severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the relevant contents of the internal control report.

5. The Company set up the working plan and implementation proposal for a healthy internal control system

During 2011 the Company made the working proposal for the internal control, improved the internal control system and carried out a self-examination of internal control. (1) Setting up and improving the organization to carry out internal control, ensuring the effective implementation of the self-examination of internal control. (2) Starting different kinds of learning and training so that employees could master the philosophy of internal control and the internal control system of the Company, safeguarding the thorough implementation of the internal control system, at the same time, providing training on the evaluation methods to the task group of internal control staff. (3) Allowing the staff of the internal control task group to carry out an evaluation of the design and execution situation of internal control of the Company according to the requirements of the internal control system of the Company and to complete the self-examination report of internal control. (4) The Company arranged the relevant staff to conduct an inspection of the progress of the self-examination of internal control, and to improve the internal control system, implement remedial measures by pinpointing the problems found in the self-examination and inspection, and to facilitate the continuous improvement of the internal control of the Company, standardize operation and effectively prevent operating risks.

6. Execution status of the management system for insiders

The Company formulated the "Management System for Insider" according to the relevant stipulations of the "Company Law", "Securities Law" and "Articles of Association" and this was executed in the area of information disclosure. According to the relevant stipulations of CSRC and Shenzhen Stock Exchange regarding the management of insider information, the Company carried out a self-evaluation of the situation of the management of insider information during the period of occurrence of material events and the reporting period of 2010: during the reporting period, there was no insider using insider information to trade the stocks of the Company before the disclosure of substantial sensitive information having an impact upon the share price of the Company, and no such insider under investigation and punishment by the regulatory authority and no rectification.

Section VI Other reporting items (continued)

7. Tax Relief and Exemption

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

8. Purchase, Sale or Redemption of Shares

For the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

9. Pre-emptive Rights

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

10. Management Contract

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

11. Currency and Interest Rate Risk

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

For its financing activities, for the financial year ended 31 December 2010, the Group's short-term borrowings amounted to RMB820.262 million, of which borrowings of US$42.620 million (equivalent to RMB282.262 million) were in the U.S. dollar, while the remaining balances were in Renminbi. The interest rates were in the range from between 3.5% to 5.56% per annum. The management considers that the Group did not have any material interest rate risk.

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

12. Connected transactions

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

13. Subsequent events

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

14. Reserves

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

Chapter VIII Supervisors' Report

1. Meetings and Resolutions of the Supervisory Committee

During the reporting period, the Supervisory Committee held 7 meetings. The details are as follows:

Meeting	Summary of matters resolved	Date of meeting	Newspapers and media on which the resolutions were published	Date of announcement
The Twelfth Meeting of the Fifth Supervisory Committee	1. The 2009 Supervisors' Report of the Company was considered and approved; 2. The 2009 Financial Report of the Company was considered and approved; 3. The 2009 Annual Report of the Company and its Summary were considered and approved. 4. The 2009 Evaluation Report on Self-examination of Internal Control of the Company was considered and approved.	24 March 2010	The website of cninfo and the Stock Exchange Securities Times, and the website of the Company	24 March 2010 25 March 2010
The Thirteenth Meeting of the Fifth Supervisory Committee	The 2010 First Quarterly Report of the Company was considered and passed.	28 April 2010	–	–
The Fourteenth Meeting of the Fifth Supervisory Committee	Considered and approved the resolution regarding the change of session of the Company's Supervisory Committee	23 June 2010	The website of cninfo and the Stock Exchange Securities Times, and the website of the Company	23 June 2010 24 June 2010
The First Meeting of the Sixth Supervisory Committee	Elected Mr. Tu Kelin as the chairman of the sixth Supervisory Committee of the Company, Ms. Peng Zeqing as the vice-chairman of the sixth Supervisory Committee of the Company, and appointed Ms. Qiu Lin as the secretary to the Supervisory Committee.	16 August 2010	The website of cninfo and the Stock Exchange Securities Times, and the website of the Company	16 August 2010 17 August 2010
The Second Meeting of the Sixth Supervisory Committee	Considered and approved the 2010 Interim Report and its summary of the Company.	17 August 2010	–	–
The Third Meeting of the Sixth Supervisory Committee	1. Considered and approved the Company's Composite Services Agreement from 1 January 2011 to 31 December 2013; 2. Considered and approved the "Capital increase and equity acquisition agreement of Hengtian Real Estate Co., Ltd";	20 September 2010	–	–
The Fourth Meeting of the Sixth Supervisory Committee	The 2010 Third Quarterly Report of the Company was considered and passes.	22 October 2010	–	–

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

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

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

The Supervisory Committee made a diligent review on the profit distribution proposal of the Company for 2010 to be submitted by the Board of the Company for approval at the general meeting and the relevant audit materials in respect of the auditors' report for 2010 prepared by the domestic and international auditors with unqualified audit opinion. The Supervisory Committee considers that the auditors' report of the Company for 2010 reflects the financial status and operating results of the Company in an objective way.

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

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

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

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

6. Opinion of the Supervisory Committee on connected transactions

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

Opinions on the "Report on Self-evaluation of Internal Control System for the Year 2010" of the Company issued by the Supervisory Committee:

The Supervisory Board considered the "Report on Self-evaluation of Internal Control System for the Year 2010" of the Company, and were of the opinion that the Company had set up and improved relevant internal control system based on the relevant stipulations of the CSRC, Shenzhen Stock Exchange with due regard to our own actual situation, we also facilitated and safeguarded the realization of all operating management objectives and the normal operation of all business activities. The organization of the internal control of the Company was complete and scientific, its internal checking and internal control system was complete and effective, thus safeguarding the execution of the key activities of internal control and the adequacy and effectiveness of the supervision. The "Report on Self-evaluation of Internal Control System for the Year 2010" of the Company truthfully and objectively reflected the actual status of the internal control of the Company.

Chapter IX Significant Events

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

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

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

   (1) Acquisition of assets

Unit: RMB'000

Counterparty of the transaction or ultimate controller	Assets acquired or purchased	Date of acquisition	Price of transaction	Net profit attributable to the Company from the date of acquisition to the end of the year (applicable to combination of enterprises not under the same control)	Net profit attributable to the Company from the beginning of the year to the end of the year (applicable to combination of enterprises under the same control)	Whether it was a connected transaction	Pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all obligations of the liabilities concerned were completely transferred	Connected relationship with counterparty (applicable to connected transactions)
Zhongzhi Enterprise Group Co., Ltd.	36% equity interest in Zhongrong International Trust Co., Ltd.	10 August 2010	1,200,000	138,507	–	No	Appraised value	Yes	Yes	No connected relationship
Suizhou Municipality Hong Yun State-owned Asset Management Corporation Limited	50% equity interest in Hubei Xinchufeng Automobile Co., Ltd	10 June 2010	100,000	-1,292	–	No	Appraised value	Yes	Yes	No connected relationship
Anshan Haihong Construction Machinery Company Limited and Chan Lai Fun	51% equity interest in Anshan Jingwei Haihong Agricultural Machinery Company Limited	19 March 2010	28,655	-1,716	–	No	Appraised value	Yes	Yes	No connected relationship
Sun Yinghui	51% equity interest in Shanghai Huayuan Hyperthermia Technology Co, Ltd	13 August 2010	4,998	3,133	–	No	Appraised value	Yes	Yes	No connected relationship

The effect of the above assets acquisition on the continuity of business and the stability of management of the Company is as follows: after completion of the above acquisition of assets, the Company was transformed from an enterprise with the single business textile machinery into a diversified and comprehensive enterprise group with textile machineries as its core, financial trust as its major sector of profit growth, and vehicles, agricultural machineries and medical equipments as its new force for growth. The operating result of the Company was greatly increased, and its ability to resist market risks was also significantly strengthened.

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

(2) Disposal of assets

Unit: RMB'000

Counterparty of the transaction	Assets sold or disposed	Date of disposal	Price of transaction	Net profit attributable to the Company from the beginning of the year to the date of disposal	Gain/Loss from disposal	Whether it was a connected transaction	Pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all obligations of the liabilities concerned were completely transferred	Connected relationship with counterparty (applicable to the connected transaction)
Hengtian Real Estate Co., Ltd.	65% equity interest in Beijing Bohong Property Development Company Limited	30 December 2010	195,301	19,284	86,517	Yes	Appraised value	Yes	Yes	Connected relationship
Hunan Changtian Jiuwu Machine Co., Ltd.	49% equity interest in Hengyang Textile Machinery Company Limited	30 December 2010	10,273	310	1,241	No	Appraised value	Yes	Yes	No connected relationship
Huangshi Xinning Fine Steel Company Limited	45% equity interest in Huangshi Jingwei Textile Machinery Company Limited	16 October 2010	5,400	-8,426		No	Appraised value	Yes	Yes	No connected relationship

The effect of the above assets disposal on the continuity of business and the stability of management of the Company is as follows: disposal of the real estate business made the Company's principal activities more focused. Moreover, the disposal of equity interest in Beijing Bohong Property Development Company Limited contributed greatly to the Company's investment income; disposal of associated companies which had long history of losses helps the Company raise future profitability.

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

5. Connected transactions and continuing connected transactions

(1) Connected transactions in the course of normal operations

To ensure the normal and smooth flow of production and operation of the Company, on 20 September 2010, the Company (for itself and on behalf of its subsidiaries from time to time) and China Textile Machinery (Group) Company Limited ("CTMC Group", for itself and on behalf of its associates and members from time to time, excluding the members of the Group) entered into the new Composite Services Agreement to regulate the goods and services supplied to each other between the Company and CTMC Group during the three years from 1 January 2011 to 31 December 2013, 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 in the Third Extraordinary General Meeting of 2010. 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 (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 (www.cninfo.com.cn) and the Company (www.jwgf.com) on 27 September 2010 as well as the website of the Stock Exchange (www.hkex.com.hk) on 21 September 2010.

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

Unit: RMB'000

Connected persons	Sales of goods and provision of labour services to the connected persons		Purchase of goods and acceptance of labour services from the connected persons	
	Transaction Amount	Proportion to similar transaction amount %	Transaction Amount	Proportion to similar transaction amount %
Companies controlled by the ultimate parent company	122,585	16.55	386,910	65.35
Companies controlled by the same parent company	231,107	31.20	197,618	33.38
Associated company of the Group	387,034	52.25	7,535	1.27
Total	740,726	100	592,063	100

Of such sum, the connected transactions arising from sales of finished goods, raw materials, parts and charge of processing fees from the Company to the companies controlled by the same parent company and companies controlled by the ultimate parent company amounted to RMB342,060,000 during the reporting period.

5. Connected transactions and continuing connected transactions (continued)

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

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

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

② either on normal commercial terms or (if there is not sufficient comparable transactions to determine whether the terms are normal commercial terms) terms no more favourable or less favourable than terms available to or from independent third parties if applicable;

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

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

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

(2) Connected transactions arising from acquisition and sale of assets and contribution of capital during the reporting period:

In December 2010, Beijing Jingwei Textile Machinery New Technology, a wholly owned subsidiary of the Company participated in the Capital Increase of Hengtian Real Estate Co., Ltd. ("Hengtian Real Estate", a connected party of the Company) with approximately 44.83% of the equity interest of Beijing Bohong Property Development Company Limited ("Bohong Company") that the former held together with $12.50 million cash. At the same time it transferred its remaining approximately 20.17% equity interest of Bohong Company to Hengtian Real Estate.

Under this transaction, the valuations of Hengtian Real Estate and Bohong Company were assessed by Wokesen (Beijing) International Appraisers Co., Ltd., a valuer with securities practitioner qualification which had been jointly appointed by all parties concerned according to the relevant law and regulation and valuation standards and valuation principles, in order to assess the values of shareholders' interests determined upon which the pricing of this transaction was based.

The carrying value of the net assets of Bohong Company (the parent company) before valuation was RMB139.8267 million, the net assets after valuation amounted to RMB299.138 million. The value of equity interest determined under this additional investment was the value of the entire interests of Bohong Company times 44.83%, or approximately RMB134.101 million. And based on the corresponding value of 20.17% of the equity interest (that is, RMB60.336 million) the transfer sum negotiated was determined at RMB61.2 million. On top of contributing capital by means of that portion of equity interest, the Company also contributed RMB12.5 million in cash in respect of the Capital Increase in Hengtian Real Estate.

This transaction was made from the perspective of the future development strategy of the Company, this satisfied our needs to adjust the structure, save resources and explore new platform for business and promote the development of the main businesses of the Company, and this had a positive impact on the profit and loss account of the Company for the current period (please refer to this chapter 3(2) Sale of Assets).

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

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

   (4) **In the year under review, there was no appropriation of non-operating capital occurred between the controlling shareholder of the Company and its affiliated companies and the Company, nor was there any appropriation of the non-operating balances as at 31 December 2010.**

   The Company confirmed that the disclosure of the aforesaid connected transactions in 2010 were in compliance with the disclosure requirements under Chapter 14A of the Listing Rules of the Stock Exchange. Details of the connected transactions and the continuing connected transactions of the Company are set out in the notes to financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

6. **Material contracts and execution**

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

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

Unit: RMB'000

External 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	150,000.00	15/10/2009	150,000.00	Joint liability	15/10/2009 – 14/10/2010	Yes	No
Beijing Hualian Group Investment Holdings Limited	20/10/2010 No. 2010-42	150,000.00	21/10/2010	150,000.00	Joint liability	21/10/2010 – 20/10/2011	No	No
Total external guaranteed amount approved during the reporting period (A1)		150,000.00		Total actual external guaranteed amount during the reporting period (A2)			150,000.00	
Total external guaranteed amount approved at the end of the reporting period (A3)		150,000.00		Balance of total actual guaranteed amount at the end of the reporting period (A4)			150,000.00	
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	10/6/2010 No. 2010-21	30,000	30/6/2010	30,000	Joint liability	30/6/2010-29/9/2011	No	No
Tianjin Hongda Textile Machinery Company Limited	12/11/2010 No. 2010-50	50,000	19/11/2010	50,000	Joint liability	19/11/2010-19/11/2011	No	No
Yichang Jingwei Textile Machinery Company Limited	25/4/2009 No. 2009-10	30,000	19/1/2010	30,000	Joint liability	19/1/2010-18/1/2011	No	No
Anshan Jingwei Haihong Agricultural Machinery Company Limited	28/9/2010 No. 2010-39	30,000	27/9/2010	30,000	Joint liability	27/9/2010-26/9/2011	No	No
Shanghai Huayuan Hyperthermia Technology Company Limited	25/10/2010 No. 2010-45	5,000	10/11/2010	5,000	Joint liability	10/11/2010-10/5/2013	No	No
Total approved amount guaranteed to subsidiaries during the reporting period (B1)		145,000.00		Total actual guaranteed amount to subsidiaries during the reporting period (B2)			145,000.00	
Balance of total approved amount guaranteed to subsidiaries as at the end of the reporting period (B3)		145,000.00		Balance of total actual guaranteed amount to subsidiaries as at the end of the reporting period (B4)			145,000.00	

6. Material contracts and execution (continued)

RMB'000

Total guarantee provided by the Company (The total of the above two parts)			
Total guaranteed amount approved during the reporting period (A1 + B1)	295,000.00	Total actual guaranteed amount during the reporting period (A2 + B2)	295,000.00
Total guaranteed amount approved at the end of the reporting period (A3 + B3)	295,000.00	Balance of total actual guaranteed amount at the end of the reporting period (A4 + B4)	295,000.00
Ratio of total actual guaranteed amount (A4 + B4) to the net asset of the Company			9.63%
of which:			
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)			Nil
Guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)			Nil
Total guaranteed amount in excess of 50% of net assets value (E)			Nil
Total guaranteed amount of the above three items (C+D+E)			Nil
Statement on the contingent joint liability in connection with unexpired guarantees			Nil

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

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

7. Performance of commitments

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

Commitment	Parties who made the commitment	Content	Performance status
Commitment on share segregation reform	China Textile Machinery (Group) Company Limited, the controlling shareholder	China Textile Machinery (Group) Company Limited undertakes not to trade or transfer its floating shares during the 3 years from the date on which its non-floating shares are granted the right to list on the Shenzhen Stock Exchange. Within 2 years after the expiry of such period, the number of originally non-floating shares to be sold through trading on the Shenzhen Stock Exchange shall not exceed 30% of the number of shares held by it on the date of the implementation of the Share Segregation Reform Proposal, and the sale price will not be less than RMB7 per share (subject to adjustment may be made in connection with declaration of dividend, distribution or re-allocation of capital reserve fund to share capital).	To be implemented

8. Securities investment

Serial no.	Securities type	Securities code	Securities short code	Initial investment Amount (RMB)	Holding Quantity (share)	At the end of the period Carrying value (RMB)	As a percentage of the total securities investment at the end of the period (%)	Profit or loss for the period
1	stock	09204	Mianyang commercial debt	31,228,350.00	30,000,000.00	31,228,350.00	37.02	0.00
2	stock	601666	Pingmei	12,591,410.69	619,383.00	13,062,787.47	15.49	471,376.78
3	stock	601699	Luan Ring Energy	11,766,765.68	200,000.00	11,928,000.00	14.14	161,234.32
4	stock	000960	Yunnan Tin Company	9,982,225.52	333,500.00	10,905,450.00	12.93	923,224.48
5	stock	000527	Midea	8,027,740.21	474,800.00	8,261,520.00	9.79	233,779.79
6	stock	600360	Alpha Microelectronics	5,433,672.00	534,200.00	5,550,338.00	6.58	116,666.00
7	stock	600622	Jiabao Group	2,089,367.70	213,568.00	2,176,257.92	2.58	86,890.22
8	stock	600094	ST Huayuan	1,035,746.81	237,013	1,035,746.81	1.23	0.00
9	stock	300159	Xinyan Shares	34,990.00	500.00	34,990.00	0.04	0.00
10	stock		Other stocks	137,768,973.99		166,480	0.20	25,126,078.77
Other securities investment held at the end of the period					–	–		
Investment gain or loss on securities sold during the reporting period				–	–	–	–	
Total				219,959,242.60	–	84,349,920.20	100%	27,119,250.36

9. Equity interests in other listed companies held

Stock code	Securities abbreviation	Initial investment amount	As a percentage of the equity interest of that company	Face value at the end of the period	Profit or loss during the reporting period	Change in shareholders' equity during the reporting period	Accounting item	Source of shares
600470	Liuguo Chemical Industry	155,850,000	4.6%	197,400,000	0.00	41,550,000	Financial assets available for sale	Private Placement
600971	Hengyuan Coal Electricity	324,000,000	2.05%	467,640,000	0.00	143,640,000	Financial assets available for sale	Private Placement
Total	–	479,850,000	–	665,040,000		185,190,000		

10. Sale and purchase of shares of other listed companies

Unit: RMB

Name of shares	Number of shares held at the beginning of the period	Number of shares acquired during the reporting period	Number of shares sold during the reporting period	Number of shares held at the end of the period	Amount of capital utilised	Gain generated from investment
Agricultural Bank	0	9,298,000	9,298,000	0	268,000,000	674,029.2
China Everbright Bank	0	874,000	874,000	0	74,400,000	231,019.97

Pursuant to the resolution of the 18th meeting of the fourth Board of the Company held on 28 June 2007, the Company may subscribe for new A shares in the primary market with its self-owned funds of not more than RMB500 million. During the reporting period, the Company subscribed for some newly-offered shares with an initial investment cost of RMB42,550,860. At the end of the reporting period, new subscribed stocks to be listed amounted to RMB53,121,570.20. Investment gain from for the year amounted to RMB4,390,058.65.

11. Other comprehensive income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
1. Profit (loss) generated from available-for-sale financial assets	214,875,441.52	
Less: Impact on Income tax arising from available-for-sale financial assets	53,718,860.38	
Net amount included in Other comprehensive income of the previous period now transferred to profit & loss of the current period		
Sub-total	161,156,581.14	
2. Share of Other comprehensive income of the investee determined by equity accounting	201,438.05	
Less: Impact on Income tax on the share of Other comprehensive income of the investee determined by equity accounting		
Net amount included in Other comprehensive income of the previous period now transferred to profit & loss of the current period		
Sub-total	201,438.05	
3. Profit (or loss) generated from cash flow hedging instrument		
Less: Impact on Income tax arising from cash flow hedging instrument		
Net amount included in Other comprehensive income of the previous period now transferred to profit & loss of the current period		
Adjustment on the initial recognized amount of the item hedged		
Sub-total		
4. Exchange differences on translation of financial statements of foreign subsidiaries	-145,953.23	-7,980.87
Less: Net profit or loss on disposal of foreign operation for the period		
Sub-total	-145,953.23	-7,980.87
5. Other items		-9,027,170.20
Less: Impact on Income tax arising from other items included in Other comprehensive income		
Net amount of other items included in Other comprehensive income of the previous period now transferred to profit & loss of the current period		
Sub-total		-9,027,170.20
Total	161,212,065.96	-9,035,151.07

12. Appointment of the auditors by the Company during the reporting period

Banker Tilly China (the PRC Certified Public Accountants) and Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) were engaged by the Company as the PRC and international auditors respectively for the reporting period. Details of which were as follows:

Accounting Firm	**2010 Audit fee** *(RMB'000)*	**Year of audit**
Banker Tilly China and Baker Tilly Hong Kong Limited	3,000	2

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

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

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

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

15. Reception of research and visits of the Company

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

Time of reception	Place of reception	Means of reception	Subject of reception	Key content of discussion and information provided
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	Telephone Conversation	Legg Mason Zhonghai Fund	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	Management Co., Ltd.	Content of discussion: basic conditions of the Company Information provided: regular report of the Company

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

Chapter X Report of the Auditor – The PRC

Audit Report

Vocation Jing SJ [2011] No.820

ALL SHAREHOLDERS OF JINGWEI TEXTILE MACHINERY COMPANY LIMITED:

We have audited the accompanying financial statements of Jingwei Textile Machinery Company Limited ("Jingwei Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2010, the consolidated income statement and income statement, the consolidated statement of changes in equity and statement of changes in equity, the consolidated cash flow statement and cash flow statement for the year then ended, and notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation of these financial statements in accordance with PRC Corporate Accounting Standards issued by the Ministry of Finance of the People's Republic of China. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

2. AUDITOR'S RESPONSIBILITY

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

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

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

3. AUDIT OPINION

In our opinion, the financial statements of Jingwei Company comply with the requirements of PRC Corporate Accounting Standards issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the consolidated financial position and financial position of Jingwei Company as at 31 December 2010, and the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of Jingwei Company for the year then ended.

Certified Public Accountants
Registered in the People's Republic of China
Kuang Min
Zhang Jinhai

Beijing, The People's Republic of China
March 14, 2011

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

Company and Consolidated Balance Sheet

Prepared by: Jingwei Textile Machinery Company Limited *Monetary unit: RMB yuan*

		CONSOLIDATED BALANCE SHEET as at 31 December 2010		BALANCE SHEET as at 31 December 2010	
ASSETS	Note	**31-Dec 2010** *RMB*	**1-Jan 2010** *RMB*	**31-Dec 2010** *RMB*	**1-Jan 2010** *RMB*
Current Assets					
Currency funds	VIII.1	2,415,614,051.14	1,277,692,186.98	1,091,932,650.31	1,044,011,553.05
Held-for-trading financial assets	VIII.2	84,349,920.20	2,170,449.36	1,035,746.81	1,148,166.81
Bills receivable	VIII.3	2,099,738,841.61	1,134,243,957.54	1,325,063,794.51	550,786,559.74
Accounts receivable	VIII.4/XVIII.1	421,064,521.45	399,729,671.94	303,923,013.12	278,398,711.08
Advance to suppliers	VIII.6	429,722,491.71	291,486,987.42	462,816,120.23	258,848,455.15
Interest receivables	VIII.7	3,637,500.00			
Dividend receivables				172,561,319.00	127,881,319.00
Other receivables	VIII.5/XVIII.2	276,916,871.10	300,139,236.72	534,282,451.34	560,204,221.57
Reverse repurchase agreements	VIII.8	24,000,000.00			
Inventories	VIII.9	1,161,955,806.98	1,336,311,280.36	247,849,726.21	283,370,252.63
Non-current assets – due within one year	VIII.10	63,809,963.95	25,293,598.30	55,651,801.29	25,293,598.30
Other current assets	VIII.11	19,070,000.00	16,502,342.41		
Total current assets		6,999,879,968.14	4,783,569,711.03	4,195,116,622.82	3,129,942,837.33
Non-current Assets					
Available-for-sale financial assets	VIII.12	954,209,347.83			
Long-term equity investments	VIII.14/XVIII.3	304,589,878.71	160,728,002.46	2,393,067,627.31	1,042,772,847.01
Fixed assets	VIII.15	1,443,463,114.30	1,280,427,887.85	325,408,766.83	365,944,112.01
Construction in progress	VIII.16	225,737,563.46	115,624,744.62	3,241,677.58	8,298,588.36
Construction materials		1,204,820.00	441,295.00	1,204,820.00	441,295.00
Intangible assets	VIII.17	472,953,676.03	358,576,612.08	79,642,957.72	84,207,772.40
Goodwill	VIII.18	843,156,675.16	2,258,412.00		
Long-term deferred expenses	VIII.19	9,225,429.21			
Deferred tax assets	VIII.20	23,998,702.36	13,502,943.18		
Long-term receivables	VIII.13	62,039,867.83	32,362,971.62	200,035,493.39	169,043,111.22
Other non-current assets			69,605,575.93		
Total non-current assets		4,340,579,074.89	2,033,528,444.74	3,002,601,342.83	1,670,707,726.00
TOTAL ASSETS		11,340,459,043.03	6,817,098,155.77	7,197,717,965.65	4,800,650,563.33

Company and Consolidated Balance Sheet (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	CONSOLIDATED BALANCE SHEET as at 31 December 2010 31-Dec 2010 RMB	1-Jan 2010 RMB	BALANCE SHEET as at 31 December 2010 31-Dec 2010 RMB	1-Jan 2010 RMB
Current Liabilities					
Short-term borrowings	VIII.23	929,296,030.62	572,705,445.03	827,425,550.62	401,639,783.67
Bills payable	VIII.24	225,171,544.61	128,017,549.79	221,918,655.91	65,070,389.49
Accounts payable	VIII.25	2,170,306,895.68	1,172,324,555.10	1,323,427,336.94	516,974,262.76
Advances from customers	VIII.26	900,026,132.89	640,622,805.42	586,142,441.19	374,094,516.61
Employee benefits payables	VIII.27	358,613,366.48	77,974,570.33	34,103,620.60	23,961,087.43
Taxation payables	VIII.28	243,742,227.00	62,355,085.35	19,533,769.08	28,107,388.15
Interest payables	VIII.29	370,520.55			
Dividend payables	VIII.30	2,149,115.58	19,880,370.69	2,935.58	17,610,739.56
Other payables	VIII.31	925,428,565.13	257,404,757.92	713,378,200.17	127,076,623.09
Long-term payables due within one year	VIII.32	553,000,238.23	106,177,044.50	550,371,676.12	103,679,381.30
Other current liabilities					
Total current liabilities		6,308,104,636.77	3,037,462,184.13	4,276,304,186.21	1,658,214,172.06
Non-current Liabilities					
Long-term borrowings	VIII.33	218,370,000.00	580,444,247.74	218,370,000.00	580,444,247.74
Bonds payable	VIII.34	60,000,000.00			
Long-term payables	VIII.35	247,966,078.34	155,923,224.34	199,454,343.44	136,557,929.01
Special payables	VIII.36	129,843,370.10	60,163,884.14	129,173,370.10	60,163,884.14
Other non-current liabilities	VIII.37	57,659,705.61	60,213,311.00	19,116,385.98	22,553,192.99
Total non-current liabilities		713,839,154.05	856,744,667.22	566,114,099.52	799,719,253.88
TOTAL LIABILITIES		7,021,943,790.82	3,894,206,851.35	4,842,418,285.73	2,457,933,425.94
Shareholders' Equity					
Share capital	VIII.38	603,800,000.00	603,800,000.00	603,800,000.00	603,800,000.00
Capital reserve	VIII.39	1,307,009,803.73	1,244,377,317.17	1,244,915,055.54	1,244,713,617.49
Surplus reserve	VIII.40	602,607,325.16	574,533,957.37	368,119,180.61	366,881,070.16
Risk preparation	VIII.41	7,714,836.62			
Unappropriated profit	VIII.42	546,021,613.11	337,092,967.43	138,465,443.77	127,322,449.74
Translation differences arising on translation of financial statements denominated in foreign currencies		-3,032,308.33	-2,886,355.10		
Total shareholders' equity attributable to equity holders of the parent		3,064,121,270.29	2,756,917,886.87	2,355,299,679.92	2,342,717,137.39
Non-controlling interests		1,254,393,981.92	165,973,417.55		
Total Shareholders' Equity		4,318,515,252.21	2,922,891,304.42	2,355,299,679.92	2,342,717,137.39
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,340,459,043.03	6,817,098,155.77	7,197,717,965.65	4,800,650,563.33

The accompanying notes form a part of these financial statements.

Company and Consolidated Income Statements

Prepared by: Jingwei Textile Machinery Company Limited *Monetary unit: RMB yuan*

For the year ended 31 December 2010	Note	CONSOLIDATED INCOME STATEMENT		INCOME STATEMENT	
		2010 *RMB*	2009 *RMB*	2010 *RMB*	2009 *RMB*
Total operating income		7,287,232,568.71	3,571,472,295.37	4,439,663,814.74	2,240,572,243.67
of which: Operating income	VIII.43/XVIII.4	6,346,580,501.70	3,571,472,295.37	4,439,663,814.74	2,240,572,243.67
Interest income	VIII.44	19,371,650.39			
Fee and commission income	VIII.45	921,280,416.62			
Total operating costs		6,831,678,507.63	3,819,876,205.63	4,535,320,657.57	2,332,056,287.42
of which: Operating costs	VIII.43/XVIII.4	5,502,328,724.76	3,263,823,104.58	4,224,981,726.18	2,143,260,337.66
Interest expenses	VIII.44	328,562.50			
Sales taxes and levies	VIII.46	83,524,130.83	25,061,044.84	2,076,098.99	1,968,838.83
Selling and distribution expenses	VIII.47	166,512,856.78	105,202,194.38	61,728,287.79	41,635,733.87
Administrative expenses	VIII.48	993,848,984.25	378,091,930.89	183,094,485.91	125,020,498.25
Financial expenses	VIII.49	43,800,050.23	50,401,230.70	28,972,301.36	24,890,992.13
Impairment loss in respect of assets	VIII.52	41,335,198.28	-2,703,299.76	34,467,757.34	-4,720,113.32
Add: Gains from changes in fair values	VIII.50	27,119,250.36	426,181.53		
Investment income	VIII.51/XVIII.5	116,896,898.27	87,915,484.63	74,487,884.72	135,122,779.44
of which: Income from investment in associates and jointly controlled entities		2,618,795.66	-189,656.79	-6,760,718.37	5,906,973.59
Operating profit		599,570,209.71	-160,062,244.10	-21,168,958.11	43,638,735.69
Add: Non-operating income	VIII.53	92,747,920.69	82,581,120.04	48,672,559.90	39,497,069.07
Less: Non-operating expenses	VIII.54	23,726,719.07	7,755,795.57	15,089,262.31	2,203,766.37
Including: Loss from disposal of non-current assets		19,820,256.24	4,699,320.27	14,581,698.33	957,705.55
Total profit		668,591,411.33	-85,236,919.63	12,414,339.48	80,932,038.39
Less: Income tax expenses	VIII.55	158,099,044.44	26,425,627.31	33,235.00	17,647,324.35
Net profit		510,492,366.89	-111,662,546.94	12,381,104.48	63,284,714.04
Net profit attributable to shareholders of the parents		244,716,850.09	-78,890,775.73	12,381,104.48	63,284,714.04
Profits and losses attributable to minority interests		265,775,516.80	-32,771,771.21		
Including: Net profit of the party being absorbed before the combination date in a business combination involving entities under common control					
Earnings per share					
(I) Basic earnings per share	XX.3	0.41	-0.13		
(II) Diluted earnings per share	XX.3	0.41	-0.13		
Other comprehensive income	VIII.56	161,212,065.96	-9,035,151.07	201,438.05	
Total comprehensive income		671,704,432.85	-120,697,698.01	12,582,542.53	63,284,714.04
Attributable to owners of the Company's total comprehensive income		302,788,704.12	-87,925,926.80	12,582,542.53	63,284,714.04
Attributable to non-controlling interests's total comprehensive income		368,915,728.73	-32,771,771.21		

Company and Consolidated Cash Flow Statements

Prepared by: Jingwei Textile Machinery Company Limited

Monetary unit: RMB yuan

For the year ended 31 December 2010	Notes	CONSOLIDATED CASH FLOW STATEMENT 2010 *RMB*	CONSOLIDATED CASH FLOW STATEMENT 2009 *RMB*	CASH FLOW STATEMENT 2010 *RMB*	CASH FLOW STATEMENT 2009 *RMB*
Cash flow from operating activities:					
Cash receipts from sale of goods and the rendering of services		5,074,030,595.87	3,448,521,464.50	2,989,332,378.48	1,556,394,940.32
Interest, fee and commission received		939,645,953.01			
Receipts of tax refunds		10,040,054.77	24,509,478.93	662,685.57	19,088,980.73
Other cash receipts relating to operating activities	VIII.57	132,764,057.61	78,177,715.11	178,524,587.96	58,411,296.46
Sub-total of cash inflows from operating activities		6,156,480,661.26	3,551,208,658.54	3,168,519,652.01	1,633,895,217.51
Cash payments for goods purchased and services received		3,678,294,551.84	2,448,524,590.57	2,625,595,283.26	1,388,659,761.32
Net increase on loans and advances to customers		-85,000,000.00			
Interest, fee and commission paid		328,562.50			
Cash payments to and on behalf of employees		698,151,276.50	407,352,901.17	152,335,830.17	129,142,740.16
Payments of all types of taxes		385,587,612.81	185,295,702.22	128,647,843.14	42,594,898.90
Other cash payments relating to operating activities	VIII.57	432,361,281.30	188,249,089.89	147,787,981.11	17,756,993.96
Sub-total of cash outflows from operating activities		5,109,723,284.95	3,229,422,283.85	3,054,366,937.68	1,578,154,394.34
Net cash flows from operating activities	VIII.58/XVIII.6	1,046,757,376.31	321,786,374.69	114,152,714.33	55,740,823.17
Cash flows from investing activities					
Cash receipts from disposals of investments		909,801,929.92	251,292,222.38	59,203,210.00	303,149,505.99
Cash receipts from returns on investments		10,942,863.95	33,897,692.68	51,632,070.25	28,434,061.32
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets		26,950,450.18	10,516,553.51	6,124,686.59	2,709,079.44
Net cash received from disposals of a subsidiary and other business units			5,600,000.00		5,954,468.43
Other cash receipts relating to investing activities	VIII.57	19,776,520.09	35,680,000.00	159,854,176.16	
Sub-total of cash inflows from investing activities		967,471,764.14	336,986,468.57	276,814,143.00	340,247,115.18
Cash payments to acquire fixed assets, intangible assets and other long-term assets		196,912,080.90	99,506,043.95	12,358,773.78	5,771,777.88
Cash payments to acquire investments		1,256,809,132.82	233,173,511.00	822,616,275.00	199,578,227.99
Net cash payments for purchase of subsidiaries and other business units		5,130,578.60	12,255,306.00		17,402,014.83
Other cash payments relating to investing activities	VIII.57	98,812,137.97		173,539,631.50	
Sub-total of cash outflows from investing activities		1,557,663,930.29	344,934,860.95	1,008,514,680.28	222,752,020.70
Net cash flows from investing activities		-590,192,166.15	-7,948,392.38	-731,700,537.28	117,495,094.48

Company and Consolidated Cash Flow Statements (continued)

For the year ended 31 December 2010	Notes	CONSOLIDATED CASH FLOW STATEMENT 2010 *RMB*	CONSOLIDATED CASH FLOW STATEMENT 2009 *RMB*	CASH FLOW STATEMENT 2010 *RMB*	CASH FLOW STATEMENT 2009 *RMB*
Cash flows from financing activities					
Capital injections from non-controlling interests		76,644,000.00	11,940,000.00		
Cash flows from financing activities					
Cash receipts from borrowings		1,229,294,961.91	1,102,472,824.37	1,098,424,481.91	777,332,824.37
Proceeds from issuing bonds		59,760,000.00			
Other cash receipts relating to financing activities	VIII.57	178,228,784.66	150,296,730.28	154,815,695.96	150,079,497.07
Sub-total of cash inflows from financing activities		1,543,927,746.57	1,264,709,554.65	1,253,240,177.87	927,412,321.44
Cash repayments of amounts borrowed		645,156,628.18	970,846,712.16	482,156,628.18	526,064,000.00
Cash payments for interest expenses and distribution of dividends or profits		88,811,745.65	66,396,666.70	76,835,562.33	42,609,305.86
Including: cash payments to minority shareholders for distribution of dividends or profits		1,999,040.00	13,650,000.00		
Other cash payments relating to financing activities	VIII.57	122,449,681.12	18,312,170.28	34,248,681.12	18,312,170.28
Sub-total of cash outflows from financing activities		856,418,054.95	1,055,555,549.14	593,240,871.63	586,985,476.14
Net cash flows from financing activities		687,509,691.62	209,154,005.51	659,999,306.24	340,426,845.30
Effect of foreign exchange rate changes on cash and cash equivalents		-855,513.36	-53,260.19		
Net increase (decrease) in cash and cash equivalents	VIII.58/XVIII.6	1,143,219,388.42	522,938,727.63	42,451,483.29	513,662,762.95
Add: Opening balance of cash and cash equivalents	VIII.58/XVIII.6	1,207,372,241.74	684,433,514.11	1,024,391,879.25	510,729,116.30
Closing balance of cash and cash equivalents	VIII.58/XVIII.6	2,350,591,630.16	1,207,372,241.74	1,066,843,362.54	1,024,391,879.25

Company and Consolidated Statements of Changes in Shareholders' Equity

Prepared by: Jingwei Textile Machinery Company Limited *Monetary unit: RMB yuan*

Consolidated Statements of Changes in Shareholders' Equity

For the year ended 31 December 2010	Share Capital *RMB*	Capital Reserve *RMB*	Surplus Reserve *RMB*	Risk preparation *RMB*	Unappropriated Profit *RMB*	Translation differences arising on translation of financial statements holders of the parents *RMB*	Attributable to equity non-controlling Interest *RMB*	Total Share Capital *RMB*
I. Balance at 31 December 2008	603,800,000.00	1,253,404,487.37	562,405,127.51		434,150,573.02	-2,878,374.23	220,999,857.74	3,071,881,671.41
II. Balance at 1 January 2009	603,800,000.00	1,253,404,487.37	562,405,127.51		434,150,573.02	-2,878,374.23	220,999,857.74	3,071,881,671.41
III. Changes for the year		-9,027,170.20	12,128,829.86		-97,057,605.59	-7,980.87	-55,026,440.19	-148,990,366.99
(I) Net profit					-78,890,775.73		-32,771,771.21	-111,662,546.94
(II) Other comprehensive income		-9,027,170.20				-7,980.87		-9,035,151.07
(III) Capital injections from non-controlling interests							11,940,000.00	11,940,000.00
(IV) Others							-20,544,668.98	-20,544,668.98
Sub-total of (I) to (IV)		-9,027,170.20			-78,890,775.73	-7,980.87	-41,376,440.19	-129,302,366.99
(V) Profit distribution			12,128,829.86		-18,166,829.86		-13,650,000.00	-19,688,000.00
1. Transfer to surplus reserve			12,128,829.86		-12,128,829.86			
2. Transfer to general risk preparation								
3. Distribution to shareholders					-6,038,000.00		-13,650,000.00	-19,688,000.00
IV. Balance at 31 December 2009	603,800,000.00	1,244,377,317.17	574,533,957.37		337,092,967.43	-2,886,355.10	165,973,417.55	2,922,891,304.42
I. Balance at 1 January 2010	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
II. Changes for the year		62,632,486.56	28,073,367.79	7,714,836.62	208,928,645.68	-145,953.23	1,088,420,564.37	1,395,623,947.79
(I) Net profit					244,716,850.09		265,775,516.80	510,492,366.89
(II) Other comprehensive income		58,217,807.26				-145,953.23	103,140,211.93	161,212,065.96
(III) Capital injections from non-controlling interests							166,720,000.00	166,720,000.00
(IV) Others		4,414,679.30					555,384,835.64	559,799,514.94
Sub-total of (I) to (IV)		62,632,486.56			244,716,850.09	-145,953.23	1,091,020,564.37	1,398,223,947.79
(V) Profit distribution			28,073,367.79	7,714,836.62	-35,788,204.41		-2,600,000.00	-2,600,000.00
1. Transfer to surplus reserve			28,073,367.79		-28,073,367.79			
2. Transfer to risk preparation				7,714,836.62	-7,714,836.62			
3. Distribution to shareholders							-2,600,000.00	-2,600,000.00
III. Balance at 31 December 2010	603,800,000.00	1,307,009,803.73	602,607,325.16	7,714,836.62	546,021,613.11	-3,032,308.33	1,254,393,981.92	4,318,515,252.21

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

For the year ended 31 December 2010	Statements of Changes in Shareholders' Equity					
	Share Capital	Capital Reserve	Surplus Reserve	Risk preparation	Unappropriated profit	Total holders of the parents
I. Balance at 31 December 2008	603,800,000.00	1,244,713,617.49	360,552,598.75		76,404,207.11	2,285,470,423.35
II. Balance at 1 January 2009	603,800,000.00	1,244,713,617.49	360,552,598.75		76,404,207.11	2,285,470,423.35
III. Changes for the year			6,328,471.41		50,918,242.63	57,246,714.04
(I) Net profit					63,284,714.04	63,284,714.04
(II) Other comprehensive income						
(III) Others						
Sub-total of (I), (II) and (III)					63,284,714.04	63,284,714.04
(IV) Profit distribution			6,328,471.41		-12,366,471.41	-6,038,000.00
1. Transfer to surplus reserve			6,328,471.41		-6,328,471.41	
2. Transfer to general risk preparation						
3. Distribution to shareholders					-6,038,000.00	-6,038,000.00
IV. Balance at 31 December 2009	603,800,000.00	1,244,713,617.49	366,881,070.16		127,322,449.74	2,342,717,137.39
I. Balance at 1 January 2010	603,800,000.00	1,244,713,617.49	366,881,070.16		127,322,449.74	2,342,717,137.39
II. Changes for the year		201,438.05	1,238,110.45		11,142,994.03	12,582,542.53
(I) Net profit					12,381,104.48	12,381,104.48
(II) Other comprehensive income		201,438.05				201,438.05
(III) Capital injections from non-controlling interests						
(IV) Others						
Sub-total of (I) to (IV)		201,438.05			12,381,104.48	12,582,542.53
(V) Profit distribution			1,238,110.45		-1,238,110.45	
1. Transfer to surplus reserve			1,238,110.45		-1,238,110.45	
2. Transfer to risk preparation						
3. Distribution to shareholders						
III. Balance at 31 December 2010	603,800,000.00	1,244,915,055.54	368,119,180.61		138,465,443.77	2,355,299,679.92

Notes to the Financial Statements
For the year ended 31 December 2010

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

I. GENERAL

Jingwei Textile Machinery Company Limited (the "Company") is established on 15 August 1995 with China National Textile Machinery Corporation (Group) Company Limited ("CTMC", and formerly known as China National Textile Machinery Corporation) as promoter. There were 220,000,000 shares owned by domestic legal persons when the Company was set up. The legal representative is Ye Maoxin and the registered office is located at No. 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, 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 sales of textile machinery and provision of trust and fiduciary services.

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

II. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company have been prepared in accordance with PRC Corporate Accounting Standards issued by the Ministry of Finance of the People's Republic of China, and present truly and completely, the Company's and Group's financial position, and the Company's and Group's results of operations and cash flows for the year then ended.

III. BASIS OF PREPARATION

The following significant accounting policies and accounting estimates are determined in accordance with PRC Corporate Accounting Standards issued by the Ministry of Finance of the People's Republic of China

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting year

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

2. 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.

3. 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.

4. Cash and Cash equivalents

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

Notes to the Financial Statements
For the year ended 31 December 2010

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Translation of transactions denominated in foreign currencies

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

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

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

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

6. Financial instruments

(1) Classification and measurement of financial instruments

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

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2010

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Financial instruments (continued)

(1) Classification and measurement of financial instruments (continued)

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the two preceding categories and Held-to-maturity financial investments.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Except for the gains or losses arising from impairment, exchange differences arising from Available-for-sale financial assets determinate in foreign currency and other exchange differences between costs and carrying value are taken to the income statement, changes in fair value of available-for-sale financial assets are recognised in equity, until the financial asset is derecognised or determined to be impaired at which time the cumulative gains or losses previously recorded in equity are transferred to the income statement. Dividend and interest income on available-for-sale financial assets are recorded in the income statement.

Dividend and interest income on available-for-sale financial assets are recorded in the income statement.

(d) Other financial liabilities

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

(2) Fair value method for financial instruments

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

Notes to the Financial Statements
For the year ended 31 December 2010

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Financial instruments (continued)

(3) Transfer and measurement of financial asset

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

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

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

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

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

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

(4) Impairment of financial assets

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Financial instruments (continued)

(5) Derecognition of a financial asset and financial liabilities

An entity shall derecognise 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 derecognise 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.

(6) Netting off between financial asset and financial liability

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

7. Receivables

Receivables of the Group mainly include accounts receivable and other receivables, etc.

(1) Recognition standards for provision for bad debts

The Group makes a checking of the carrying amount of receivables at each balance sheet date. Provision for bad debts should be made when there is objective evidence of bad debts on receivables. Objective evidence which supports bad debts on receivables mainly include the followings: (1) The debtors are under severe financial difficulties; (2) Any breach of terms of contract by debtors, such as a breach of contract or let the payment falls overdue in the settlement of interest or principal; (3) Debtors may go into liquidation or under other financial reorganization; (4) Other objective evidence which shows bad debts on receivables.

(2) Method for provision for bad debts

(a) Recognition standards and method for making provision for bad debts in respect of the individual provision for bad debts for an individual material amount

The Group regards receivables exceeding RMB10 millions (inclusive) as an material individual receivable.

The Group carries out independent impairment tests on each material individual receivable. For receivables not impaired upon independent tests shall be re-tested in a combination of receivables with similar credit risk features. Receivables impaired upon independent tests shall not be re-tested in a combination of receivables with similar credit risk features.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Receivables (continued)

(2) Method for provision for bad debts (continued)

(b) Recognition basis and method for making provision for bad debts based on credit risk portfolio

At the end of the period, we generally divide the immaterial individual receivables and the receivables not requiring impairment after individual impairment tests into several groups according to the age of the debts, and determine impairment loss and make provision for bad debts on the carrying amounts of these receivables groups at the end of the year at a certain percentage. The percentage used for the provision for bad debts is based on the actual loss ratio of the same or similar receivable groups or receivable groups with similar credit risk features, and the bad debt ratio of each group is determined with due regard to the current situation. The detailed ratios provided for are as follows:

Aging	Percentage provided for
Less than 1 year	0%
1-2 years	20%
2-3 years	50%
Over 3 years	100%

(c) Receivable on which individual provision for bad debt is made despite its immaterial individual amount

The Group makes a individual impairment test for immaterial individual receivables but which have the following characteristics, such as: there is a dispute with each other or involved in litigation, arbitration; there are clear indications that the debtor was unable to meet repayment obligations etc., if there is objective evidence that impairment occurred, according to the difference between the present value of future cash flows and its carrying amounts, the Group will determine the impairment losses, make provision for bad debts.

(3) Write back of provision for bad debts

If objective evidence shows a recovery in value of the receivables, and objectively confirm the loss related to the previously recognised impairment loss, the impairment loss can be written back and carried through profit and loss in the current period. However, the reversal cannot exceed the carrying value of the assumed case of no impairment at amortized cost.

8. Inventories

(1) Classification of Inventory

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

(2) Basis of measurement on issued inventories

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

(3) Provision for decline in value of inventories

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

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable 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 realizable 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 realizable value being higher than the carrying amount, the amount of the write-down is reversed in profit or loss for the current period; the reversal is Limited to the amount originally provided for the decline in value of inventories.

(4) Perpetual inventory system

The perpetual inventory system is adopted for stock count.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Long-term equity investment

(1) Recognition of initial cost of investment

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

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

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

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

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

Under the cost method, a long-term equity investment is measured at initial investment cost. 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.

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

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

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

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

(c) Disposal of a long-term equity investment

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Long-term equity investment (continued)

(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.

10. 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	9-50 years	5%	1.9%-10.56%
Machinery and equipment	5-22 years	5%	4.32%-19.00%
Motor vehicles	5-14 years	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.

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 capitalization criteria is charged to profit or loss when incurred.

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

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

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

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

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

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. 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.

12. 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, capitalization of such borrowing costs can commence only when all of the following conditions are satisfied: (1) expenditures for the asset are being incurred; (2) borrowing costs are being incurred; and (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The amount of other borrowing costs incurred is recognised as an expense in the period in which they are incurred.

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

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

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

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

13. Intangible assets

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

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

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

An intangible asset with a finite useful life is amortized 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 amortized.

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

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

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

15. Impairment of non-financial assets

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

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. 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) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

(a) The amount of revenue can be measured reliably;

(b) It is probable that the economic benefits associated with the transaction will flow to the entity;

(c) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and

(d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable, and the costs incurred are recognised as an expense. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

(3) 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.

17. Employee benefits

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

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Employee benefits (continued)

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

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

18. Government grants

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

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

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

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

19. Fiduciary activities

Fiduciary activity of the group is mainly trust property management.

The trust property management is an activity that the group manages the trust property from trustors in accordance with the trust contract principal. The group complies with the trust low of PRC, the trust business accounting measures and other relevant regulations, separates self-own property and the trust property in management and in accounting. Trust property is excluded from the statement of financial position.

20. Deferred tax assets and deferred tax liabilities

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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

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

21. Leases

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

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

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

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

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

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

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

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Business combination

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

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

(1) A business combination involving enterprises under common control

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

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

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

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

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

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

(3) Goodwill

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Preparation of consolidated financial statements

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

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

Major accounting policies and accounting periods adopted by the subsidiaries are defined according to the standardized accounting policies and accounting periods established by the Company. All significant intergroup accounts and transactions between the Company and its subsidiaries or between subsidiaries are eliminated on consolidation.

The portion of a subsidiary's equity that is not attributable to the parent is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented in the consolidated income statement below the "net profit" line item as "non-controlling interests".

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

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

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

Key Sources of estimation uncertainty

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

(1) Provision for bad debt

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

(2) Estimated net realizable value of inventories

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

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(Prepared in accordance with the PRC Corporate Accounting Standards)
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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

The Group reasonably determines the useful life of fixed assets and estimated net residual value of fixed asset. Such estimates are based on experience on actual useful life and residual value of certain fixed assets of similar nature and function, and adjust for have major changes due to technology evolution and competitors' response to the severe business environment. As described in Note IV.10 to the financial statements, the Group will review the useful life, estimated net residual value of fixed assets at least once at every year end. When the new estimated useful life and net residual value is less than the previous estimates, the Group will increase depreciation rate or write off the fixed assets that become obsolete.

(4) Recognition of deferred tax asset

As at 31 December 2010, deferred tax assets of RMB23,998,702.36 in relation to temporary timing differences and unused tax losses have been recognised in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of comprehensive income in the period such a reversal takes place. At 31 December 2010, the Group has unrecognised deferred tax assets accounting of RMB284,865,366.54 due to uncertainty in the timing that the relevant tax losses can be utilized. If in the future the actual assessable profits generated is more than expected, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognised, and include the adjustment in the profits or losses for the relevant period. Moreover, when calculating the deferred tax asset, the Group makes estimates on applicable tax rate for the period when the relevant deferred tax assets is settled and relevant liabilities is repaired. Where the estimated tax rate differs from actual rate, such difference will affect the income tax expense and deferred income tax asset during the period when such judgment was made.

(5) Actuarial Valuation on Employees' Retirement Benefit costs

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

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

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

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

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

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V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidated financial statements

(1) Investing in newly established subsidiaries

Name of Subsidiaries	Type	Place of incorporation	Nature of business	Registered capital	Major products/ service	Actual investment paid at the end of reporting period	Total shareholding of the Group (%)	Total percentage of voting held by the Group (%)	Whether consolidated	Non-controlling interests
Beijing Jingpeng Investment Management Company Limited	Limited Company	Beijing	Investment Consultation	100,000,000.00	Sales/ Consultation	100,000,000.00	100.00	100.00	Yes	
Shenyang Hongda Huaming Textile Machinery Company Limited	Limited Company	Liaoning	M&S	40,000,000.00	T&M	40,000,000.00	98.50	100.00	Yes	90,031.28
Beijing Jingwei Textile Machinery New Technology Company Limited	Limited Company	Beijing	M&S	100,000,000.00	T&M	100,000,000.00	100.00	100.00	Yes	
Yichang Jingwei Textile Machinery Company Limited	Limited Company	Hubei	M&S	20,000,000.00	T&M	20,000,000.00	100.00	100.00	Yes	
Tianjin Jingwei New Type Textile Machinery Company Limited	Limited Company	Tianjing	M&S	16,000,000.00	T&M	16,000,000.00	100.00	100.00	Yes	
Shanghai Chuangan Trading Company Limited	Limited Company	Shanghai	Sales	2,000,000.00	T&M	1,800,000.00	90.00	90.00	Yes	292,404.97
Shanghai Weixin Electrical and Machinery Company Limited	Limited Company	Shanghai	Sales	16,000,000.00	T&M	16,000,000.00	100.00	100.00	Yes	
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	Limited Company	Shanghai	M&S	50,000,000.00	T&M	46,247,088.00	100.00	100.00	Yes	
Shanghai WSP Mould and Injection Plastic Company Limited	Limited Company	Shanghai	M&S	5,256,800.00	T&M	2,628,410.50	50.00	100.00	Yes	4,710,027.59
Jingwei Textile Machinery Yuci Material Company Limited	Limited Company	Shanxi	Sales	5,000,000.00	T&M	5,000,000.00	99.92	100.00	Yes	668.89
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Limited Company	Shanxi	M&S	40,000,000.00	T&M	35,860,000.00	89.65	89.65	Yes	4,213,226.08
Hongkong Huaming Co. Limited	Limited Company	Hong Kong	T&M	USD7,700,000.00	T&M	USD7,700,000.00	100.00	100.00	Yes	
Jinzhong Jingwei Foundry Company Limited	Limited Company	Shanxi	M&S	25,000,000.00	T&M	17,200,000.00	68.80	68.80	Yes	7,804,318.91
Yichang Hengtian Development Properties Company Limited	Limited Company	Hubei	D&S	20,000,000.00	Property	20,000,000.00	100.00	100.00	Yes	
Xianyang Jingwei Textile Machinery Company Limited	Limited Company	Shaanxi	M&S	50,000,000.00	T&M	48,200,000.00	96.40	96.40	Yes	1,320,465.66
Hubei Xinchufeng Automobile Company Limited	Limited Company	Hubei	M&S	200,000,000.00	Automobile	100,000,000.00	50.00	57.14	Yes	98,707,502.27

Note: D&S represents Development and Sales.
M&S represents Manufacture and Sales.
T&M represents Textile and Machinery.
A&M represents Agriculture and Machinery
M&D represents Medical and Devices

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V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Scope of consolidated financial statements (continued)

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

Name of Subsidiaries	Type	Place of incorporation	Nature of business	Registered capital	Major products/ service	Actual investment paid at the end of reporting period	Total shareholding of the Group (%)	Total percentage of voting held by the Group (%)	Whether consolidated	Non-controlling interests
Shenyang Hongda Textile Machinery Company Limited	Limited Company	Liaoning	P&S	71,000,000.00	T&M	69,580,000.00	98.00	98.00	Yes	2,083,220.98
Shanxi Jingwei Heli Machinery Manufacturing Company Limited	Limited Company	Shanxi	P&S	100,000,000.00	T&M	30,000,000.00	30.00	71.43	Yes	37,403,741.00
Changde Textile Machinery Company Limited	Limited Company	Hunan	P&S	42,349,900.00	T&M	40,232,400.00	95.00	95.00	Yes	9,153,548.98
Tianjin Hongda Textile Machinery Company Limited	Limited Company	Tianjing	P&S	78,500,000.00	T&M	78,500,000.00	100.00	100.00	Yes	
Qingdao Hongda Textile Machinery Company Limited	Limited Company	Shandong	P&S	114,000,000.00	T&M	111,335,820.00	97.663	97.663	Yes	7,050,265.36
Wuxi Jingwei Textile Technology Testing Company Limited	Limited Company	Jiangsu	Technology R&D	49,530,000.00	T&M	49,530,000.00	100.00	100.00	Yes	
Wuxi Jingwei Textile Technology Sales Company Limited	Limited Company	Jiangsu	Sales	1,000,000.00	T&M	1,000,000.00	100.00	100.00	Yes	
Zhengzhou Hongda New Textile Machinery Company Limited	Limited Company	Henan	P&S	74,500,000.00	T&M	73,010,000.00	98.00	98.00	Yes	1,682,234.12

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

Name of Subsidiaries	Type	Place of incorporation	Nature of business	Registered capital	Major products/ service	Actual investment paid at the end of reporting period	Total shareholding of the Group (%)	Total percentage of voting held by the Group (%)	Whether consolidated	Non-controlling interests
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Limited Company	Jiangsu	P&S	20,000,000.00	T&M	7,000,000.00	35.00	51.25	Yes	50,636,645.93
Xianyang Jingwei Machinery Manufacturing Company Limited	Limited Company	Shannxi	P&S	75,079,600.00	T&M	75,079,600.00	100.00	100.00	Yes	
Taiyuan Jingwei Electrical Company Limited	Limited Company	Shanxi	P&S	5,000,000.00	T&M	5,000,000.00	100.00	100.00	Yes	
Huangshi Jingwei Textile Machinery Company Limited	Limited Company	Hubei	P&S	32,000,000.00	T&M	1,7851,007.41	45.00	60.00	Yes	7,807,151.40
Anshan Jingwei Haihong Agricultural Machinery Company Limited	Limited Company	Liaoning	P&S	40,000,000.00	A&M	38,855,400.00	51.00	51.00	Yes	28,629,896.27
Shanghai Huayuan Hyperthermia Technology Company Limited	Limited Company	Shanghai	P&S	20,000,000.00	M&D	4,998,000.00	51.00	51.00	Yes	7,650,789.36
Zhongrong International Trust Co., Ltd	Limited Company	Beijing	services	580,000,000.00	Trust	600,000,000.00	36.00	57.14	Yes	985,157,842.87

Note 1: During the reporting period, the Group has no loss attribute to the non-controlling interests that exceeds the non-controlling interests' put in of a subsidiary.

Note 2: In this year, the Group has no amount of parent equity used to offset extra minority shareholder loss that exceed the proportion minority shareholder should bear.

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V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Description of change in scope of consolidation

(1) The increase in scope of consolidation

The Company and Jin Rongxiang ect. 14 other natural people co-funded Xianyang Jingwei Textile Machinery Company Limited that the Company would invest RMB48.2million, which amounting to 96.4% shareholding of Xianyang Jingwei. It is included into the consolidated financial statements for 2010.

The Company offered RMB 1.2 billion to acquire 36% stake of Zhongrong International Trust Co., Ltd, initial payment was RMB0.6 billion; the remaining balance will be paid within two years. It is included into the consolidated financial statements for 2010.

The Company acquired 51% stake of Anshan Jingwei Haihong Agricultural Machinery Company Limited, by RMB 28,655.4 thousand, and increased the capital RMB10,200 thousand. It is included into the consolidated financial statements for 2010.

The Company funded RMB100 million into Hubei Xinchufeng Automobile Company Limited, and held 50% of equity interest. It is included into the consolidated financial statements for 2010.

Beijing New Technology, a subsidiary of the Company, offered RMB 4,998 thousand to acquire 51% stake of Shanghai Huayuan Hyperthermia Technology Company Limited. It is included into the consolidated financial statements for 2010.

(2) The decrease in scope of consolidation

Beijing New technology, a subsidiary of the Company, transferred 65% shareholding of Beijing Bohong Property Development Company Limited. hence it is excluded from the scope of consolidation in the financial period.

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

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

The shareholding that the Group has in Wuxi Special Parts directly and via its subsidiaries is less than 50%. But pursuant to the Articles of Association of Wuxi Special Parts, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is included into the consolidated financial statements.

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

The shareholding that the Group has in Hubei Xinchufeng Automobile Company Limited (Hubei Xinchufeng) directly and via its subsidiaries is less than 50%. But pursuant to the Articles of Association of Hubei Xinchufeng, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is included into the consolidated financial statements.

The shareholding that the Group has in Zhongrong International Trust Company Limited. (Zhongrong International) directly and via its subsidiaries is less than 50%. But pursuant to the Articles of Association of Zhongrong International, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is included into the consolidated financial statements.

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

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V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Subsidiaries newly acquired during 2010 and subsidiary disposed of during 2010

(a) Subsidiaries newly acquired during 2010

Name of Subsidiaries	Net assets at 31 December 2010	Net profit to 31 December 2010 since date of acquisition
Xianyang Jingwei Textile machinery Company Limited	49,537,469.34	17,469.34
Hubei Xinchufeng Automobile Co. Ltd.	197,415,004.54	-2,584,995.46
Anshan Jingwei Haihong Agricultural Machinery Company Limited	58,428,359.73	-3,363,892.59
Shanghai Huayuan Hyperthermia Technology Company Limited	15,613,855.83	6,143,344.71
Zhongrong International Trust Co. Ltd.	1,539,309,129.48	384,741,300.80

(b) Subsidiary disposed of during 2010

Name of Subsidiaries	Net asset on date of disposal	Net profit for the period to date of disposal
Beijing Bohong property development Co. Ltd.	214,375,097.89	29,008,204.98

5. Subsidiaries newly acquired during 2010 through a business combination involving enterprises not under common control

Acquiree	Goodwill	Goodwill calculation
Anshan Jingwei Haihong Agricultural Machinery Company Limited	7,341,351.32	the investment subtract the share of investee's fair value in the combination date
Shanghai Huayuan Hyperthermia Technology Company Limited	168,039.33	
Zhongrong International Trust Co. Ltd.	833,388,872.51	

6. Subsidiary disposed during 2010 by sales

Name of subsidiary	Date of disposal
Beijing Bohong property development Co. Ltd.	November 2010

7. The exchange rate for main items of consolidation sheet of foreign entity.

Subsidiary of the Company – Hongkong Huaming Co. Limited is registered in Hong Kong, China. In the balance sheet, both assets and liabilities items are translated at the spot exchange rate of 0.8509. The items use the spot exchange rate except Retained earnings in shareholder's fund. The revenue and expenses use the spot exchange rate or approximation when the transaction occurred in the income statements. The difference of currency translation has been listed in the consolidation sheet as a individual item.

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VI. TAXATION

1. Value Added Tax

Value added tax ("VAT") on sales is calculated at 17%, 13% on revenue according to the relevant requirements of tax laws and paid after deducting input VAT on purchases.

2. Income Taxes

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

Pursuant to the approval document NO.GR200811000616 jointly issued by four government authorities including Beijing Municipal Administration of State Taxation, the Company is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2010.

Pursuant to the approval document NO.GR200811000221 jointly issued by four government authorities including Beijing Municipal Administration of State Taxation, Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Technology"), a subsidiary of Beijing Jingwei Textile Machinery Company, is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2010.

Pursuant to the approval document NO. GR200812000351 jointly issued by four government authorities including National Taxation Bureau of Tianjin Municipal, Tianjin Hongda Textile Machinery Company Limited ("Tianjin Hongda"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2010.

Pursuant to the approval document NO.GR200837100066 jointly issued by four government authorities including National Taxation Bureau of Qingdao Municipal, Shandong, Qingdao Hongda Textile Machinery Company Limited (Qingdao Hongda), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% in 2010.

Pursuant to the approval document NO.GR200821000083 jointly issued by four government authorities including National Taxation Bureau of Liaoning province, Shenyang Hongda Textile Machinery Company Limited ("Shenyang Hongda"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys a preferential income tax rate of 15% for 2010.

Pursuant to the approval document NO.GR200831000239 jointly issued by four government authorities including National Taxation Bureau of Shanghai Municipal, Shanghai Jingwei Dongxing Blooming–Carding Machinery Company Limited ("Shanghai Dongxing"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2010.

Pursuant to the approval document NO.GR200843000079 jointly issued by four government authorities including National Taxation Bureau of Shanghai Municipal, Changde Textile Machinery Company ("Changde Textile Machinery"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2010.

Pursuant to the approval document NO. GR200832001227 jointly issued by four government authorities including National Taxation Bureau of Jiangsu Province, Wuxi Hongda Textile Machinery and Special Parts Company Limited ("Wuxi Special Parts"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2010.

Tianjin Jingwei New Type Textile Machinery Company Limited ("Tianjin Jingwei"), a subsidiary of the Company, is qualified as a foreign investment production enterprise, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2006 to 2010. In 2010, it enjoys a preferential income tax rate of 11%.

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VI. TAXATION (CONTINUED)

2. Income Taxes (continued)

Yichang Jingwei Textile Machinery Company Limited ("Yichang Jingwei"), a subsidiary of the Company, is qualified as a foreign investment production enterprise, and is entitled to two years exemption from income taxes followed by three years of a 50% tax reduction, the preferential period commencing from 2007 to 2011. In 2010, it enjoys a preferential income tax rate of 12.5%.

Shanghai WSP Mould and Injection Plastic Company Limited ("Shanghai WSP"), a subsidiary of the company, is qualified as a Sino-foreign joint venture, and enjoys transitional rate of 22% applicable for 2010 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39).

Shanghai Chuangan Trading Company Limited ("Shanghai Chuangan"), a subsidiary of the company is an enterprise registered in Shanghai Pudong New Zone, and enjoys transitional rate of 22% applicable for 2010 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39).

Shenyang Hongda Huaming Textile Machinery Company Limited ("Shenyang Hongda Huaming"), a subsidiary of the company, qualifies as a foreign investment production enterprise established in a Science and Technology Development zone, and enjoys transitional rate of 22% applicable for 2010 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39). In accordance with the approval of State Taxation Bureau of Shenyang Municipal Economic and Technological Development Zone, Shenyang Hongda Textile Machinery Company Limited enjoys two years exemption from income taxes followed by three year of 50% tax reduction as a foreign investment production enterprise during the preferential income tax from 2006 to 2010. In 2010, the company enjoys preferential tax rate of 11%.

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

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

3. Business taxes

Business tax is calculated at 5%.

4. Other Taxation

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

1. City construction tax rate is different according to urban areas where each company is, the specific rate are 7%, 5%, 1%.

2. Educational Surtax is charged at 3%, local Educational Surtax is charged at 1%.

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VII. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES, PRIOR PERIOD ADJUSTMENT

1. Changes in accounting policies

The Group has no significant changes in accounting policies for the financial year.

2. Changes in accounting estimates

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

3. Prior period adjustment

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS

1. Currency funds

	31-DEC-2010			1-JAN-2010		
Item	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash			435,896.21			1,028,131.30
RMB	387,159.29	1.0000	387,159.29	917,276.87	1.0000	917,276.87
USD	576.00	6.6227	3,814.68	16.00	6.8282	109.25
HKD	31,851.12	0.8509	27,102.12	31,849.28	0.8805	28,043.29
Euro	82.24	8.8065	724.25	6,698.24	9.7971	65,623.33
JPY	70,115.50	0.0813	5,700.39	70,132.93	0.0738	5,175.81
JBP	1,050.00	10.2182	10,729.11	1,050.00	10.9780	11,526.90
CHF	57.00	7.0562	402.20	57.00	6.5938	375.85
CAD	40.00	6.6043	264.17			
Bank Deposit			2,278,031,464.63			1,199,541,715.10
RMB	2,251,905,093.00	1.0000	2,251,905,093.00	1,184,642,435.11	1.0000	1,184,642,435.11
USD	2,639,977.16	6.6227	17,483,776.76	444,952.70	6.8282	3,038,226.02
HKD	5,149,627.66	0.8509	4,381,818.18	7,101,352.17	0.8805	6,252,740.59
Euro	361,637.84	8.8065	3,184,763.63	201,259.30	9.7971	1,971,757.53
CHF	152,491.86	7.0562	1,076,013.06	551,511.40	6.5938	3,636,555.85
Other Currency Funds			137,146,690.30			77,122,340.58
RMB	137,143,717.66	1.0000	137,143,717.66	77,118,858.22	1.0000	77,118,858.22
HKD	3,493.52	0.8509	2,972.64	3,954.98	0.8805	3,482.36
Total			2,415,614,051.14			1,277,692,186.98

Note: At the balance sheet date, currency funds mainly included pledged bank balances. Deposits pledged to banks for Margin of RMB 65,022,420.98.

2. Held-for-trading financial assets

Item	Fair value at 31st December 2010	Fair value at 1st January 2010
Held-for-trading bonds	31,228,350.00	
Listed securities:		
– Equity securities – PRC	53,121,570.20	2,170,449.36
Total	84,349,920.20	2,170,449.36

Note 1: Equity securities-PRC held by the Company is shares of listed companies.

Note 2: The Held-for-trading bonds held by the Company was the 2009 subordinated bonds of Mianyang City Commercial Bank held by Zhongrong Trust, the Company's subsidiary.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

(1)

Category	31-DEC-2010	1-JAN-2010
Bank guaranteed bills	2,011,738,841.61	1,063,843,957.54
Commercial bills	88,000,000.00	70,400,000.00
Total	2,099,738,841.61	1,134,243,957.54

Note: At the balance sheet date, the bills receivable included discounted unexpired bills amounted to RMB 109,034,406.10.

(2) Bills receivable did not include balances from shareholders who hold 5% and above equity interest in the Company. The accounts receivable balances from other related parties please refer to note IX (6).

(3) Pledged bills receivable

Drawer	Date of draft	Due date	Amount
Pledged bills receivable:			
Kolon (Nanjing) Special Textile Company Limited	2010/11/26	2011/05/10	5,562,000.00
Fuyang Hengtai Textile Company Limited	2010/09/17	2011/03/16	4,250,000.00
Dinghu Yongsheng Textile Fiber Company Limited	2010/10/28	2011/04/27	3,650,000.00
Yibin Changyi Pulp Company Limited	2010/10/14	2011/04/14	2,472,000.00
Zhejiang Chuanglong Textile Company Limited	2010/09/09	2011/03/08	2,400,000.00
Others			45,698,800.00
Total			64,032,800.00

(4) Unexpired bills receivable endorsed

Drawer	Date of draft	Due date	Amount
Total			1,108,865,973.43
Top 5:			
China Texmatech Company Limited	2010/12/20	2011/02/20	32,853,360.00
Changle City Fujian Province Mianyuan Textiles Ltd.	2010/09/03	2011/03/03	10,470,000.00
Changle City Fujian Province Mianyuan Textiles Ltd.	2010/10/25	2011/04/25	9,860,000.00
Changle City Fujian Province Changyuan Textiles Ltd.	2010/11/03	2011/05/03	8,770,000.00
Shenyang Jinnong Machinery Sales Company Limited	2010/12/21	2011/06/21	6,000,000.00

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) By categories

	31-DEC-2010				1-JAN-2010			
Category	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Individually significant and the individual accounts receivable bad debt provision	15,340,790.60	3.04%			48,789,967.00	9.81%		
Provision for bad debts on a portfolio of accounts receivable								
Portfolio: Aging analysis on a portfolio of accounts receivable	470,326,221.61	93.22%	76,715,847.00	16.31%	423,026,101.93	85.09%	91,541,953.99	21.64%
Portfolio Subtotal	470,326,221.61	93.22%	76,715,847.00	16.31%	423,026,101.93	85.09%	91,541,953.99	21.64%
Individually insignificant but the individual accounts receivable bad debt provision	18,852,181.84	3.74%	6,738,825.60	35.75%	25,348,839.20	5.10%	5,893,282.20	23.25%
Total	504,519,194.05	100.00%	83,454,672.60		497,164,908.13	100.00%	97,435,236.19	

(2) Aging analysis on a portfolio of is as follows

	31-DEC-2010				1-JAN-2010			
Aging	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Less than 1 year	382,845,494.28	81.41%			316,521,873.05	74.82%		
1-2 years	11,448,306.01	2.43%	2,289,661.20	20.00%	13,165,426.16	3.12%	2,633,085.33	20.00%
2-3 years	3,212,471.03	0.68%	1,606,235.51	50.00%	8,859,868.19	2.09%	4,429,934.13	50.00%
Over 3 years	72,819,950.29	15.48%	72,819,950.29	100.00%	84,478,934.53	19.97%	84,478,934.53	100.00%
Total	470,326,221.61	100.00%	76,715,847.00		423,026,101.93	100.00%	91,541,953.99	

(3) Individually insignificant but individual provision for bad debts of accounts receivable at 31 December 2010 as follows

The contents of accounts receivable	Amount	Provision for bad debt	Proportion	Provision grounds
Jingwei Machinery Group ltd.	5,128,885.96			Received the money after the reporting period
Retention money	4,130,501.31	1,216,355.63	29.45%	Providing the bad debts according to individual contracts
China Texmatech Company Limited	1,746,467.00	1,746,467.00	100.00%	Contractual dispute available, expected uncollectible
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	851,310.85	851,310.85	100.00%	Contractual dispute available, expected uncollectible
The other small receivables existing contract dispute	6,995,016.72	2,924,692.12	41.81%	Contractual dispute available, expected uncollectible
Total	18,852,181.84	6,738,825.60		

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(4) Accounts receivable balances which had provided bad debt in previous periods recovered in 2010

Name of customer	Amounts	Reasons for recovering	Reason of provision bad debt provided in previous periods
Chen Jianchang	810,000.00	Collected	Expired and expected uncollectible
BHL Chemical Fiber Factory	600,000.00	Collected	Expired and expected uncollectible
Shaoxing Boda Textile Company Limited	229,900.00	Collected	Expired and expected uncollectible
Henan Shenlong Textile Company Limited	175,299.15	Collected	Expired and expected uncollectible
Tianjin Machinery Import and Export Group Company Limited	51,324.68	Collected	Expired and expected uncollectible
Zhejiang Shaoxing Yongda Knitting Technology Company Limited	45,000.00	Collected	Expired and expected uncollectible
Total	1,911,523.83		

(5) Accounts receivable written-off during the year

Accounts receivable balance written off in 2010 for the Group and its subsidiaries was of RMB 15,364,861.57.

(6) Accounts receivable included balance from China Hengtian Group Company Limited was of RMB 63,998.00. The Accounts receivable balances from other related parties please refer to note IX(6).

(7) Top five accounts receivable balance outstanding as at 31 December 2010 as follows

Name of Company	Relationship with the Group	Amount	Period	Proportion
Beida Xianxing Taian Technology Industry Corporation	Third party	93,522,940.60	Less than 1 year,1-2years	18.54%
Jingwei Machinery Group Company Limited	Associates	54,037,336.95	Less than 1 year,1-2years	10.71%
China Texmatech Company Limited	Associates	56,490,643.99	Less than 1 year	11.20%
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	Company controlled by the ultimate controlling parent company	17,562,463.30	Less than 1 year	3.48%
Beida Xianxing Technology Industry Corporation	Third party	23,923,519.19	Less than 1 year	4.74%
Total		245,536,904.03		

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables

(1) By categories

	31-DEC-2010				1-JAN-2010			
Category	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Individually significant and the individual other receivable bad debt provision	190,368,561.91	64.66%			131,302,441.76	41.65%		
Provision for bad debts on a portfolio of other receivable								
Portfolio: Aging analysis on a portfolio of other receivable	93,069,290.72	31.62%	11,941,367.57	12.83%	151,722,879.33	48.12%	11,663,572.97	7.69%
Portfolio Subtotal	93,069,290.72	31.62%	11,941,367.57	12.83%	151,722,879.33	48.12%	11,663,572.97	7.69%
Individually insignificant but the individual other receivable bad debt provision	10,941,641.52	3.72%	5,521,255.48	50.46%	32,253,921.72	10.23%	3,476,433.12	10.78%
Total	294,379,494.15	100.00%	17,462,623.05		315,279,242.81	100.00%	15,140,006.09	

(2) Aging analysis on a portfolio of other receivables is as follows

	31-DEC-2010				1-JAN-2010			
Aging	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Less than 1 year	80,937,715.28	86.97%			139,416,490.04	91.89%		
1-2 years	108,177.24	0.12%	21,635.45	20.00%	272,270.40	0.18%	54,454.08	20.00%
2-3 years	207,332.16	0.22%	103,666.08	50.00%	850,000.00	0.56%	425,000.00	50.00%
Over 3 years	11,816,066.04	12.69%	11,816,066.04	100.00%	11,184,118.89	7.37%	11,184,118.89	100.00%
Total	93,069,290.72	100.00%	11,941,367.57		151,722,879.33	100.00%	11,663,572.97	

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (continued)

(3) Individually insignificant but individual provision for bad debts of other receivables at 31 December 2010 as follows

The contents of other receivables	Amount	Provision for bad debt	Proportion	Provision grounds
Beijing Ruifeng Hengtai Coal Sales Ltd.	3,572,270.40	3,547,736.26	99.31%	Identified by receivable amount
Others	7,369,371.12	1,973,519.22	26.07%	Identified by receivable amount
Total	10,941,641.52	5,521,255.48		

(4) Other receivables did not include balances from shareholders who hold 5% and above equity interest in the Company. The balances with other related parties please refer to note IX (6).

(5) Other receivables written-off during the year

Other receivables balance written off in 2010 of the Company and its subsidiaries is of RMB 29,873.00.

(6) Top five other receivables balances outstanding as at 31 December 2010 are as follows

Name	Relationship with the Group	Amount	Nature	Aging	Proportion
1. Anhui Huamao Jingwei New TypeTextile Company Limited	Associates	114,468,561.91	Loan and borrowing	Over 1 year	38.86%
2. Beijing liangyou Investment Government Company Limited	Third party	75,900,000.00	Share transfer	1-2 years	25.77%
3. Huangshi City Xinningyougang Company Limited	Third party	9,000,421.00	Inter Company funds	Less than 1 year	3.06%
4. Beijing Ruifeng Hengtai Coal Sales Ltd.	Third party	3,572,270.40	Inter Company funds	Over 3 years	1.21%
5. Qili Development Ltd.	Third party	3,145,000.00	Inter Company funds	Over 3 years	1.07%
Total		206,086,253.31			

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Advance to suppliers

(1) Disclosed by aging

	31-DEC-2010			1-JAN-2010		
Age	Amount	Proportion	Provision for bad debt	Amount	Proportion	Provision for bad debt
Less than 1 year	398,496,724.12	92.56%		289,807,234.44	99.29%	
1-2 years	30,236,607.20	7.02%	35,230.89	790,256.02	0.27%	32,417.75
2-3 years	583,901.99	0.14%	85,012.10	302,202.73	0.10%	16,941.64
Over 3 years	1,204,089.31	0.28%	678,587.92	992,938.62	0.34%	356,285.00
Total	430,521,322.62	100.00%	798,830.91	291,892,631.81	100.00%	405,644.39

(2) Top five outstanding amounts are as follows

Name of Company	Relationship with the Group	Amounts	Period	Reason for non-settlement
Xinjiang Tiansheng Industrial Company Limited	Third party	76,800,000.00	Less than 1 year	Advance payment for goods
Qingdao Liuting Airport Customs	Third party	42,455,000.00	Less than 1 year	Prepaid taxes for imported goods
Tianjin Textile Machinery Ltd.	Key personnel control or influence	42,790,569.58	1-2 years	Advance payment for goods
Xinjiang Bingtuan Nongsanshi Cotton Company	Third party	30,233,922.94	Less than 1 year	Advance payment for goods
Angang Steel Company Limited	Third party	22,296,038.19	Less than 1 year	Advance payment for goods
Total		214,575,530.71		

(3) No amount due from shareholders with more than 5%(including 5%) of the voting shares of the Group was included in the above balance of prepayments. For balances with other related parties please refer to note IX (6).

(4) Advance to suppliers write-off during the year

Advance to suppliers balance written off in 2010 for the Company and its subsidiaries are of RMB 281,010.02.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Interest receivables

Categories	At 1 January 2010	Increase	Decrease	At 31 December 2010
Interest receivables within 1 year		3,637,500.00		3,637,500.00
Total		3,637,500.00		3,637,500.00

Note: Interest receivable is the provisional interest of redemptory monetary capital for sale which is not resold by the subsidiary of the Company named Zhongrong International Trust Company Limited

8. Reverse repurchase agreements

Category	31-DEC-2010	1-JAN-2010
Reverse repurchase agreements – Chaohua Technology	24,000,000.00	–
Total	24,000,000.00	–

Note: The subsidiary of the Company named Zhongrong International Trust Company Limited purchased monetary capital for sale. According to the resale agreements, Zhongrong acquired Chaohua Technology (002288) 3,000 thousand shares in the share of the usufruct, which is held by Shenzhen Ruihua Investments Company Limited, Zhongrong made the Chaohua Technology (002288) 3,000 thousand shares and its bonus issue, fund increase, split options, and other derivatives as a pledge.

9. Inventories

(1) By categories

	31-DEC-2010			1-JAN-2010		
Category	Book value	Provision for diminution of inventory value	Carrying value	Book value	Provision for diminution of inventory value	Carrying value
Raw materials	356,124,291.33	22,507,850.13	333,616,441.20	302,299,971.86	15,377,278.31	286,922,693.55
Work-in-progress	352,565,368.03	30,533,123.41	322,032,244.62	337,547,095.47	35,246,230.53	302,300,864.94
Finished goods	549,034,932.66	46,623,008.23	502,411,924.43	519,263,675.05	37,643,306.71	481,620,368.34
Revolving materials	5,222,212.87	1,327,016.14	3,895,196.73	2,496,995.88	34,936.65	2,462,059.23
Completed properties for sale				86,870,608.76		86,870,608.76
Properties under development for sale				176,134,685.54		176,134,685.54
Total	1,262,946,804.89	100,990,997.91	1,161,955,806.98	1,424,613,032.56	88,301,752.20	1,336,311,280.36

(2) Provision for diminution of inventory value

Category	At 1 January 2010	Provision for the year	Additions on consolidation	Reversal	Reduction Written off	Total	At 31 December 2010
Raw materials	15,377,278.31	7,772,783.03	4,362.40	478,592.05	167,981.56	646,573.61	22,507,850.13
Work-in-progress	35,246,230.53	4,637,811.77	403,010.18	8,380,585.56	1,373,343.51	9,753,929.07	30,533,123.41
Finished goods	37,643,306.71	15,751,163.83	5,419.22	1,384,931.66	5,391,949.87	6,776,881.53	46,623,008.23
Revolving materials	34,936.65	1,292,079.49					1,327,016.14
Total	88,301,752.20	29,453,838.12	412,791.80	10,244,109.27	6,933,274.94	17,177,384.21	100,990,997.91

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Non-current assets due within one year

Name	31-DEC-2010	1-JAN-2010
China Trust Company Limited	4,891,799.74	9,642,797.11
Kuitun Huanzhou Cotton Company Limited	23,847,212.13	15,650,801.19
Shandong Guanxian Zhongxin Cotton Industry Company Limited	7,558,713.68	
Xuzhou Tianhongshidai Textile Company Limited	19,354,075.74	
Beijing Jinyu Mansion	6,762,162.66	
Shanghai Zhishang Medical Equipment Company Limited	1,396,000.00	
Total	63,809,963.95	25,293,598.30

Note: Related information, please refer to note VIII(3).

11. Other current assets

Categories	31-DEC-2010	1-JAN-2010
Financial products	19,070,000.00	
Business tax		9,650,492.66
City construction tax		482,524.63
Surcharge of education		289,514.78
Land appreciation tax		1,930,098.52
Income tax		4,149,711.82
Total	19,070,000.00	16,502,342.41

Note: At 31 December 2010, the other current assets included RMB wealth management products with no fixed term, Ultra-short-term which held by the subsidiaries of the Company named Hubei Xinchufeng Automobile Company Limited and Huangshi Jingwei Textile machinery Company Limited.

12. Available-for-sale financial assets

Category	31-DEC-2010	1-JAN-2010
Available for sale equity instruments	954,209,347.83	
Of which: Trust Financial Products	244,169,347.83	
Securities Investment	665,040,000.00	
Other financial products	45,000,000.00	

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Available-for-sale financial assets (continued)

Note 1: Trust Financial Products

The subsidiary of the Company named Zhongrong International Trust Company Limited purchased trust products of RMB10,950,000.00. The trust products named "Zhongrong-Yuanding Real Estate's Collection fund of trust loans project" which was set up and managed by Zhongrong. The trust products issued in December 2009, expired in June 2011, expected annual yield of 8.5%. The funds of the projects were invested in Sichuan Yuanding Real Estate Development Company Limited in the form of loans.

As the secondary principal, the subsidiary of the Company named Zhongrong International Trust Company Limited purchased trust products of RMB17,230,000.00. The trust products named "Zhongrong-Jiacheng No.1" which was set up and managed by Zhongrong. The trust products issued in July 2009, expired in July 2011. The funds of the projects were invested in Xi'an Baoliyang Industrial Company Limited in the form of equity.

As the secondary principal, the subsidiary of the Company named Zhongrong International Trust Company Limited purchased trust products of RMB89,900,000.00. The trust products named "Huasheng Hengli No.1" which was set up and managed by Zhongrong. The trust products issued in August 2009, expired in August 2011. The funds of the projects were invested in shares of listed companies and the variety of fixed income.

As the Priority principal, the subsidiary of the Company named Zhongrong International Trust Company Limited purchased trust products of RMB34,290,000.00. The trust products named "Rongfu No.9" which was set up and managed by Zhongrong. The trust products issued in February 2009, expired in February 2011, the expected annual yield is 8%. The funds of the projects were invested in the construction of the Ruida Nanzhi Comprehensive Park Project of Harbin Ruida Real Estate Development Company Limited in the form of equity.

As the Priority principal, the subsidiary of the Company named Zhongrong International Trust Company Limited purchased trust products of RMB28,700,000.00. The trust products named "Zhongrong-Fengxin Real Estate's collection fund of equity investment project" which was set up and managed by Zhongrong. The trust products issued in December 2009, expired in December 2011, the expected annual return rate is 10%. The funds of the projects were invested in the construction of the Shuangshan North District Project of Fengxin real estate company in the form of equity.

As the Priority principal, the subsidiary of the Company named Zhongrong International Trust Company Limited purchased trust products of RMB10,000,000.00. The trust products named "Zhongrong-Gangcheng International's collection fund project" which was set up and managed by Zhongrong. The trust products issued in August 2010, expired in August 2012. The funds of the projects were invested in the development and operation of "Zeke-Gangcheng International" (First phase) of Chongqin Xuhua Company Limited in the form of equity.

As the secondary principal, the subsidiary of the Company named Zhongrong International Trust Company Limited purchased trust products of RMB33,800,000.00. The trust products named "Zhongrong-Longxin Oriental City's collection fund of equity investment project" which was set up and managed by Zhongrong. The trust products issued in February 2010, expires in February 2012. The funds of the projects were invested in Chengdu Jinfang Economic and Trade Development Company Limited in the form of equity.

The trust financial products held by Zhongrong increased in fair value of RMB19,299,347.83.

Note 2: Securities Investment

The subsidiary of the Company named Zhongrong International Trust Company Limited purchased 15,000,000 shares of non-public offering issued by Anhui Liuguo Chemical Company Limited The subscription price is RMB10.39 per share, the closing price is RMB13.16 per share in the secondary market on 31 December 2010.

The subsidiary of the Company named Zhongrong International Trust Company Limited purchased 9 million shares of non-public offering issued by Anhui Hengyuan Coal Company Limited The subscription price is RMB36 per share, the closing price is RMB51.96 per share in the secondary market on 31 December 2010.

Note 3: Financial products

At the balance sheet date, the other financial products held by the subsidiary of the Company named Zhongrong International Trust Company Limited was transferred by Jinglong Rongzun (Tianjin) equity investment fund partnerships. The financial products are the right of return on equity investments of Huaneng Power Chemical Company Limited held by Jinglong. The trust products issued on 20 December, 2010, the expected annual return rate is 20%.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term receivables

(1) By categories

Items	31-DEC-2010	1-JAN-2010
1. Kuitun Huanzhou Cotton Industry Company Limited (note 1)	8,021,987.55	27,748,723.88
2. Xuzhou Tianhongshidai Textile Company Limited (note 2)	41,823,880.28	
3. Shandong Guanxian Zhongxin Cotton Company Limited (note 3)	4,500,000.00	
4. Shanghai Zhishang Medical Equipment Company Limited (note 4)	7,694,000.00	
5. China Trust Co. Ltd		4,614,247.74
Total	62,039,867.83	32,362,971.62

Note 1: The Group has entered into a sales contract amounting to RMB61,206,509 which was agreed to be settled by installment with Kuitun Huanzhou Cotton Industry Co. Ltd. As at 31 December 2010, the counterparty has repaid RMB28,284,109, and the remaining principal was RMB32,922,400. An unreleased finance gain is RMB1,053,200.32.

Note 2: The Group has entered into a sales contract amounting to RMB99,570,600which was agreed to be settled by installment with Xuzhou Tianhongshidai Textile Company Limited Agreed in the contract within 5 working days after the signing, Xuzhou Tianhongshidai Textile Company Limited pay RMB9,214,100.00 as a contract deposit, and then pay RMB18,424,000 before the equipment delivery, the delivery time is three months, the remaining money will be paid according to the accessories of the contract. As at 31 December 2010, the remaining principal was RMB65,505,931.88. A n unreleased finance gain is RMB4,327,975.86.

Note 3: The Group has entered into a sales contract amounting to RMB37,500,000 which was agreed to be settled by installment with Shandong Guanxian Zhongxin Cotton Ltd. Shandong CUP Ltd. Guaranteed for the contract, As at 31 December 2010, the remaining principal was RMB12,569,000. An unreleased finance gain is RMB510,286.32.

Note 4: The Group has entered into a sales contract amounting to RMB10,601,798 which was agreed to be settled by installment with Shanghai Zhishang Medical Equipment Ltd. As at 31 December 2010, the remaining principal was RMB10,361,798. An unreleased finance gain is RMB1,271,798.

Note 5: The long-term receivable due within one year relating to the sales contract in note 2 above is disclosed as non-current assets due within one year in the financial statements, please refer to note VIII(10).

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term equity investments

(1) By details

Name of Investee	Initial investment cost	At 1 January 2010	Increase	Decrease	At 31 December 2010	Proportion of ownership held by the Group	Provision for impairment loss	Cash dividends
1. Cost method:								
Hongda Investment Company Limited	24,866,602.17	24,866,602.17			24,866,602.17	9.38%	12,673,871.42	
Hengtian Properties Limited	144,539,700.00		144,539,700.00		144,539,700.00	12%		
Shenyang Textile Machinery Manufacturing Company Limited	1,200,000.00	1,200,000.00			1,200,000.00	10%		
BSI Management Systems Certification Company Limited (note 1)	725,193.50	1,450,293.56		725,100.06	725,193.50	25%		300,000.00
Tianjin Textile Machinery Manufacturing Co., Ltd	6,750,000.00	6,750,000.00			6,750,000.00	15%		
Qingdao Textile Machinery Manufacturing Company Limited	15,802,027.04	15,802,027.04			15,802,027.04	17%		850,000.00
Qingdao Jinyi Pressing and casting Company Limited (Note3)	1,057,000.00	1,057,000.00			1,057,000.00	27%		39,637.50
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 Company Limited	1,422,652.84	1,422,652.84			1,422,652.84	0.70%		50,000.00
Jianghai Securities Ltd.	28,673,400.00		28,673,400.00		28,673,400.00	2.1%		
North Asia (Group) Ltd.	3,390,947.82		3,390,947.82		3,390,947.82		3,390,947.82	
Others		1,943,071.34		586,187.47	1,356,883.87		1,356,883.87	
2. Equity method								
Jingwei Machinery (Group) Company Limited	8,000,000.00		8,000,000.00		8,000,000.00	20%		
China Texmatech Company Limited	30,000,000.00	53,981,912.11	7,917,249.08	2,432,070.25	59,467,090.9375	25%		2,432,070.25
Hongda Research Company Limited	20,000,000.00	25,598,483.92		13,731,812.56	11,866,671.36	40%		
Zhengzhou Hongda Non-woven Fabric Company Limited	17,000,000.00	8,919,484.37		8,919,484.37				
Hengyang Textile Machinery Co., Ltd	12,896,800.00	11,352,341.30	247,480.74	11,599,822.04				
Anhui Huamao Jingwei New Type Textile Co., Ltd	12,500,000.00	7,741,017.68	5,152,394.60		12,893,412.28	25%		
Qingdao Ruihe Land Development Company Limited	4,400,000.00		4,400,000.00	4,400,000.00		44%		
Total		167,084,886.33	202,321,172.24	42,394,476.75	327,011,581.82		22,421,703.11	3,671,707.75

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term equity investments (Continued)

(1) By details (Continued)

Note 1: Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Technology"), a subsidiary of the Company, holds 25% equity interest of BSI Management Systems Certification Company Limited. As the cooperation agreement entered into between Beijing New Technology and BSI Management Systems Certification Company Limited expressively stipulated that Beijing New Technology was not entitled to decision-making power, and hence it did not participate in the 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 fully.

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

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

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

(2) Impairment loss details for long-term equity investments

Name of Investee	Provision for impairment loss at 1 January 2010	Increase	Decrease	Provision for impairment at 1 December 2010
Hongda Investment Company Ltd		12,673,871.42		12,673,871.42
Qingdao Qingfeng Forging Company	5,000,000.00			5,000,000.00
North Asia (Group) Ltd.		3,390,947.82		3,390,947.82
Others	1,356,883.87			1,356,883.87
Total	6,356,883.87	16,064,819.24		22,421,703.11

Note: Current provision for impairment is RMB12,673,871.42, impairment increased RMB3,390,947.82 due to changes in scope of consolidation.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed Assets

(1) List by details

Item	At 1 January 2010	Increase	Decrease	At 31 December 2010
Cost	2,721,215,019.64	362,849,402.98	167,954,738.09	2,916,109,684.53
Buildings and plants	977,473,961.45	213,621,585.15	46,930,910.59	1,144,164,636.01
Machineries and equipments	1,627,366,461.19	116,218,108.34	99,871,654.19	1,643,712,915.34
Motor vehicles	116,374,597.00	33,009,709.49	21,152,173.31	128,232,133.18
Accumulated depreciation	1,417,831,895.54	132,348,115.21	104,206,547.87	1,445,973,462.88
Buildings and plants	333,154,108.72	28,786,390.45	22,899,300.70	339,041,198.47
Machineries and equipments	1,015,257,199.82	89,775,264.72	67,775,437.68	1,037,257,026.86
Motor vehicles	69,420,587.00	13,786,460.04	13,531,809.49	69,675,237.55
Provision for impairment	22,955,236.25	12,985,324.71	9,267,453.61	26,673,107.35
Buildings and plants	1,477,261.32	4,699,053.77	4,699,300.76	1,477,014.33
Machineries and equipments	21,468,937.10	8,224,359.44	4,568,152.85	25,125,143.69
Motor vehicles	9,037.83	61,911.50		70,949.33
Net book value	1,280,427,887.85		–	1,443,463,114.30
Buildings and plants	642,842,591.41	–	–	803,646,423.21
Machineries and equipments	590,640,324.27	–	–	581,330,744.79
Motor vehicles	46,944,972.17	–	–	58,485,946.30

Note: The accumulated depreciation provided in reporting period was RMB119,677,035.58, the amount transferred from construction in progress was RMB225,130,173.28.

The increase in scope of consolidation made the fixed assets cost increase RMB50,542,961.30 and the accumulated depreciation increase RMB 12,671,079.63; The decrease in scope of consolidation made the fixed assets cost decrease RMB3,879,041 and the accumulated depreciation decrease RMB 863,629.59.

(2) Temporarily idle fixed assets

Item	Cost	Accumulated depreciation	Provision for impairment	Net book value	Notes
Buildings and plants	17,559,624.64	7,756,328.76		9,803,295.88	

(3) Leased fixed assets under finance lease

	Cost	Accumulated depreciation	Net book value
Machineries and equipments	378,772,075.94	242,954,996.66	135,817,079.28

(4) Fixed assets leased out under operating leases

	Net book value
Buildings and plants	15,612,936.33
Machineries and equipments	31,886,160.29
Motor vehicles	677,391.85

(5) Fixed assets without certificates of ownership

As at 31 December 2010, the buildings and plants with book value RMB314,620,768.67 (2009: RMB115,608,055.09) have no certificates of ownership, and the group are applying for them.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

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

	At 31 December 2010			At 1 January 2010		
Item	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
New plant in Tianjin industry zone	100,617,326.70		100,617,326.70	48,910,782.34		48,910,782.34
Jingwei new plant project in Xianyang	26,293,818.00		26,293,818.00			
Constant-day vehicle for car assembly plant engineering	20,649,505.92		20,649,505.92			
Hengtian chassis plant engineering	18,950,799.00		18,950,799.00			
Jingwei new plant construction in Yichan	17,578,500.00		17,578,500.00			
Phase I, New Plant Area Project of Wuxi Hongda Textile Machinery and Special Parts				42,749,737.33		42,749,737.33
Others	41,647,613.84		41,647,613.84	23,964,224.95		23,964,224.95
Total	225,737,563.46		225,737,563.46	115,624,744.62		115,624,744.62

(2) Movements on significant construction in progress

Item	Budget	Amount at 1 January 2010	Additions	Transferred into fixed assets	Others reduction	Proportion of construction investment in budget	Progress	Total amount of interest capitalised	Amount of interest capitalised in 2009	Rate of Capitalisation	Funding	At 31 December 2010
New plant in Tianjin industry zone	240,000,000.00	48,910,782.34	51,726,544.36		20,000.00	41.76%	41%				Self-raised funds	100,617,326.70
Qingdao Laoshan Winder Industrial Park Project	10,000,000.00	2,623,929.00	115,288,649.47	111,449,870.63		64.63%	50%				Self-raised funds	6,462,707.84
Phase I, New Plant Area Project of Wuxi Hongda Textile Machinery and Special Parts	60,000,000.00	42,749,737.33	29,058,958.82	70,755,407.46	206,237.41	100.00%	99%				Self-raised funds	847,051.28
Jingwei new plant project in Xianyang	99,270,000.00		26,293,818.00			26.49%	26.49%				Self-raised funds	26,293,818.00
Constant-day vehicle for car assembly plant engineering	23,850,000.00		20,649,505.92			86.58%	85%				Self-raised funds	20,649,505.92
Total		94,284,448.67	243,017,476.57	182,205,278.09	226,237.41							154,870,409.74

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets

Item	1-JAN-2010	Increase	Decrease	31-DEC-2010
Cost	421,279,721.45	139,235,421.02	4,153,822.34	556,361,320.13
Land use right	395,560,593.13	111,469,755.70	4,153,822.34	502,876,526.49
Computer Software	13,959,180.00	14,465,665.32		28,424,845.32
Patents	6,120,767.32	13,300,000.00		19,420,767.32
Non-patented technology	3,369,468.00			3,369,468.00
Others	2,269,713.00			2,269,713.00
Accumulated amortisation	62,703,109.37	21,061,687.23	357,152.50	83,407,644.10
Land use right	48,460,315.98	9,475,374.20	357,152.50	57,578,537.68
Computer software	7,747,322.51	6,580,666.87		14,327,989.38
Patents	2,218,117.92	4,778,674.92		6,996,792.84
Non-patented technology	3,369,468.00			3,369,468.00
Others	907,884.96	226,971.24		1,134,856.20
Total cumulative amount of impairment of intangible assets				
Net book value	358,576,612.08			472,953,676.03
Land use right	347,100,277.15			445,297,988.81
Computer software	6,211,857.49			14,096,855.94
Patents	3,902,649.40			12,423,974.48
Non-patented technology				
Others	1,361,828.04			1,134,856.80

Note: The total amortisation provided in the reporting period amounted to RMB15,097,270.55, the increase on the scope of consolidation made the intangible assets cost increase RMB31,967,821 and accumulated amortization increase RMB5,964,416.68.

18. Goodwill

Name of investee	Source	1-JAN-2010	Increase	Decrease	31-DEC-2010	Provision for impairment
Xianyang Jingwei Machinery Manufacturing Company Limited	Combinations not under common control	1,882,417.00			1,882,417.00	
Wuxi Hongda Textile Machinery and Special Parts Co., Ltd	Combinations not under common control	375,995.00			375,995.00	
Anshan Jingwei Haihong Agricultural Machinery Company Limited	Combinations not under common control		7,341,351.32		7,341,351.32	
Shanghai Huayuan Hyperthermia Technology Company Limited	Combinations not under common control		168,039.33		168,039.33	
Zhongrong International Trust Co., Ltd	Combinations not under common control		833,388,872.51		833,388,872.51	
Total		2,258,412.00	840,898,263.16		843,156,675.16	

Note: According to note IV(15), no goodwill impairment was made for the Group at the year end.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Long-term prepaid expenses

Item	1-JAN-2010	Increase	Decrease	Other Reductions	31-DEC-2010
Improvement of operating lease expenses of fixed assets		12,670,659.85	3,445,230.64		9,225,429.21
Total		12,670,659.85	3,445,230.64		9,225,429.21

20. Deferred tax assets and deferred tax liabilities

(1) After offsetting deferred tax assets and liabilities components

	The deductible or taxable temporary differences as at 31 December 2010	Deferred tax assets and Deferred tax liabilities as at 31 December 2010	The deductible or taxable temporary differences as at 1 January 2010	Deferred tax assets and Deferred tax liabilities as at 1 January 2010
Deferred tax assets:				
Bad debt provision	3,092,244.67	463,836.69	2,792,335.87	418,850.38
Provision for diminution of inventory value	10,676,113.20	1,601,416.98	4,578,234.80	686,735.22
Provision for impairment loss of long-term equity investment	8,390,947.82	1,597,736.96	5,000,000.00	750,000.00
Provision for impairment loss of fixed assets	3,271,959.47	490,793.92	3,897,500.00	584,625.00
Deductible loss	39,369,912.67	5,905,486.90	57,494,471.53	8,624,170.73
Wages Payable	259,543,721.38	64,885,930.35		
Offset of unrealized profits of inventory	9,640,991.48	674,130.42	12,486,492.76	2,366,561.85
Others			480,000.00	72,000.00
Total	333,985,890.69	75,619,332.23	86,729,034.96	13,502,943.18
Deferred tax liabilities:				
Changes recorded into capital reserve in fair value for available-for-sale financial assets	204,489,347.83	51,122,336.96		
Changes in fair value for held-for-trading financial assets	1,993,171.60	498,292.90		
Total	206,482,519.43	51,620,629.86		
Net amount after offsetting each other		23,998,702.36		13,502,943.18

(2) Detail offsetting for deferred tax assets and deferred tax liabilities

	Offsetting amount
Changes recorded into capital reserve in fair value for available-for-sale financial assets	51,122,336.96
Changes in fair value for held-for-trading financial assets	498,292.90

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets and Deferred tax liabilities (continued)

(3) The deductible temporary differences and deductible loss not recognised in unrealized deferred tax assets

Item	31-DEC-2010	1-JAN-2010
Deductible temporary differences	253,667,515.52	256,479,918.10
Including: Provision for Bad debt	98,623,881.89	72,798,716.65
Provision for diminution of inventory value	90,314,884.71	83,484,157.39
Provision for impairment loss of long-term equity investment	14,030,755.29	1,356,883.87
Provision for impairment loss of fixed assets	23,401,147.88	19,057,736.25
Expected employee termination benefits	27,296,845.75	34,307,678.74
Changes in fair value		426,181.53
Wages Payable		660,000.00
Others		44,388,563.67
Deductible loss	284,865,366.54	175,274,690.98
Total	538,532,882.06	431,754,609.08

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

Years	31-DEC-2010	1-JAN-2010
2010		2,389,767.53
2011	18,879,439.95	3,857,599.64
2012	15,874,404.09	15,214,091.76
2013	74,275,321.14	38,132,737.92
2014	133,034,091.67	115,680,494.13
2015	42,802,109.69	
Total	284,865,366.54	175,274,690.98

21. Provision for impairment

		Increase			Decrease				
Item	1-JAN-2010	Provision for the year	Increase through business combination	Total	Reductions	Written-off	Other decrease	Total	31-DEC-2010
Bad debt provision	112,980,886.67	4,329,583.73	1,992,924.58	6,322,508.31	1,911,523.83	15,675,744.59		17,587,268.42	101,716,126.56
Provision for diminution of inventory value	88,301,752.20	29,453,838.12	412,791.80	29,866,629.92	10,244,109.27	6,933,274.94		17,177,384.21	100,990,997.91
Provision for impairment loss of long-term equity investment	6,356,883.87	12,673,871.42	3,390,947.82	16,064,819.24					22,421,703.11
Provision for impairment loss of fixed assets	22,955,236.25	7,033,538.11	5,951,786.60	12,985,324.71		4,568,399.84	4,699,053.77	9,267,453.61	26,673,107.35
Total	230,594,758.99	53,490,831.38	11,748,450.80	65,239,282.18	12,155,633.10	27,177,419.37	4,699,053.77	44,032,106.24	251,801,934.93

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Assets with restrictions on ownership

Assets with restrictions on ownership	1-JAN-2010	Increase	Decrease	31-DEC-2010
Assets under guarantee:				
Long-term receivables (Note 1)	46,080,000.00		21,765,000.00	24,315,000.00
Accounts receivable (Note 2)		5,000,000.00		5,000,000.00
Bills receivable (Note 3)	156,490,170.77	57,008,290.59	40,431,255.26	173,067,206.10
Land use right (Note 4)		61,360,269.73		61,360,269.73
Inventories (Note 5)		54,439,136.65		54,439,136.65
Fixed assets (Note 5)		31,727,099.11		31,727,099.11
Other causes for Assets restrictions on ownership:				
Deposits pledged to currency funds	70,319,945.24	10,030,556.08	15,328,080.34	65,022,420.98
Total	272,890,116.01	219,565,352.16	77,524,335.60	414,931,132.57

Note1: The Company pledged long-term receivables RMB24,315,000 from Beijing Branch of Industrial Bank of France to obtain loans.

Note 2: The Company pledged accounts receivables RMB 5,000,000 from Guangdong Development Bank to obtain loans.

Note 3: Current bills receivable discounted outstanding bills amounting to RMB109,034,406.10, and another RMB64,032,800.00 pledged at the bank for issuing bank acceptance.

Note 4: To ensure the subsidiary of Huangshi Jingwei Textile Machinery Company Limited to pay debt timely, Huangshi Jingwei Textile Machinery Company Limited pledged the land use right to the Company and the Beijing New Technology.

Note 5: The Company provided joint liability guarantee for its subsidiary of Tianjin Hongda Textile Machinery Company Limited (Tianjin Hongda) applying for general credit limit RMB 80 million from Tianjin Branch of Bank of Dalian. Tianjin Hongda pledged fixed assets and inventories with carrying value RMB 86,166,235.76 to provide a counter-guarantee for the Company.

23. Short-term borrowings

Category	31-DEC-2010	1-JAN-2010
Credit loans	692,261,624.52	312,239,783.67
Pledged loans	109,034,406.10	130,465,661.36
Including: Loans caused by outstanding discounted bills	109,034,406.10	130,465,661.36
Guarantee	128,000,000.00	130,000,000.00
Total	929,296,030.62	572,705,445.03

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Bills payable

(1) By details

Category	31-DEC-2010	1-JAN-2010
Bank bills under acceptance	219,899,129.91	104,999,184.31
Commercial bills under acceptance	5,272,414.70	23,018,365.48
Total	225,171,544.61	128,017,549.79

Note: The amount that would be due within the next accounting year was RMB225,171,544.61.

(2) No bills payable to shareholders with more than 5% (including5%) of the voting shares of the Group was included in the above balance, for payable balance due to other related parties please refer to note IX (6).

25. Accounts payable

(1) By aging

	31-DEC-2010		1-JAN-2010	
Aging	Amount	Proportion	Amount	Proportion
Less than 1 year	2,125,752,584.68	97.94%	1,122,795,100.93	95.77%
1-2 years	29,305,111.50	1.35%	27,284,069.83	2.33%
2-3 years	9,015,573.02	0.42%	6,911,668.18	0.59%
Over 3 years	6,233,626.48	0.29%	15,333,716.16	1.31%
Total	2,170,306,895.68	100.00%	1,172,324,555.10	100.00%

(2) The total amount of accounts payable due to CMTC, that with 33.83% of the voting shares of the Group, at the end of the year were RMB6,301,379.63. For payable balance due to other related parties please refer to note IX (6).

(3) At 31 December 2010, there was accounts payable balance remains unsettled aged over one year amounted RMB44,554,311.00.

26. Advances from customers

(1) By aging

	31-DEC-2010		1-JAN-2010	
Aging	Amounts	Proportion	Amounts	Proportion
Less than 1 year	835,299,012.65	92.81%	535,097,683.98	83.53%
1-2 years	20,221,641.54	2.25%	58,422,928.64	9.12%
2-3 years	9,581,640.04	1.06%	24,926,715.97	3.89%
Over 3 years	34,923,838.66	3.88%	22,175,476.83	3.46%
Total	900,026,132.89	100.00%	640,622,805.42	100.00%

(2) The total amount of advances from customers due to CTMC, that with 33.83% of the voting shares of the Group, at the end of the year were RMB1,000,087.16. For advances balance due to other related parties please refer to note IX (6).

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Advances from customers (continued)

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

Name of Company	Amount	Reason of aged
Shandong new target Textile Technology Company Limited	5,931,750.00	Goods not delivered
Changshu Dali Knitting Company Limited	2,929,041.90	Goods not delivered
Xinjiang Tiansheng Industry Ltd.	2,590,000.00	Not yet cleared
Anhui Danfeng Tongcheng Group Glass Fiber Company Limited	2,305,284.00	Not yet cleared
Linfen Guangxiu Industry Ltd.	2,000,000.00	Goods not delivered
Guangzhou, China Machinery Industry Corporation Company	1,036,000.00	Not yet cleared
Yunchengxian Yashi Textile Group Ltd.	1,033,860.00	Goods undelivered
Total	17,825,935.90	

27. Employee benefits payable

	1-JAN-2010	Increase	Decrease	31-DEC-2010
I. Salaries, bonus, allowance and subsidies	23,717,598.94	801,080,290.40	524,239,538.63	300,558,350.71
II. Staff welfare		26,027,420.02	26,027,420.02	
III. Social insurance	18,034,115.19	103,564,266.42	103,928,730.11	17,669,651.50
Including:				
1. Medical insurance	1,580,155.03	25,996,863.73	26,513,397.59	1,063,621.17
2. Basic pension contribution	14,196,928.06	68,022,686.34	67,247,929.72	14,971,684.68
3. Annuity payments				
4. Unemployment insurance	1,996,837.01	5,423,512.54	6,223,715.48	1,196,634.07
5. Work injury insurance	145,170.58	2,367,820.33	2,253,382.17	259,608.74
6. Maternity insurance	115,024.51	1,753,383.48	1,690,305.15	178,102.84
IV. Housing funds	6,811,441.63	20,802,766.50	18,642,912.60	8,971,295.53
V. Union running costs	4,543,876.70	10,341,170.27	7,397,824.72	7,487,222.25
VI. Employee education costs	10,090,972.82	6,580,235.30	6,634,847.42	10,036,360.70
VII. Non-monetary benefits		122,253.00	122,253.00	
VIII. Compensation to employees for termination of employment relationship	14,685,126.04	19,564,736.49	21,978,761.96	12,271,100.57
IX. Others	91,439.01	4,795,063.76	3,267,117.55	1,619,385.22
Total	77,974,570.33	992,878,202.16	712,239,406.01	358,613,366.48

Note: Wages or salaries, bonus, allowance and subsidies outstanding and expected to be paid in 2011.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Taxation payable

Tax items	31-DEC-2010	1-JAN-2010
1. Enterprise income tax	134,972,208.07	13,113,997.61
2. VAT	19,348,034.81	22,212,518.23
3. Business tax	55,983,330.62	5,856,221.19
4. Land use tax	11,510,190.81	11,264,938.67
5. Property Tax	3,726,330.04	1,064,346.26
6. City maintenance and construction tax	5,977,140.77	1,810,337.52
7. Education surcharge	5,683,906.70	3,626,256.45
8. Individual income tax	1,671,061.23	533,670.29
9. Others	4,870,023.95	2,872,799.13
Total	243,742,227.00	62,355,085.35

29. Interest payable

	31-DEC-2010	1-JAN-2010	Reason of non-payment
Small collection of notes of interest	370,520.55		immaturity
Total	370,520.55		

30. Dividend payables

(1) By details

Investor	31-DEC-2010	1-JAN-2010	Reason of non-payment over one year
Changde Textile Machinery Plant	1,150,783.00	1,150,782.25	unpaid
CTMC		17,607,600.00	
Others	998,332.58	1,121,988.44	unpaid
Total	2,149,115.58	19,880,370.69	

(2) No dividend payables to shareholders with more than 5% (including 5%) of the voting shares of the Group was included in the above balance. For payable balance due to other related parties please refer to note IX (6).

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables

(1) By aging

	31-DEC-2010		1-JAN-2010	
Aging	**Ending balance**	**Proportion**	**Opening balance**	**Proportion**
Less than 1 year	796,395,474.56	86.05%	104,211,835.48	40.49%
1-2 years	33,100,464.14	3.58%	65,093,235.36	25.29%
2-3 years	32,077,424.83	3.47%	30,275,370.70	11.76%
Over 3 years	63,855,201.60	6.90%	57,824,316.38	22.46%
Total	925,428,565.13	100.00%	257,404,757.92	100.00%

(2) The total amount of other payables due to CMTC, that with 38.83% of the voting shares of the Group, for the year ended 31 December 2010, is RMB 20,231,020.72. For payables to other related parties please refer to note IX (6).

(3) At 31 December 2010, other payables aged over one year amounted to RMB129,033,090.57, due to non-settlement.

(4) Major other payables are as follows

Name	**Nature**	**Amount**
Zhongzhi Enterprise Group Company Limited	Balance of acquiring equity	500,000,000.00
Wuxi Binhu City Investment and Development Co., Ltd	Removal compensations	34,967,224.29
Qingdao Textile Machinery Real Estate Development Co., Ltd	For projects	24,000,000.00
Hongda (Xianyang) Real Estate Development Co., Ltd	Inter Company balance	17,000,000.00
Sunshine rented furnishings Group Co., Ltd	Margin	10,000,000.00

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term payables due within one year

(1) List by details

Category	31-DEC-2010	1-JAN-2010
Long-term borrowing due within one year	520,836,799.74	75,707,797.11
Long-term payables due within one year	32,076,340.21	30,469,247.39
Others within one year	87,098.28	
Total	553,000,238.23	106,177,044.50

(2) Long-term borrowings due within one year

Category	31-DEC-2010	1-JAN-2010
Credit loans	500,000,000.00	50,000,000.00
Pledged loans	15,945,000.00	16,065,000.00
Factoring financing borrowing	4,891,799.74	9,642,797.11
Total	520,836,799.74	75,707,797.11

Note: At 31 December 2010, Pledged loans are obtained for pledged accounts receivable, Long-term receivables. Other relevant information refers to Note VIII (22).

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

				31 December 2010	
Lender	Start date	Maturity	Rate	Foreign currency	Original currency amount
China Construction Bank of Chang He Wan Branch	2008/05/20	2011/05/19	5.40%	RMB	200,000,000.00
China Construction Bank of Chang He Wan Branch	2009/02/27	2011/02/26	4.86%	RMB	200,000,000.00
Hua Xia Bank of China Deng Shikou Branch	2008/10/13	2011/10/13	4.86%	RMB	100,000,000.00
Societe Generale of Beijing Branch	2009/08/03	2011/12/02	4.86%	RMB	15,945,000.00
Guangdong Development Bank	2008/07/07	2011/03/20	4.86%	RMB	4,891,799.74

(4) Long-term payables due within one year

Categories	31-DEC-2010	1-JAN-2010
Retirement and supplemental benefit obligation	3,161,463.83	3,127,663.20
CMB Finance Lease Ltd	28,914,876.38	27,341,584.19
Total	32,076,340.21	30,469,247.39

Note: Relevant information refers to Note VIII (35).

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term borrowings

(1) list by categories

Categories	31-DEC-2010	1-JAN-2010
Credit loans	210,000,000.00	550,000,000.00
Pledged loans	8,370,000.00	25,830,000.00
Factoring financing borrowing		4,614,247.74
Total	218,370,000.00	580,444,247.74

Note: At 31 December 2010, pledged loans are obtained for pledged accounts receivable, long-term receivables. Other relevant information refers to Note VIII (22).

(2) Long-term borrowing by lender

				31 December 2010	
Lender	Start date	Maturity	Rate	Currency	Original currency amount
China Construction Bank of Chang he wan Branch	2010/03/30	2012/03/29	4.86%	RMB	100,000,000.00
Guangdong Development Bank Olympic Village Branch	2009/12/25	2012/12/25	4.86%	RMB	50,000,000.00
Guangdong Development Bank Olympic Village Branch	2010/05/27	2013/05/27	4.86%	RMB	60,000,000.00
Societe Generale of Beijing Branch	2009/08/03	2012/06/08	4.86%	RMB	8,370,000.00

34. Bonds payable

Bond name	Amount	Issue Date	Term	Issue amount	2009 interest payable	2010 Accrued interest	2010 Interest paid	2010 Interest payable	Ending balance
Small-to-Medium Enterprises collective notes	60,000,000.00	2010/11/15	2years	60,000,000.00		370,520.55		370,520.55	60,000,000.00
Total				60,000,000.00		370,520.55		370,520.55	60,000,000.00

Note: As a subsidiary of the Company, Beijing New Technology, as one of the issuers on Beijing Economic and Technological Development Zone first SME collection notes in 2010, released notes amount to RMB60,000,000. The offering convoked by the Beijing Economic and Technological Development Zone Management Committee and the Beijing Economic Technological Investment and Development Corporation, jointly launched by Beijing Jingwei New Technology Company Limited, Beijing Express Technology Company Limited and other two companies in the form of "uniform product design, uniform securities type and securities name, uniform credit enhancement, uniform issuance and registration in the interbank bond market", the total face value issued RMB198 million, which completed registration on 15 November 2010 in the Central Depository Trust & Clearing Company Limited, Underwriter: Bank of Beijing Company Limited, Beijing Capital investment company Limited by guarantee, fixed-rate interest, 4.9% coupon rate, term of 2 years, paid interest annually, the capital is mainly for the replacement of bank loans and to supplement working capital.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Long-term payables

Nature	31-DEC-2010	1-JAN-2010
Retirement and supplemental benefit obligation	37,167,734.90	39,265,295.33
China Merchants Bank Finance Lease Company Limited(Note)	87,620,288.07	116,657,929.01
Suizhou City Investment Group Company Limited	29,994,000.00	
Zhongzhi Enterprise Group Company Limited	93,184,055.37	
Total	247,966,078.34	155,923,224.34

Note: In 2009, the company signed a sales and leaseback transaction agreement with has entered into a sales and leaseback transaction with China Merchants Bank Finance Lease Company Limited who agreed to purchase equipments legally owned by the company and leased back to company. The lease term is 5 years and the ownership of the assets remains within the Group. Obligation under finance lease due within one year is disclosed as long-term payables due within one year, and the unrecognised finance charges will be amortised by effective interest rate method. Please refer to note VIII (32).

36. Special payables

	1-JAN-2010	Additions	Reductions	31-DEC-2010
VAT rebate (note 1)	60,163,884.14	9,009,485.96		69,173,370.10
Central state capital budget (note 2)		60,000,000.00		60,000,000.00
Microwave hyperthermia project type WB		590,000.00		590,000.00
Project support funds by Treasury receipt and payment center		80,000.00		80,000.00
Total	60,163,884.14	69,679,485.96		129,843,370.10

Note 1: This is provided for the import for key components of automatic winding machines according to the relevant regulations of the "Circular of the Ministry of Finance, the National Development and Reform Commission, the General Customs Administration and the State Administration of Taxation on Import Taxes Policies Related to Implementing the 'Certain Opinions of the State Council on Speeding up and Rejuvenating the Equipment Manufacturing Industry' (Cai Guan Shui No. 11 (2007)). As required by the relevant documents, such tax rebate will be transferred and used to increase the state capital of the Company, the Group has recorded such tax rebate in special payables on a temporary basis with a view to transferring such amount to the state capital in the future.

According to "the reply from the Ministry of Finance of the People's Republic of China for granting tax refunded on import commodity to Jingwei Textile Machinery Co., Ltd" (Cai Yu (2011) NO.24), in 2011, according to Cai Guan shui No.11, the company will receive custom and VAT refund RMB10,360,874.87 for importing key components during 2009, which will transfer to increase capital.

Note 2: According to file "Cai Qi No.319 (2009)" and "CHGTC Zhan" (No. 45 (2010)), this special payable is the central state capital budget of major technological innovation and capacity-building funds industry provided by China Hengtian Group Company Limited.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Other non-current liabilities

	31-DEC-2010	1-JAN-2010
Assets-related government grant		
– Investment grant on the project of textile machine and weaving machine expansion	21,182,195.69	24,282,195.69
– Land purchase money refund	9,830,255.04	10,036,556.30
– Development and industralization investment grant for efficient intelligent coarse spinner series products	7,000,000.00	5,000,000.00
– Investment grant on the project of High point twisting machine	4,672,500.00	5,451,250.00
– Investment grant on the project of textile machinery special precise super-speed bearing and spindle	3,915,000.00	4,350,000.00
– Project of New type textile machine significant technology equipment special project	2,988,651.48	3,628,996.43
– Leading enterprise of agricultural Industrialization infrastructure subsidies	1,462,500.00	
– Investment grant on the project of new type super speed warp knitting machine industrialization	1,454,131.64	2,763,435.32
– Precision winding, digital control network and the equipment industrialization project	1,330,000.00	
– Investment grant on project Jingwei Textile science and technology	1,000,000.00	1,000,000.00
– Shanxi Science and Technology innovation plan(F1561 project)	900,000.00	
– Transformation fund of corn combine harvester patented technology	362,700.00	
– Technology Development Program funds(Rapier Plan JWG1728)	200,000.00	
– China and Germany cooperation in the warp ring spinning machine R & D projects	150,000.00	
– Scientific and technological achievements to promote project funds(Article ribbon lap machine)	100,000.00	
– Investment grant on Research on Textile production line on account of coordinated emulate technology		1,500,000.00
– Investment grant on new product planJWF1530 ring spinning machine project		520,000.00
Earnings-related government grant		
– Discount of notes collection	829,479.45	
– Financial subsidy of textile machine and weaving machine expansion project		1,324,715.75
– Others	282,292.31	356,161.51
Total	57,659,705.61	60,213,311.00

38. Share capital

	As at 1 January 2010	New issue	Bounce share	Changes(+/-) Reserve transfer to shares	Others	Total	As at 31 December 2009
Restricted tradable shares	195,656,053.00						195,656,053.00
1. State-owned shares							
2. State-owned legal person shares	195,640,000.00						195,640,000.00
3. Other domestic shares held	16,053.00						16,053.00
Including: Domestic natural person shares	16,053.00						16,053.00
Tradeable shares	408,143,947.00						408,143,947.00
1. Ordinary shares denominated in RMB	227,343,947.00						227,343,947.00
2. Foreign capital shares listed overseas	180,800,000.00						180,800,000.00
Total shares	603,800,000.00						603,800,000.00

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Capital reserve

	As at 1 January 2010	Additions	Reductions	As at 31 December 2010
Share Premium	1,244,377,317.17	4,414,679.30		1,248,791,996.47
Other capital reserves		58,217,807.26		58,217,807.26
Including: Fair value variation on available-for-sale financial assets		58,016,369.21		58,016,369.21
Share of results under equity method in other comprehensive income		201,438.05		201,438.05
Total	1,244,377,317.17	62,632,486.56		1,307,009,803.73

Note: In this term, the company transferred subsidiary of Huangshi jingwei 45% of equity interest, without loss of control. The differences between the acquisition and corresponding reduction in net assets RMB 4,412,330.67 was transferred to capital reserves.

In this term, the company completed the funding to Jinzhong Jingwei Foundry Company Limited, the differences between shared net assets at the funding date and capital investment RMB 2,348.63 was transferred to capital reserves.

The changes in fair value of available-for-sale financial assets, which held by Zhongrong International Trust Company Limited, a subsidiary of the Company, amount to RMB 58,016,369.21 was transferred to capital reserves.

40. Surplus reserve

Item	As at 1 January 2010	Additions	Reductions	As at 31 December 2010
Statutory surplus reserve	396,770,911.21	28,073,367.79		424,844,279.00
Discretionary surplus reserve	177,763,046.16			177,763,046.16
Total	574,533,957.37	28,073,367.79		602,607,325.16

41. Risk preparation

Item	31-DEC-2010	1-JAN-2010
General risk preparation	789,493.21	
Trust compensation reserve	6,925,343.41	
Total	7,714,836.62	

Note: Trust compensation reserve should be withdrawn according 5% of its net profit which is according to "trust company management approach-Article 49". Zhongrong International Trust Company Limited, a subsidiary of the Company, withdraws Trust compensation reserve until it reached 20% of the registered capital and above. Trust compensation reserves are mainly used to make up trust property losses which caused by mismanagement.

General risk reserve is based on the Ministry of Finance [2005] No. 49 "allowance for doubtful debts of financial companies extract the management approach " in accordance with the provision for 1% of risk assets, as a profit distribution processing, general risk reserve to cover potential losses not yet identified.

Risk preparations were restored based on the share attributable to owners of the Company.

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Unappropriated Profit

	31-DEC-2010	1-JAN-2010
At the end of 2009	337,092,967.43	434,150,573.02
At beginning of 2010	337,092,967.43	434,150,573.02
Add: Net profit of 2010	244,716,850.09	-78,890,775.73
Less: Appropriation to statutory surplus reserve	28,073,367.79	12,128,829.86
Profit available for distribution to shareholders		6,038,000.00
Number of general risk reserve	789,493.21	
Number of trustee compensation reserve	6,925,343.41	
At end of 2010	546,021,613.11	337,092,967.43

43. Operating income and operating cost

(1) Operating income and operating cost

	2010	2009
Principal operating income	5,727,691,224.24	3,128,157,613.57
Other operating income	618,889,277.46	443,314,681.80
Total	6,346,580,501.70	3,571,472,295.37
Principal operating cost	4,977,134,491.23	2,881,845,057.95
Other operating cost	525,194,233.53	381,978,046.63
Total	5,502,328,724.76	3,263,823,104.58

(2) By industry

Name	2010 Operating income	2010 Operating cost	2009 Operating income	2009 Operating cost
(1) Principal operating activities	5,727,691,224.24	4,977,134,491.23	3,128,157,613.57	2,881,845,057.95
Textile machinery	5,320,693,909.02	4,671,570,093.02	2,847,632,421.57	2,668,479,789.84
Property development	242,853,993.00	159,796,963.22	280,525,192.00	213,365,268.11
Others	164,143,322.22	145,767,434.99		
(2) Other operating activities	618,889,277.46	525,194,233.53	443,314,681.80	381,978,046.63
Operating leases	12,939,740.30	8,417,013.11	13,626,816.78	6,198,671.21
Sales of raw materials, parts and components	562,989,352.45	491,825,251.67	369,861,707.79	334,300,290.63
Others	42,960,184.71	24,951,968.75	59,826,157.23	41,479,084.79
Total	6,346,580,501.70	5,502,328,724.76	3,571,472,295.37	3,263,823,104.58

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Operating income and operating cost (continued)

(3) By geographical area

	2010		2009	
Geographical area	Operating income	Operating cost	Operating income	Operating cost
Domestic	5,847,045,152.73	5,047,308,840.15	3,369,533,227.00	3,078,039,161.68
Overseas	499,535,348.97	455,019,884.61	201,939,068.37	185,783,942.90
Total	6,346,580,501.70	5,502,328,724.76	3,571,472,295.37	3,263,823,104.58

(4) Operating income from the top five customers

Customer	Operating Income	Proportion
China Texmatech Company Limited	386,695,147.07	6.09%
Xinjiang Tiansheng Industrial Company Limited	350,765,230.76	5.53%
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	105,714,305.32	1.67%
Xuzhou Tianhong Times Textile Company Limited	78,728,901.08	1.24%
Henan Xinye Textile Company Limited	78,677,976.02	1.24%
Total	1,000,581,560.25	15.77%

44. Interest income

	2010	2009
Interest income	19,371,650.39	
Including: income of financial institutions	2,180,264.27	
Loan interest income	9,845,855.56	
Interest income from financial assets purchased under resale agreements	7,345,530.56	
Interest expenses	328,562.50	
Net interest income	19,043,087.89	

Note: At 31 December 2010, interest expenses was arising from borrowing by Mianyang Commercial Bank.

45. Service charges and commission income

	2010	2009
Net income of trust fees	920,434,239.62	
Margin income	846,177.00	
Total	921,280,416.62	

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Sales taxes and levies

Taxes	2010	2009	Charge rate Standards
Business tax	63,834,438.37	15,259,388.26	5%
City construction tax	10,362,704.22	4,810,274.73	1%, 5%, 7%
Education surcharge tax	5,366,291.04	1,780,505.67	3%, 4%
Land appreciation tax	2,420,189.93	2,798,051.93	1%
Others	1,540,507.27	412,824.25	
Total	83,524,130.83	25,061,044.84	

47. Selling and distribution expenses

	2010	2009
Employee benefits	40,630,011.53	25,643,282.23
Transportation expenses	25,787,909.68	21,539,297.99
Travelling expenses	17,810,629.08	15,581,944.15
Consigned expenses	17,184,637.65	3,835,255.78
Sales services expenses	12,907,768.41	4,900,199.71
Operating expenses	12,466,745.78	8,862,037.54
Exhibition expenses	8,202,074.36	911,270.78
Labor expenses	6,857,307.36	4,385,215.95
Advertisement expenses	4,938,661.95	4,361,523.12
Unloading expenses	3,337,702.25	1,723,225.31
Office expenses	3,257,866.29	3,153,886.64
Repair and maintenance expenses	1,620,646.48	778,915.55
Depreciation expenses	1,208,863.44	1,369,690.53
Others	10,302,032.52	8,156,449.10
Total	166,512,856.78	105,202,194.38

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Administrative expenses

	2010	2009
Employee benefits	445,101,903.32	150,539,461.91
Research and development expenses	127,336,608.93	68,688,605.83
Professional fees	124,530,873.24	7,112,376.18
Depreciation	30,707,366.93	28,970,442.15
Taxes	28,592,965.26	18,968,550.26
Travelling expenses	24,001,082.66	6,954,092.38
Repair and maintenance expenses	23,916,810.75	12,774,776.11
Business entertainment expenses	22,104,011.98	8,373,208.58
Agency expenses	20,337,445.70	10,363,409.39
Rent	19,653,164.33	8,116,258.61
Office expenses	13,826,796.36	9,341,507.26
Amortization of intangible assets	13,344,864.41	10,658,167.75
Meeting expenses	12,500,853.06	1,453,454.82
Utilities	10,409,666.41	8,631,960.99
Transportation expenses	9,407,060.66	8,958,253.75
Long-term deferred expenses	3,445,230.64	
Heating expenses	3,521,297.00	4,363,331.66
Insurance expenses	3,416,837.66	3,264,465.29
Security Fire expenses	2,355,989.05	2,153,050.54
Amortization of consumables	2,266,552.07	29,592.54
Environment expenses	2,133,186.12	1,304,615.85
Labor protection expenses	2,047,499.26	874,112.32
Others	48,890,918.45	6,198,236.72
Total	993,848,984.25	378,091,930.89

49. Financial expenses

	2010	2009
Interest expense	79,505,363.16	60,093,352.56
Less: interest income	33,533,002.34	12,219,701.05
Exchange loss	68,116.71	1,023,973.70
Less: Exchange income	5,213,260.50	120,346.01
Others	2,972,833.20	1,623,951.50
Total	43,800,050.23	50,401,230.70

50. Gains from changes in fair values

Source	2010	2009
Held-for-trading financial assets	27,119,250.36	426,181.53
Total	27,119,250.36	426,181.53

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Investment income

(1) Disclosure of investment income by item is as follows

Investment income	2010	2009
Long-term equity investment income under cost method	1,239,637.50	17,718,710.00
Long-term equity investment income under equity method	2,618,795.66	-189,656.79
Gains on disposal of long-term equity investment	82,229,285.78	63,266,413.86
Dividends from held-for-trading financial assets	1,836,400.00	
Gains on disposal of held-for-trading financial assets	23,365,421.50	2,141,856.77
Dividends from available-for-sale financial assets	992,556.45	
Others	4,614,801.38	4,978,160.79
Total	116,896,898.27	87,915,484.63

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

Investee	2010	2009	Reason for changes
Langfang Hengsheng Property Development Group Company Ltd		16,797,000.00	The investment was disposed in 2009
Qingdao Textile Machinery Manufacturing Company Ltd	850,000.00	850,000.00	
Qingdao Jinyi Pressing and casting Company Ltd	39,637.50	31,710.00	
Jiangsu Hongyuan Textile Machinery Company Ltd	50,000.00	40,000.00	
BSI Management Systems Certification Company Limited	300,000.00		Unappropriated dividends last year
Total	1,239,637.50	17,718,710.00	

(3) The Group has made gain on disposal of long-term equity investment amounted to RMB82,229,285.79. This mainly includes: gain of RMB86,517,039.69 by disposing of equity investment in Beijing Bohong Property Development Company Limited, loss of RMB6,891,528.84 by disposing of equity investment in Zhengzhou Hongda Non-woven Fabric Company Limited.

52. Assets impairment

Category	2010	2009
Bad debt	2,418,059.90	-19,770,706.47
Written-down of inventories	19,209,728.85	17,067,406.71
Impairment on long-term equity investment	12,673,871.42	
Impairment on fixed assets	7,033,538.11	
Total	41,335,198.28	-2,703,299.76

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Non-operating income

(1) Disclosure of non-operating income by item is as follows

Category	2010	2009	Amount included in non-recurring profit or loss of the year
Gains on disposal of non-current assets	20,700,845.25	17,759,420.39	20,700,845.25
Including: Gains on disposal of fixed assets	7,824,017.75	17,759,420.39	7,824,017.75
Gains on disposal of Intangible assets	12,876,827.50		12,876,827.50
Profit on debt restructuring	1,830,395.64	760,246.66	1,830,395.64
Government grants	62,572,298.32	54,477,440.76	60,483,494.60
Others	7,644,381.48	9,584,012.23	7,644,381.48
Total	92,747,920.69	82,581,120.04	90,659,116.97

(2) Government grants

Category		2010	2009
Grants for R&D of new equipment	Note 1	33,000,000.00	
Government development fund of Maquqiao Town	Note 2	5,974,045.85	1,982,793.04
Research on Textile production line on account of coordinated emulate technology investment grant	Note 3	3,000,000.00	1,500,000.00
High point twisting machine project investment grant	Note 4	2,523,053.68	2,445,314.68
VAT rebate	Note 5	2,088,803.72	1,058,108.11
Job stabilisation subsidy for difficult enterprises	Note 6	2,021,250.32	1,158,000.00
Fully automatic rotor spinning machine and the modern automatic consecutive cotton weaving model production line	Note 7	1,850,000.00	500,000.00
Subsidy for staff reassignment training	Note 8	1,089,900.00	
Grant for efficient and short flow blowing-carding machine		500,000.00	6,000,000.00
Financial subsidy for liquidity loan of industrial enterprises		20,000.00	4,610,000.00
PLM Enterprise information system integration project support fund			2,000,000.00
Financial subsidy of Efficient modernization cotton textile complete equipment industrialization project			10,780,000.00
Industrial economy operation adjustment special fund			7,500,000.00
Special fund for science and technology innovation			5,000,000.00
Other grants		10,505,244.75	9,943,224.93
Total		62,572,298.32	54,477,440.76

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Non-operating income (continued)

(2) Government grants (continued)

Note 1: Pursuant to Cai Qi [2010] No. 209 "Notice from the Ministry of Finance on the significant technological innovation and industrialization funds under 2010 State-owned Capital Operation Budget Project (Allocation)", the Group obtained a subsidy of RMB33,000,000.00 for the research and development project of new facilities;

Note 2: Pursuant to the incentive agreement of registered corporate tax payers of Ma Qu Qiao town, Beijing city, Beijing Bohong Property Development Company Limited, a subsidiary of the Group, obtained the allocation of $5,974,045.85 from the development fund of Ma Qu Qiao town government in 2010;

Note 3: Pursuant to the "Notice on the issue of Project of Technology Innovation Plan Fund in 2009"(Jin Jiao Cai NO.16[2009]), the Group received special grants amounting to RMB3,000,000.00 in 2010 for the "project of Research and Development on Textile production line on account of coordinated emulate technology". These grants were designated for purchasing equipment and constructing factories;

Note 4: Pursuant to Fa Gai Tou Zi [2008] No. 3482 <Notice on the technological advancement of industries (third round) in the 2008 additional investment plan under the central government budget from the National Development & Reform Commission>, Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited and Wuxi Hongda Textile Machinery and Special Parts Company Limited, subsidiaries of the Group, obtained RMB13,480,000.00 allocation for the "New type super speed warp knitting machine industrialization project", "High point twisting machine project" and "Textile machinery special precise super-speed bearing and spindle project" during the year, a non-operating income of $ 2,523,053.68 was recognized during the period;

Note 5: VAT Refund was the refund of VAT received by Shanxi Jingwei Heli Machinery Manufacturing Company Limited, a subsidiary of the Group. Pursuant to Cai Shui [2007] No. 92 "Notice on the tax concession policy to foster the employment of handicapped persons from the State Tax Bureau" Shanxi Jingwei Heli Machinery Manufacturing Company Limited, a subsidiary of the Group received RMB2,088,803.72 VAT refund during 2010;

Note 6: Pursuant to Ren She Bu Fa [2009] No. 175 "Notice on the work to reduce the burden of companies and to stabilize the employment situation" and Qing Ren She Ban Fa [2010] No. 16, Changde Textile Machinery Company Limited, Qingdao Hongda Textile Machinery Company Limited, subsidiaries of the Group, received RMB2,021,250.32 job position allowance and job position stabilization of distressed companies during 2010;

Note 7: Pursuant to the "Notice of the Ministry of Finance replying department budget from science and technology Bureau"(Cai Yu No.237[2009]), the Group received a special grant amounting to RMB1,850,000.00 in 2010 for the "project in respect of the fully automatic tube changing machine and the modern, automatic consecutive cotton weaving model production line";

Note 8: Pursuant to Ren She Han [2010] No.493 "Notice on subsidy payment to difficult enterprises for staff reassignment training", the Group received subsidy of RMB1,089,900 for staff reassignment training.

54. Non-operating expenses

Category	2010	2009	Amount included in non-recurring profit or loss of the year
Losses on disposal of non-current assets	19,820,256.24	4,699,320.27	19,820,256.24
Including: Losses on disposal of fixed assets	19,820,256.24	4,699,320.27	19,820,256.24
Loss from debt restructuring	399,510.00		399,510.00
Donation expenses	492,965.00	983,700.00	492,965.00
Asset retirement and damage	196,294.18		196,294.18
Compensation and penalty	1,442,508.32	426,918.17	1,442,508.32
Others	1,375,185.33	1,645,857.13	1,375,185.33
Total	23,726,719.07	7,755,795.57	23,726,719.07

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Income tax expenses

(1) Disclosure of Income tax expenses by item is as follows:

Category	2010	2009
Tax rate expenses	158,099,044.44	26,425,627.31
Including: Current tax expense	188,538,066.01	9,883,523.58
Deferred tax expense	-30,439,021.57	16,542,103.73

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

Item	2010	2009
Accounting profit/(loss)	668,591,411.33	-85,236,919.63
Income tax (15%)		
Income tax expense calculated at legal or applicable tax rate	100,288,711.70	-12,785,537.94
Effect of different tax rates for some subsidiaries	53,791,757.75	4,473,259.76
Over provision in prior years		-56,282.87
Tax effect of profit from associates	-392,819.35	28,448.52
Tax effect of non-taxable income	-13,213,202.65	-2,657,806.50
Tax effect of non-deductible expenses	10,938,145.19	4,425,491.95
Changes in tax rates on opening balance of deferred income tax		
Effect of utilisation of other temporary differences not previously recognised	-7,627,196.35	-167,528.69
Effect of unrecognised tax losses and other temporary differences for tax purposes	24,951,330.06	38,887,695.69
Reduction of tax in respect of research and development	-10,637,681.91	-4,691,158.10
Tax deduction on purchase of domestically manufactured equipment		-1,030,954.51
Income tax expense	158,099,044.44	26,425,627.31

56. Other comprehensive income

Item	2010	2009
Profit (loss) arising from available-for-sale assets	214,875,441.52	
Less: income tax effect from available-for-sale assets	53,718,860.38	
Sub-total	161,156,581.14	
Share of other comprehensive income of equity investment	201,438.05	
Sub-total	201,438.05	
Exchange differences on translation of financial statements of foreign subsidiaries	-145,953.23	-7,980.87
Sub-total	-145,953.23	-7,980.87
Others		-9,027,170.20
Sub-total		-9,027,170.20
Total	161,212,065.96	-9,035,151.07

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Notes to the Consolidated Cash Flow Statement

(1) Other cash receipts relating to operating activities

Item	2010	2009
Total	132,764,057.61	78,177,715.11
Including: Government grants	46,358,210.93	51,185,458.15
Preliminary fees of trust project	24,062,426.94	
Interest income	19,921,337.24	11,088,829.63
Receipt from Dong sheng Investment Co., Ltd	10,795,000.00	
Income from provision of agent and service	10,003,037.90	
Collection of deed tax and maintenance fund	7,230,331.09	8,195,766.75
Receipt from tianjin textile machinery Co., LTD	3,000,000.00	
Others	11,393,713.51	7,707,660.58

(2) Other cash payments relating to operating activities

Item	2010	2009
Total	432,361,281.30	188,249,089.89
Including: Intermediary services and professional fees	120,651,363.01	
Travelling expenses	48,781,730.33	23,691,737.80
Rent	40,722,385.11	8,368,353.15
Transportation and unloading expenses	32,767,397.83	15,982,471.75
Water, electricity and heat	27,665,606.51	14,403,945.07
Business entertainment	23,423,199.34	8,802,721.39
Repair and maintenance expenses	20,373,316.57	13,682,304.74
Professional fees	19,448,233.55	11,574,159.99
Research and development expenses	18,788,098.78	35,682,582.63
Sales services	16,255,228.85	8,567,227.65
Office expenses	16,007,856.73	13,735,546.63
Insurance expenses	10,790,329.12	1,487,518.54
Deed tax payment	10,493,310.10	
Exhibition expenses	9,669,905.23	705,250.00
Advertisement and promotion expenses	6,805,164.65	3,864,764.32
Operating expenses	6,521,464.57	8,896,992.54
Others	3,196,691.02	18,803,513.69

(3) Other cash receipts relating to investing activities

Item	2010	2009
Total	19,776,520.09	35,680,000.00
Including: Relocation compensation	14,500,000.00	
Government grants	5,200,000.00	14,980,000.00
Proceeds from disposal of assets		10,000,000.00
Rental income received from HainanYinuo Property Development Co. Ltd.		10,000,000.00
Interests received from Anhui Huamao		700,000.00
Others	76,520.09	

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(4) Other cash payments relating to investing activities

Item	2010	2009
Total	98,812,137.97	
Including: Net cash outflow arising from disposal of subsidiary	98,287,137.97	
Others	525,000.00	

(5) Other cash receipts relating to financing activities

Item	2010	2009
Total	178,228,784.66	150,296,730.28
Including: Borrowing and interest collected from Qingdao Ruihe Land Development Company Limited	88,942,800.00	
Funds for major technological innovation and industrialized project	60,000,000.00	
Non-operating funds	20,276,498.70	
Import tax refund	9,009,485.96	
Proceeds from sales and leaseback transactions		150,000,000.00
Others		296,730.28

(6) Other cash payments relating to financing activities

Item	2010	2009
Total	122,449,681.12	18,312,170.28
Including: Paying borrowings of Qingdao Ruihe Land Development Company Limited	84,600,000.00	
Prepayment for finance lease	34,248,681.12	18,312,170.28
Others	3,601,000.00	

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Supplementary information of the consolidated cash flow statement

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

Category	2010	2009
Reconciliation of net profit to cash flow from operating activities		
Net profit/loss	510,492,366.89	-111,662,546.94
Add: Provision for impairment	34,401,923.34	-13,131,165.39
Depreciation of fixed assets	119,677,035.58	113,599,232.61
Amortisation of intangible assets	15,097,270.55	10,515,564.26
Amortisation of long-term deferred expenses	3,445,230.64	
Gains on disposal of fixed assets, intangible assets and other long-term assets	-880,589.01	-13,060,100.12
Loss on disposal of scrapped fixed assets	196,294.18	
loss from changes in fair value	-27,119,250.36	-426,181.53
Financial expenses	68,180,867.16	60,093,352.56
Investment losses	-116,896,898.27	-87,915,484.63
Decrease in deferred tax assets	-30,439,021.57	16,542,103.73
Decrease in inventories	-24,531,375.42	424,427,021.99
Increase/Decrease in operating receivables	-1,339,177,541.46	-553,392,415.60
Increase/Decrease in operating payables	1,834,311,064.06	476,196,993.75
Others		
Net cash flow from operating activities	1,046,757,376.31	321,786,374.69
Closing balance of cash and cash equivalents	2,350,591,630.16	1,207,372,241.74
Less: Opening balance of cash and cash equivalents	1,207,372,241.74	684,433,514.11
Net increase in cash and cash equivalents	1,143,219,388.42	522,938,727.63

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VIII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(2) Details of acquisition and disposal of subsidiaries

Category	2010	2009
(I) Acquisition of subsidiaries		
(i) Price paid on acquisition of subsidiaries	1,224,670,321.62	24,902,014.83
(ii) Cash and cash equivalents paid for acquisition of subsidiaries	633,653,400.00	17,402,014.83
Less: cash and cash equivalents held by the subsidiaries	628,522,821.40	5,146,708.83
Net cash inflow on acquisition of subsidiaries	5,130,578.60	12,255,306.00
(iii) Net assets on acquisition of subsidiaries	1,044,674,010.98	26,772,330.51
Current assets	1,156,178,761.73	49,576,884.18
Non-current assets	140,772,040.69	124,443,393.13
Current liabilities	252,276,791.44	116,825,982.50
Non-current liabilities		30,421,964.30
(II) Disposal of the subsidiary		
(i) Sale consideration on disposal of subsidiary	194,439,700.00	9,522,411.71
(ii) Cash and cash equivalents received from disposal of the subsidiary	49,900,000.00	5,954,468.43
Less: cash and cash equivalents held by the subsidiary	148,187,137.97	354,468.43
Net cash inflow on disposal of the subsidiary	-98,287,137.97	5,600,000.00
(iii) Net assets on disposal of the subsidiary	214,375,097.89	4,994,174.67
Current assets	488,471,971.77	4,053,866.44
Non-current assets	4,779,121.16	939,408.36
Current liabilities	278,875,995.04	-899.87
Non-current liabilities		

(3) Cash and cash equivalents

	2010	2009
Cash	2,350,591,630.16	1,207,372,241.74
Including: Cash on hand	435,896.21	1,028,131.30
Cash in bank	2,278,031,464.63	1,199,541,715.10
Other monetary funds that can be readily withdrawn on demand	72,124,269.32	6,802,395.34
Cash and cash equivalent balances	2,350,591,630.16	1,207,372,241.74

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IX. RELATED PARTIES AND TRANSACTIONS

1. Definition of related parties

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

2. Details of the ultimate holding company

Name of Company	Place of incorporation	Nature of business	Registered capital	Proportion of voting power (%)	Proportion of shareholdings (%)
China Textile Machinery (Group) Company Limited	Beijing	Manufacturing and trading of textile machinery	2,735,820,000.00	33.83	33.83

Note 1: China Textile Machinery (Group) Company Limited (CTMC) is the largest shareholder of the Company, the remaining 66.17% equity interest is separately held by other shareholders. CTMC substantially controls the Company; therefore, CTMC is the parent company of the Company. CTMC is a Non-wholly owned subsidiary of China Hengtian Group Company; therefore, the actual controller of the Group is China Hengtian Group Company.

3. Details of Subsidiaries at 31 December 2010 are as follows

Name of subsidiaries	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding (%)	Percentage of voting right held (%)	Organisation code
Beijing Jingpeng Investment Management Company Limited	Limited Company	Beijing	Yao Yuming	Sales/ Consultation	100,000,000.00	100.00	100.00	10256839-3
Shenyang Hongda Huaming Textile Machinery Company Limited	Limited Company	Shenyang	Wang Jue	T&M	40,000,000.00	98.50	100.00	77481871-1
Beijing Jingwei Textile Machinery New Technology Company Limited	Limited Company	Beijing	Yao Yuming	T&M	100,000,000.00	100.00	100.00	70024399-4
Yichang Jingwei Textile Machinery Company Limited	Limited Company	Yichang	Ye Maoxin	T&M	20,000,000.00	100.00	100.00	79591603-8
Tianjin Jingwei New Type Textile Machinery Company Limited	Limited Company	Tianjin	Zhang Jianguo	T&M	16,000,000.00	100.00	100.00	77732301-X
Shanghai Chuangan Trading Company Limited	Limited Company	Shanghai	Yao Yuming	T&M	2,000,000.00	90.00	90.00	70336610-5
Shanghai Weixin Electrical and Machinery Company Limited	Limited Company	Shanghai	Ye Maoxin	T&M	16,000,000.00	100.00	100.00	607274980
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	Limited Company	Shanghai	Wu Xudong	T&M	50,000,000.00	100.00	100.00	72944813-3
Shanghai WSP Mould and Injection Plastic Company Limited	Limited Company	Shanghai	Lin Jianwang	T&M	5,256,800.00	50.00	100.00	749292869
Jingwei Textile Machinery Yuci Material Company Limited	Limited Company	Jinzhong	Zheng Ying	T&M	5,000,000.00	99.92	100.00	11278984-3
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Limited Company	Jinzhong	Wu Xudong	T&M	40,000,000.00	89.65	89.65	11274383-7
Hongkong Huaming Co. Limited	Limited Company	Hong Kong	Ye Maoxin	T&M	USD 7,700,000.00	100.00	100.00	741226
Jinzhong Jingwei Foundry Company Limited	Limited Company	Jinzhong	Ku Guanqun	T&M	25,000,000.00	68.80	68.80	69223011-3
Yichang Hengtian Development Properties Company Limited	Limited Company	Yichang	Yao Yuming	Property	20,000,000.00	100.00	100.00	69176249-2
Shenyang Hongda Textile Machinery Company Limited	Limited Company	Shenyang	Wang Jue	T&M	71,000,000.00	98.00	98.00	71579925-8
Shanxi Jingwei Heli Machinery Manufacturing Company Limited	Limited Company	Jinzhong	Wu Xudong	T&M	100,000,000.00	30.00	71.43	11278606-0
Changde Textile Machinery Company Limited	Limited Company	Changde	Yao Yuming	T&M	42,349,900.00	95.00	95.00	73474692-8
Tianjin Hongda Textile Machinery Company Limited	Limited Company	Tianjin	Zhang Jianguo	T&M	78,500,000.00	100.00	100.00	71294571-5
Qingdao Hongda Textile Machinery Company Limited	Limited Company	Qingdao	Yao Yuming	T&M	114,000,000.00	97.66	97.66	71376206-4
Wuxi Jingwei Textile Technology Testing Company Limited	Limited Company	Wuxi	Lin Jianwang	Needle Textile	49,530,000.00	100.00	100.00	75000921-5
Wuxi Jingwei Textile Technology Sales Company Limited	Limited Company	Wuxi	Shi Jianping	T&M	1,000,000.00	100.00	100.00	77050566-2
Zhengzhou Hongda New Textile Machinery Company Limited	Limited Company	Zhengzhou	Yao Yuming	T&M	74,500,000.00	98.00	98.00	716765383
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Limited Company	Wuxi	Xiong Jianlin	T&M	20,000,000.00	35.00	51.25	13589190-4
Xianyang Jingwei Machinery Manufacturing Company Limited	Limited Company	Xianyang	Cheng Jianrong	T&M	75,079,600.00	100.00	100.00	71350210-7
Taiyuan Jingwei Electrical Company Limited	Limited Company	Taiyuan	Guan Youping	T&M	5,000,000.00	100.00	100.00	60207789-X
Huangshi Jingwei Textile Machinery Company Limited	Limited Company	Huangshi	Liu Xianming	T&M	32,000,000.00	45.00	60.00	17841272-3

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IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Details of Subsidiaries at 31 December 2010 are as follows (continued)

Name of subsidiaries	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding (%)	Percentage of voting right held (%)	Organisation code
Xianyang Jingwei Textile Machinery Company Limited	Limited Company	Xianyang	Cheng Jianrong	T&M	50,000,000.00	96.40	96.40	56375549-0
Hubei Xinchufeng Automobile Company Limited	Limited Company	Suizhou	Ye Maoxin	Auto	200,000,000.00	50.00	57.14	79876653-0
Anshan Jingwei Haihong Agricultural Machinery Limited	Limited Company	Anshan	Yao Yuming	A&M	40,000,000.00	51.00	51.00	68007495-0
Shanghai Huayuan Hyperthermia Technology Company Limited	Limited Company	Shanghai	Yao Yuming	M&D	20,000,000.00	51.00	51.00	76839464-1
Zhongrong International Trust Company Limited	Limited Company	Harbin	Liu Yang	Trust	580,000,000.00	36.00	57.14	12704434-2

4. Associate companies

Name of Investee	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding	Percentage of voting held	Relationship	Organisation code
China Texmatech Company Limited	Limited Company	Beijing	Zhu Baolin	Import and export of textile machinery	12,000.00	25%	25%	Associates	10000283-9
Hongda Research Company Limited	Limited Company	Beijing	Liu Yujun	Sales of textile machinery products	5,000.00	40%	40%	Associates	72634111-1
Anhui Huamao Jingwei New Type Textile Company Limited	Limited Company	Anqing	Zhan Lingzhi	Production & sales Textile machinery	5,000.00	25%	25%	Associates	75074734-9
Jingwei Machinery (Group) Company Limited	Limited Company	Jinzhong	Wu Xudong	Production & sales of textile machinery	4,000.00	20%	40%	Associates	11273104-3

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IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Other related parties

Name of related parties	Relationship with the Group
China National Chemical Fiber Corp	Company controlled by the same actual controller
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation the International Development Branch	Company controlled by the same actual controller
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	Company controlled by the same actual controller
Zhengzhou Textile Machinery Special Craft Company Limited	Company controlled by the same actual controller
Xianyang Hongda Property Development Company Limited	Company controlled by the same actual controller
Shandong KAMA Automobile Manufacturing Company Limited	Company controlled by the same actual controller
CHTC Heavy Industry Company Limited	Company controlled by the same actual controller
Hantrong Investment Company Limited	Company controlled by the same actual controller
Chifeng Huayuan Woollen Textile Industry	Company controlled by the same actual controller
Beijing Bohong Property Development Company Limited	Company controlled by the same actual controller
China Textile Machinery Industry Corp Sales Technology Service Company	Company controlled by the same parent company
China Textile Machinery Sales Company	Company controlled by the same parent company
Yichang Zhongfang Industry Company Limited	Company controlled by the same parent company
Yichang Zhongfang Hotel	Company controlled by the same parent company
Yichang textile machinery Plant	Company controlled by the same parent company
Xianyang Jinhuike Industry Company Limited	Company controlled by the same parent company
Xianyang Hongda Jincheng Electromechanical Company Limited	Company controlled by the same parent company
Xianyang Textile Machinery Plant	Company controlled by the same parent company
Wuxi Textile Machinery Research Institution	Company controlled by the same parent company
Weinan Textile Machinery	Company controlled by the same parent company
Hongda Industrial Co., Ltd	Company controlled by the same parent company
State-run yichang textile machinery	Company controlled by the same parent company
Changde Textile Machinery Plant	Company controlled by the same parent company
Changde Textile Machinery Yigao Industrial Development Corporation	Company controlled by the same parent company
Tianjin Tianfangji Heat Treatment Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Tianfangji Restructuring Steel Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Tianfangji Textile Machinery Parts Distribution Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Textile Machinery Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Textile Machinery factory	Company in which key personnel of subsidiaries has significant influence
Tianjin Baoheng Ingot Wing 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
Shenyang Textile Machinery Company Limited Textile Machinery Branch	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
Qingdao Luhuan Engineering (Machinery) Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Lanlifeng Laser Technology Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Jinyi Die-casting Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Jingchangcheng Case Manufacture Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Casting Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Needle Fabric Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Maorong Electromechanical technology Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Javaris Peak Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Jinhui Mould Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Helida Electric Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Wind Energy Technology Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Non-weaving Equipment Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Electric Company	Company in which key personnel of subsidiaries has significant influence

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IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction

(1) Sales and purchases of goods and services for related parties transaction

	2010	2009
Sales of finished goods		
Associates	384,450,590.51	139,415,413.18
Companies controlled by the same parent company	52,676,236.45	15,803,628.34
Companies controlled by the actual controller company	106,040,373.69	55,650,030.78
Companies in which key personnel of subsidiaries has significant influence	1,626,320.47	
Total	544,793,521.12	210,869,072.30
Sales of raw materials and parts		
Holding Companies		156.58
Companies controlled by the same parent company	169,058,735.85	66,685,985.79
Associates	2,244,556.55	95,532.48
Companies in which key personnel of subsidiaries has significant influence	10,219,825.19	1,996,215.85
Companies controlled by the actual controller company	11,762,782.90	3,038,337.94
Total	193,285,900.49	71,816,228.64
Processing charges		
Companies controlled by the same parent company	2,522,205.87	572,438.10
Companies in which key personnel of subsidiaries has significant influence	585,181.44	179,348.31
Total	3,107,387.31	751,786.41
Charges on provision of support services		
Holding Companies		3,211.88
Companies controlled by the same parent company	6,599,508.24	8,470,172.07
Companies controlled by the actual controller company	348,195.69	
Total	6,947,703.93	8,473,383.95
Interest income		
Associates	338,713.11	
Companies controlled by the actual controller company	234,226.68	
Total	572,939.79	
Purchase of tools and molds		
Companies controlled by the same parent company	6,264,386.20	6,528,179.43
Companies in which key personnel of subsidiaries has significant influence	128,205.13	
Total	6,392,591.33	6,528,179.43
Purchase of molds		
Companies in which key personnel of subsidiaries has significant influence	91,623,492.11	19,749,605.77
Total	91,623,492.11	19,749,605.77
Purchase of energy		
Companies controlled by the same parent company		47,650.35
Companies in which key personnel of subsidiaries has significant influence	512,077.31	4,416,022.39
Companies controlled by the actual controller company	42,307.49	
Total	554,384.80	4,463,672.74

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IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction (continued)

(1) Sales and purchases of goods and services for related parties transaction (continued)

	2010	2009
Purchase of packaging materials		
Companies controlled by the same parent company	19,113.37	149,985.21
Companies controlled by the same parent company	38,992,120.81	
Total	39,011,234.18	149,985.21
Purchase of raw materials and parts		
Companies controlled by the same parent company	136,611,350.36	44,505,814.49
Associates	7,535,435.48	3,671,982.84
Companies in which key personnel of subsidiaries has significant influence	336,134,007.47	264,629,959.33
Companies controlled by the actual controller company	271,433.85	
Total	480,552,227.16	312,807,756.66
Purchase of finished goods		
Companies controlled by the same parent company		136,993,953.66
Associates		489,799.05
Companies in which key personnel of subsidiaries has significant influence	420,638.46	24,952.31
Companies controlled by the actual controller company	386,595,965.93	
Total	387,016,604.39	137,508,705.02
Processing fees		
Companies controlled by the same parent company	33,683,079.45	37,612,205.09
Companies in which key personnel of subsidiaries has significant influence	6,496,583.25	1,821,121.56
Total	40,179,662.70	39,433,326.65
Transportation services fees		
Companies controlled by the same parent company	3,993,624.71	2,355,606.73
Total	3,993,624.71	2,355,606.73
Repair and maintenance fees		
Companies controlled by the same parent company	11,175,636.94	10,788,365.03
Total	11,175,636.94	10,788,365.03
Other supporting fees		
Companies controlled by the same parent company	5,398,734.75	7,131,160.73
Companies in which key personnel of subsidiaries has significant influence	7,931,210.25	1,831,517.74
Total	13,329,945.00	8,962,678.47
Interest expenses		
Companies controlled by the actual controller company		649,240.97
Total		649,240.97

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IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction (continued)

(2) Equity trading

At 20 September 2010 Beijing Jingwei Textile Machinery New Technology Company Limited ("New Technology Company"), subsidiary of the company, signed the Hengtian. Real estate Company Limited increasing capital and transfer equity agreement with China Hengtian Group Company, Hongda Investment Company Limited, Foshan City Huade Jinhui Investment Company Limited, Foshan City Chanhuade Investment Company Limited, Hengtian. Real estate Company Limited (" Hengtian. Real estate "), transferred 65% shareholding of Beijing Bohong Property Development Company Limited (" Bohong company") to Hengtian. Real estate, and obtained 12% shareholding of the Hengtian Real estate and RMB 49,900 thousand cash and cash equivalents.

Beijing Bohong Property Development Company Limited had completed the equity transfer matters in December 2010, alteration equity in industry and commerce registration for Hengtian. Real estate completed by January 2011. The group gained investment income RMB86,517 thousand from that transaction.

(3) Amount due from/to related parties

Item	Relationship	31-DEC-2010	1-JAN-2010
Accounts receivable	Associates	114,317,931.83	18,380,954.61
	Companies controlled by the same parent company	140,641.73	61,038,597.52
	Ultimate holding company	63,998.00	63,998.00
	Companies controlled the actual controller	17,565,659.90	8,638,792.38
	Companies in which key personnel of subsidiaries has significant influence	897,913.81	1,457,579.06
	Total	132,986,145.27	89,579,921.57
Bills receivable	Associates	70,528,020.00	11,126,393.23
	Companies controlled by the actual controller		3,541,350.16
	Companies controlled by the same parent company	1,320,000.00	3,200,000.00
	Companies in which key personnel of subsidiaries has significant influence	14,891,103.20	500,000.00
	Total	86,739,123.20	18,367,743.39
Advances to suppliers	Associates	6,323,645.31	3,278,730.08
	Companies controlled by the same parent company	98,263.00	28,497,101.34
	Companies in which key personnel of subsidiaries has significant influence	43,637,569.58	37,636,039.29
	Companies controlled by the actual controller	18,354,220.71	
	Total	68,413,698.60	69,411,870.71
Other receivables	Associates	114,468,561.91	134,470,595.88
	Total	114,468,561.91	134,470,595.88
Accounts payable	Holding Companies	6,301,379.63	6,301,379.63
	Associates	42,864,727.42	1,214,384.27
	Companies controlled by the same parent company	3,130,771.92	11,360,447.62
	Companies controlled by the actual controller	217,852,240.01	
	Companies in which key personnel of subsidiaries has significant influence	174,649,146.83	21,331,033.59
	Total	444,798,265.81	40,207,245.11

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IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction (continued)

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

Item	Relation	31-DEC-2010	1-JAN-2010
Bills payable	Companies controlled by the same parent company		1,100,000.00
	Associates	14,250,000.00	
	Companies in which key personnel of subsidiaries has significant influence	23,883,655.00	
	Companies controlled by the actual controller	12,547,583.40	
	Total	50,681,238.40	1,100,000.00
Advance from customers	Associates	691,096.81	11,761,845.20
	Companies controlled by the same parent company	367,581.11	1,196,868.24
	Companies controlled by the actual controller	293,785.40	4,208,840.65
	Companies in which key personnel of subsidiaries has significant influence	302,146.85	
	Holding Companies	1,000,087.16	
	Total	2,654,697.33	17,167,554.09
Other payables	Holding Companies	20,231,020.72	17,630,899.04
	Associates	136,605.76	175,471.85
	Companies controlled by the same parent company	32,373,942.26	25,095,105.73
	Companies controlled by the actual controller	60,000,000.00	
	Total	112,741,568.74	42,901,476.62
Dividend payables	Holding Companies		17,607,600.00
	Companies controlled by the same parent company	1,150,783.00	1,313,383.88
	Companies in which key personnel of subsidiaries has significant influence	205,886.00	205,886.00
	Total	1,356,669.00	19,126,869.88

(4) Related Party Lease

(a) The group as lessor

Lessor Name	Lessee name	Types of leased assets	Inception of the lease	Lease termination date	Pricing based on rental income	Annual rental income recognised
Qingdao Hongda Textile Machinery Company Limited	Qingdao Textile Machinery Company Limited	Buildings	2010/01/01	2010/12/31	Agreement Price	719,724.00
Qingdao Hongda Textile Machinery Company Limited	Qingdao Textile Machinery Company Limited	ECC cover card clothing production line	2004/09/01	2010/12/31	Agreement Price	425,249.49
Zhengzhou Hongda New Textile Machinery Company Limited	Chtc Heavy Industry Company Limited	Fixed Assets & Intangible assets	2008/01/01	2010/12/31	Agreement Price	4,433,835.75
Jingwei Textile Machinery Company Limited	Jinzhong Jingwei Foundry Company Limited	Machines and Equipment	2010/1/1	2010/12/31	Agreement Price	250,500.00

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IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related parties transaction (continued)

(4) Related Party Lease (continued)

(b) The group as lessee

Lessor Name	Lessee name	Types of leased assets	Inception of the lease	Lease termination date	Pricing based on rental income	Annual rental income recognised
Qingdao Textile Machinery Company Limited	Qingdao Hongda Textile Machinery Company Limited	Buildings	2010/01/01	2010/03/31	Agreement Price	8,092,752.00
Qingdao Textile Machinery Company Limited	Qingdao Hongda Textile Machinery Company Limited	Land use right	2010/01/01	2010/12/31	Agreement Price	1,717,899.96
Tianjin Textile Machinery Company Limited	Tianjin Hongda Textile Machinery Company Limited	Buildings	2010/01/01	2010/12/31	Agreement Price	2,284,823.66
Jingwei Machinery (Group) Company Limited	Jingwei Textile Machinery Company Limited	Buildings	2010/01/01	2010/12/31	Agreement Price	219,907.45
Changde Textile Machinery Plant	Changde Textile Machinery Company Limited	Buildings	2010/01/01	2010/12/31	Agreement Price	252,000.00

(5) Compensation of key management personnel

	2010	2009
Compensation of key management personnel	4,569,229.00	3,870,000.00

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

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X. CONTINGENT LIABLITIES

1. Guarantees

		31-DEC-2010	1-JAN-2010
(1)	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		93,686,943.07
(2)	Guarantees to subsidiaries:		
	Guarantees provided for banking facilities granted to subsidiaries (Note 2)	145,000,000.00	220,000,000.00
	Guarantees provided for the issuance of Small-to-Medium Enterprises collective notes by subsidiaries (Note 3)	60,000,000.00	
	Total	355,000,000.00	463,686,943.07

Note 1: At 19 October 2010, 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: As at 31 December 2010, the Company has provided guarantees for its subsidiaries namely Tianjin Hongda, Beijing Jingpeng, Anshan Jingwei Haihong Agricultural Machinery Company Limited, Wuxi Special Parts, Shanghai Huayuan Hyperthermia Technology Company Limited to obtain comprehensive credit facilities of RMB145,000,000.00.To which RMB65,000,000.00 was used, the remaining credit facilities are amounted to RMB80,000,000.00. While Tianjin Hongda provided counter-guarantee for its granted facilities amount to RMB80,000,000.00 by pledging its fixed assets with the net book value of RMB86,166,235.76 to the back. The shareholder, held 49% shareholdings of Shanghai Huayuan Hyperthermia Technology Company Limited, had pledged all the shares held to the Company to make up for the loss arising from the guarantee (if any), in order to ensure that guarantee responsibilities are shared.

Note 3: The company provided credit counter-guarantee at 6 July 2010 for its subsidiary Beijing New Technology company signed the “secure loan and recover contract” with Beijing Capital Investment & Guarantee Company Limited for issuing Small-Medium Entities collection of notes.

2. Letter of credit

		2010	
Category	**Currency**	**Original currency**	**RMB equivalents**
Incomplete non-cancellable letter of credit	CHF	3,297,951.00	23,271,001.85
	Euro	3,899,067.39	34,337,136.97
	USD	1,743,798.20	13,192,613.05
Total		8,940,816.59	70,800,751.87

XI. COMMITMENTS

1. Significant commitments

(1) Capital commitments

	31-DEC-2010	1-JAN-2010
Contracted but not recognised in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	166,073,338.03	392,896,690.50
– Commitments in relation to external investment		
Total	166,073,338.03	392,896,690.50

Note: Commitments in relation to purchasing long-term assets represents monies to be paid for acquisition of fixed assets in next two years.

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XI. COMMITMENTS (CONTINUED)

1. Significant commitments (continued)

(2) Finance lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable finance leases which fall due as follows:

	31-DEC-2010	1-JAN-2010
Minimum lease payments under non-cancellable finance leases:		
The first year subsequent to the balance sheet date	34,248,681.12	34,248,681.12
The second year subsequent to the balance sheet date	34,248,681.12	34,248,681.12
The third year subsequent to the balance sheet date	34,248,681.12	34,248,681.12
Subsequent periods	25,686,510.84	59,935,191.96
Total	128,432,554.20	162,681,235.32

Note: For relevant information please refers to VIII(35)

XII. EVENTS AFTER REPORTING DATE

1. Profit allocation plan

In 2010, the Company realised a net profit of RMB 12,381,104.48, 10% of which (i.e. in the sum of RMB 1,238,110.45) will be appropriated to the statutory surplus reserve in accordance with the Articles of Association of the Company. The distributable profit accrued for the year was RMB 11,142,994.03.The realisable distributable profit for shareholders was RMB 138,465,443.77. In view of the profit condition of the Company in 2010 and taking full consideration of shareholders' interest and the long-term development of the Company, the proposed profit distribution plan for 2010 is as follows: distribute 2010 final dividend RMB0.07 per share (tax inclusive), totaling RMB 42,266,000.00. The undistributed profit of RMB 96,199,443.77 of the Company will be carried forward for use in subsequent years.

2. Proposed non-public issue of A Shares

The Company will, at the right timing within six months after approval is obtained from China Securities Regulatory Commission, issue not more than 101,670,000 A Shares to designated parties. The issue will be made to not more than 10 designated parties including China Hengtian Group Company Limited ("China Hengtian"), the de facto controller of the Company, and China Textile Machinery (Group) Company Limited ("CTMC"), a controlling shareholder. The designated parties other than China Hengtian and CTMC will be investors in compliance with requirements of CSRC, including fund managing companies, securities companies, trust investment companies, finance companies, insurance institutions, qualified foreign institutional investors and other legal or natural persons and other legal investors in compliance with relevant regulations.

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XII. EVENTS AFTER REPORTING DATE (CONTINUED)

2. Proposed non-public issue of A Shares (continued)

The non-public issue will adopt the combined methods of subscription by debt and subscription by cash. CTMC, a controlling shareholder, will subscribe for the shares by debt representing the reserve to be capitalised which comprises the tax rebate for the import of key parts of jet loom and auto-winder in the amount of RMB 79,534,244.97 and the operating budget of state-owned capital (funds for major technological innovation and industrialization) in the amount of RMB 60,000,000.00 funded by the State, and such portion of subscription will not raise any cash directly. In addition, China Hengtian, the de facto controller of the Company, will subscribe for the shares by cash of not less than RMB 275,000,000.00 and not exceeding RMB 300,000,000.00 and all other market investors will subscribe for the shares by cash.

The total amount of proceeds raised by the non-public issue of A Shares will not exceed RMB 1,231,146,245.00, which includes the aggregate subscription amount of RMB 139,534,244.97 which CTMC pays by way of debt representing the two reserves to be capitalised, comprising the tax rebate for the import of key parts of jet loom and auto-winder and the operating budget of state-owned capital funded by the State, and such portion of subscription will not raise any cash directly. Deducting the subscription amount of the above debt capitalization, the total issue amount in cash raised by the non-public issue of A Shares will not exceed RMB 1,091,612,000.00, and after deducting costs and expenses, the same will be applied as follows:

(1) RMB 764,128,400.00 will be used to increase the capital of Zhongrong Trust, a subsidiary company, in order to supplement its net capital;

(2) RMB 327,483,600.00 will be used for replenishing the Company's working capital.

The non-public issue of A Shares will not result in any change of control of the Company.

3. Capital increase of the subsidiary Zhongrong International trust Co., Ltd

The Fourth extraordinary shareholders' meeting in 2010 of the subsidiary Zhongrong International trust Company Limited, approved "the proposal of increasing the registered capital", existings shareholders will contribute additional capital totaling RMB820 million according to their proportion of shareholdings, of which RMB520 million will be from capitalisaion of distributable profit and RMB300 million will be paid by cash, the registered capital will be BMB1400 million after the capital increase. This issue had been approved by the China Banking Regulatory Commission Heilongjiang Supervision Bureau (Hei Yin Jian Fu[2010] No. 75) at March 3,2011, which agree to change registered capital, and the relevant lawful formalities of business alteration is in progress.

XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include borrowings, other long-term assets accounts receivable accounts payable and so on. Details of these financial instruments are disclosed in Note VIII. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

1. Financial risk management objectives and policies

The Group's objectives in managing risks are to have a proper balance between the risks and benefits and reduce the negative impact of the risks on the Group's results of operations to the lowest level and maximize the interests of shareholders and other investors, as such, the basic risk management policies are to identify and analyse the various risks that the Group faced and establish appropriate minimal risk tolerance line and manage and monitor various risks timely and reliably and control the risk within the Limited scope.

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XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Financial risk management objectives and policies (continued)

(1) Market risk

(a) Currency risk

Foreign exchange risk refers to losses arising due to the risk of exchange rate fluctuations. The functional currency of the Group entities is mainly RMB in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Group entities at the balance sheet date are as follows:

		31-DEC-2010			1-JAN-2010		
		Amount in Original currency	Exchange Rate	RMB	Amount in Original currency	Exchange Rate	RMB
Cash and cash equivalents	USD	2,640,553.16	6.6227	17,487,591.44	444,968.70	6.8282	3,038,335.27
	HKD	5,184,972.31	0.8509	4,411,892.94	7,137,156.43	0.8805	6,284,266.24
	Euro	361,720.08	8.8065	3,185,487.88	207,957.54	9.7971	2,037,380.86
	CHF	152,548.86	7.0562	1,076,415.26	551,568.40	6.5938	3,636,931.70
	GBP	1,050.00	10.2182	10,729.11	1,050.00	10.978	11,526.90
	JPY	70,115.50	0.0813	5,700.39	70,132.93	0.0738	5,175.81
	CAD	40.00	6.6043	264.17			
Accounts receivable	HKD				30,000.00	0.8805	26,415.00
Advances to suppliers	USD	746,068.21	6.6227	4,940,985.92	2,554,754.03	6.8282	17,444,371.47
	Euro	3,947,427.84	8.8065	34,763,023.24	160,457.90	9.7971	1,572,022.09
	JPY	167,972,931.00	0.0813	13,656,199.29			
Other receivables	HKD	104,978.85	0.8509	89,326.50	144,148.30	0.8805	126,922.58
Other payables	USD	225,372.46	6.6227	1,492,574.18			
	HKD	6,820,181.38	0.8509	5,803,292.34			
Short-term borrowings	USD	42,620,324.72	6.6227	282,261,624.52	7,504,257.50	6.8282	51,240,571.06
Foreign exchange exposure	USD	-39,459,075.81	6.6227	-261,325,621.34	-4,504,534.77	6.8282	-30,757,864.32
Foreign exchange exposure	HKD	-1,530,230.22	0.8509	-1,302,072.90	7,311,304.73	0.8805	6,437,603.82
Foreign exchange exposure	Euro	4,309,147.92	8.8065	37,948,511.12	368,415.44	9.7971	3,609,402.95
Foreign exchange exposure	JPY	168,043,046.49	0.0813	13,661,899.68			
Foreign exchange exposure	CHF	152,548.86	7.0562	1,076,415.26			
Foreign exchange exposure	GBP	1,050.00	10.2182	10,729.11			

The Group pays close attention on the influence from exchange rate.

Interest rate risk – The cash flow interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable interest rate of bank borrowings which mainly float at rate offered by the People's Bank of China and bank balances carry interests at prevailing market rates.

Interest rate risk – The fair value interest rate risk

The fair value interest rate risk relates primarily to fixed-rate short-term bank time deposits and fixed-rate bank loans. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate risk and will consider hedging for significant interest rate risk when it is necessary should the need arise.

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XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Financial risk management objectives and policies (continued)

(1) Market risk (continued)

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in Note X.

The Group has concentration of credit risk. The amount and rightists proportion of major customers and related parties are disclosed in Note VIII(4) and Note VIII(5).

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is Limited because the Group entitles are mainly banked with these banks with good reputation in the PRC.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised borrowing facilities of approximately RMB1,335,623,375.48 (2009: RMB1,674,670,000).

The following table details the Group's remaining contractual maturity for its financial assets and financial liabilities.

	Less than 1 year	1-5 years	More than 5 years	Total
Bills receivable	2,099,738,841.61			2,099,738,841.61
Accounts receivable	421,064,521.45			421,064,521.45
Other receivables	276,916,871.10			276,916,871.10
Currency funds	2,415,614,051.14			2,415,614,051.14
Long-term receivables due within one year	63,809,963.95			63,809,963.95
Long-term receivables		62,039,867.83		62,039,867.83
Sub-total of financial assets	5,277,144,249.25	62,039,867.83		5,339,184,117.08
Short-term borrowings	929,296,030.62			929,296,030.62
Bills payable	225,171,544.61			225,171,544.61
Accounts payable	2,170,306,895.68			2,170,306,895.68
Other payables	925,428,565.13			925,428,565.13
Non-current liabilities due within one year	553,000,238.23			553,000,238.23
Employee benefits payables	358,613,366.48			358,613,366.48
Dividends payables	2,149,115.58			2,149,115.58
Long-term borrowings		218,370,000.00		218,370,000.00
Long-term payables		247,966,078.34		247,966,078.34
Sub-total of financial liabilities	5,163,965,756.33	466,336,078.34		5,630,301,834.67
Net financial instruments	113,178,492.92	-404,296,210.51		-291,117,717.59

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XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Financial risk management objectives and policies (continued)

(2) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and the fair values of other financial assets and financial liabilities (derivative instrument not included) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or the value from observable current market transactions.

(3) Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyse how the entity's profit and loss for the period and owners' equity would have been affected by changes in the relevant risk variables that were reasonably possible. As it is unlikely that risk variables will change in an isolated manner, and the interdependence between risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following items are based on the assumption that each risk variable has changes on a stand-alone basis.

(a) Currency risk

The table below describes the Group's sensibility to 5% rise in the exchange rate of USD and HKD.

		2010		2009	
Currency	**Change in exchange rate**	**Effect on Net profits**	**Effect on Shareholders' equity**	**Effect on Net profits**	**Effect on Shareholders' equity**
USD	Weakens against RMB 5%	11,106,338.91	11,106,338.91	1,307,209.23	1,307,209.23
Euro	Weakens against RMB 5%	-1,612,811.72	-1,612,811.72	-273,594.46	-273,594.46
HKD	Weakens against RMB 5%	55,338.10	55,338.10		
JPY	Weakens against RMB 5%	-580,630.74	-580,630.74		
CHF	Weakens against RMB 5%	-45,747.65	-45,747.65		
GBP	Weakens against RMB 5%	-455.99	-455.99		

(b) Interest rate risk sensitivity analysis

The sensitivity analysis on interest rate risk is based on the following assumptions:

Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments;

Changes in the fair value of financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following effect on the net profit or loss for the period or equity:

		2010		2009	
Item	**Change in exchange rate**	**Effect on Net profits**	**Effect on Shareholders' equity**	**Effect on Net profits**	**Effect on Shareholders' equity**
Floating rate loans	Decrease 1%	9,387,981.61	9,387,981.61	8,111,184.88	8,111,184.88

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XIV. LEASE

1. Situation for lessor minimum lease receipts of finance lease

Surplus the lease	Minimum lease receipts
Less than 1 year	34,248,681.12
1-2 years	34,248,681.12
2-3 years	34,248,681.12
Over 3 years	25,686,510.84
Total	128,432,554.20

2. Situation for lessee minimum lease payment of finance lease

Surplus the lease	Minimum lease payments
Less than 1 year	18,809,646.41
1-2 years	14,978,552.13
2-3 years	8,203,185.59
Over 3 years	2,397,089.25
Total	44,388,473.38

XV. ASSETS AND LIABILITIES IN FAIR VALUE

Item	Opening balance	Gain or loss in fair value this year	The cumulative fair value changes included in equity	Current provision for impairment	Closing balance
Financial assets					
1. Financial assets measured at fair value through profit and loss for the current period (Derivative financial assets not included)	2,170,449.36	27,119,250.36			84,349,920.20
2. Derivative financial assets					
3. Available-for-sale Financial assets			161,156,581.14		954,209,347.83
Sub-total of financial assets	2,170,449.36	27,119,250.36	161,156,581.14		1,038,559,268.03
Investment properties					
Productive biological assets					
Others					
Total	2,170,449.36	27,119,250.36	161,156,581.14		1,038,559,268.03
Financial liabilities					

XVI. FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES

Item	Opening balance	Gain or loss due to change in fair value during the period	Cumulative change in fair value included in equity	Impairment provided during the period	Closing balance
Financial assets					
Loans and receivables	19,169,731.14				53,360,208.45
Sub-total of financial assets	19,169,731.14				53,360,208.45
Financial liabilities					
Other financial liabilities	51,240,571.06				283,754,198.70
Sub-total of financial liabilities	51,240,571.06				283,754,198.70

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XVII. SEGMENT REPORT

List of the 2010 segment report:

Item	Segment: Textile machinery Amount	Segment: Provision of trust and fiduciary services Amount	Segment: Property development Amount	Others Amount	Elimination Amount	Total Amount
1. External sales	5,939,583,186.48	940,652,067.01	242,853,993.00	164,143,322.22		7,287,232,568.71
2. Inter-segment sales	1,878,821.16				1,878,821.16	
3. Associates and joint ventures investment income	3,344,253.91		-725,458.25			2,618,795.66
4. Impairment loss in respect of assets	39,334,725.19			2,000,473.09		41,335,198.28
5. Depreciation and amortisation	124,141,929.00	10,300,558.22	404,374.50	3,372,675.05		138,219,536.77
6. Loss before tax	124,609,866.93	498,576,585.34	48,748,871.73	-3,343,912.67		668,591,411.33
7. Income tax	24,521,333.98	113,835,284.54	19,740,666.75	1,759.17		158,099,044.44
8. Net profit(loss)	100,088,532.95	384,741,300.80	29,008,204.98	-3,345,671.84		510,492,366.89
9. Total assets	8,897,802,359.42	2,043,313,997.82		420,541,203.35	21,198,517.56	11,340,459,043.03
10. Total Liabilities	6,416,141,492.08	504,004,868.34		122,995,947.96	21,198,517.56	7,021,943,790.82
11. Other important non-cash items						
(1) Depreciation and amortisation expenses other than the non-cash						
(2) Associates and joint ventures in the long-term equity investments	92,227,174.58					92,227,174.58
(3) Increase amount of non-current assets other than long-term equity investments	484,134,848.27	9,225,429.21		9,832,088.19		503,192,365.67

For the year of 2009:

Item	Segment: Textile machinery Amount	Segment: Provision of trust and fiduciary services Amount	Segment: Property development Amount	Others Amount	Elimination Amount	Total Amount
1. External sales	3,290,947,103.37		280,525,192.00			3,571,472,295.37
2. Inter-segment sales						
3. Associates and joint ventures investment income	-189,656.79					-189,656.79
4. Impairment loss in respect of assets	-2,703,299.76					-2,703,299.76
5. Depreciation and amortisation	123,952,789.76		162,007.11			124,114,796.87
6. Loss before tax	-122,697,732.45		37,460,812.82			-85,236,919.63
7. Income tax	16,870,879.43		9,554,747.88			26,425,627.31
8. Net profit(loss)	-139,568,611.88		27,906,064.94			-111,662,546.94
9. Total assets	6,422,132,606.47		394,965,549.30			6,817,098,155.77
10. Total Liabilities	3,655,434,876.31		238,771,975.04			3,894,206,851.35
11. Other important non-cash items						
(1) Depreciation and amortisation expenses other than the non-cash						
(2) Associates and joint ventures in the long-term equity investments	107,593,239.38					107,593,239.38
(3) Increase amount of non-current assets other than long-term equity investments	158,769,015.97		785,660.00			159,554,675.97

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XVIII. NOTES TO COMPANY FINANCIAL STATEMENTS

1. Accounts receivable

(1) by categories

	31-DEC-2010				1-JAN-2010			
	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Individually significant and the individual accounts receivable bad debt provision								
Provision for bad debts on a portfolio of accounts receivable								
Portfolio: Aging analysis on a portfolio of accounts receivable	319,370,118.30	98.70%	16,986,236.17	5.32%	278,991,581.53	93.24%	19,642,327.40	7.04%
Portfolio Subtotal	319,370,118.30	98.70%	16,986,236.17	5.32%	278,991,581.53	93.24%	19,642,327.40	7.04%
Individually insignificant but the individual accounts receivable bad debt provision	4,219,448.88	1.30%	2,680,317.89	63.52%	20,213,602.47	6.76%	1,164,145.52	5.76%
Total	323,589,567.18	100.00%	19,666,554.06		299,205,184.00	100.00%	20,806,472.92	

(2) Aging analysis on a portfolio of accounts receivable is as follows

	31-DEC-2010				1-JAN-2010			
Aging	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Less than 1 year	299,219,800.72	93.69%			254,886,986.38	91.36%		
1-2 years	3,768,303.55	1.18%	753,660.71	20.00%	1,600,464.26	0.57%	320,092.85	20.00%
2-3 years	298,877.13	0.09%	149,438.56	50.00%	6,363,792.71	2.28%	3,181,896.37	50.00%
Over 3 years	16,083,136.90	5.04%	16,083,136.90	100.00%	16,140,338.18	5.79%	16,140,338.18	100.00%
Total	319,370,118.30	100.00%	16,986,236.17		278,991,581.53	100.00%	19,642,327.40	

(3) Individually insignificant but individual providing provision for bad debts of accounts receivable at 31 December 2010 as follows

The contents of accounts receivable	Amount	Provision for bad debt	Proportion	Provision grounds
China Texmatech Company Limited	1,746,467.00	1,746,467.00	100.00%	Contractual dispute available, expected unreceivable
Retention money	2,472,981.88	933,850.89	37.76%	Contractual dispute available, providing provisions for bad debts in accordance with amount unreceivable
Total	4,219,448.88	2,680,317.89		

(4) Accounts receivable written off in 2010

Accounts receivable balance written off for the company in 2010 is RMB 3,277,631.26

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XVIII. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (continued)

(5) Top five accounts receivable balance outstanding as at 31 December 2010 as follows

Name	Relationship with the Group	Amount	Period	Proportion
Beida Xianxing Taian Technology Industry Corporation	Third party	78,182,150.00	Within one year, 1-2 years	24.16%
Jingwei Machinery (Group) Company Limited	Associate	48,908,450.99	Within one year, 1-2 years	15.11%
China Texmatech Company Limited	Associate	24,600,000.00	Within one year	7.60%
Shanxi Jingwei Heli Machinery Manufacturing Company Limited	Subsidiary	24,376,549.17	Within one year	7.53%
Huangshi Jingwei Textile Machinery Company Limited	Subsidiary	14,046,828.16	Within one year	4.34%
Total		190,113,978.32		

2. Other receivables

(1) By categories

	31-DEC-2010				1-JAN-2010			
	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Individually significant and the individual other receivable bad debt provision	190,368,561.91	35.63%			131,302,441.76	23.43%		
Provision for bad debts on a portfolio of other receivable								
Portfolio: Aging analysis on a portfolio of other receivable	342,914,806.21	64.17%	50,000.00	0.01%	401,895,018.43	71.73%	93,181.00	0.02%
Portfolio Subtotal	342,914,806.21	64.17%	50,000.00	0.01%	401,895,018.43	71.73%	93,181.00	0.02%
Individually insignificant but the individual other receivable bad debt provision	1,064,083.22	0.20%	15,000.00	1.41%	27,124,815.38	4.84%	24,873.00	0.09%
Total	534,347,451.34	100.00%	65,000.00		560,322,275.57	100.00%	118,054.00	

(2) By Aging

Aging	31-DEC-2010 Amount	Proportion	Provision for bad debt	Proportion	1-JAN-2010 Amount	Proportion	Provision for bad debt	Proportion
Less than 1 year	342,864,806.21	99.99%			401,801,837.43	99.98%		
Over 3 years	50,000.00	0.01%	50,000.00	100.00%	93,181.00	0.02%	93,181.00	100.00%
Total	342,914,806.21	100.00%	50,000.00		401,895,018.43	100.00%	93,181.00	

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XVIII. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(3) Individually insignificant but individual providing provision for bad debts of other receivables at 31 December 2010 as follows

The contents of other receivables	Amount	Provision for bad debt	Proportion	Provision grounds
Retention money	1,064,083.22	15,000.00	1.41%	Identified by receivable amount
Total	1,064,083.22	15,000.00		

(4) Top five other receivables balance outstanding as at 31 December 2010 as follows

Name	Relationship with the Group	Amount	Nature of receivables	Period	Proportion
Anhui Huamao Jingwei New TypeTextile Company Limited	Associate	114,468,561.91	Loan	Over one year	21.42%
Beijing Liangyou Investment Government Company Limited	Third party	75,900,000.00	Inter Company funds	1-2 years	14.20%
Beijing Jingwei Textile Machinery New Technology Company Limited	Subsidiary	75,617,760.85	Inter Company funds	Within one year	14.15%
Wuxi Jingwei Textile Technology Testing Company Limited	Subsidiary	62,195,188.00	Inter Company funds	Within one year, 1-2 years	11.64%
Tianjin Hongda Textile Machinery Company Limited	Subsidiary	55,414,431.41	Loan	Within one year, 1-2 years	10.37%
Total		383,595,942.17			

Notes to the Financial Statements
For the year ended 31 December 2010

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

XVIII. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment

(1) list by details

Name of Investee	Cost	As at 1 January 2010	Increase	Decrease	As at 31 December 2010	Proportion of ownership (%)	Impairment	Cash dividends
1. Equity method								
China Texmatech Company Limited	30,000,000.00	53,981,912.11	7,917,249.08	2,432,070.25	59,467,090.94	25.00		2,432,070.25
Hongda Research Company Limited	20,000,000.00	25,598,483.92		13,731,812.56	11,866,671.36	40.00		
Zhengzhou Hongda Non-woven Fabric Company Limited	17,000,000.00	8,919,484.37		8,919,484.37				
Hengyang Textile Machinery Company Limited	10,264,800.00	9,035,536.96	247,480.74	9,283,017.70				
Jingwei Machinery (Group) Company Limited	8,000,000.00		8,000,000.00		8,000,000.00	20.00		
2. Cost method								
Hongda investment Company Limited	24,866,602.17	24,866,602.17			24,866,602.17	9.38	12,673,871.42	
Beijing Jingpeng Investment Management Company Limited	96,000,000.00	96,000,000.00			96,000,000.00	96.00		
Shenyang Hongda Huaming Textile Machinery Company Limited	69,580,000.00	81,301,993.00			81,301,993.00	98.00		
Beijing Jingwei Textile Machinery New Technology Company Limited	98,400,000.00	98,407,084.00			98,407,084.00	98.40		93,480,000.00
Shanxi Jingwei Heli 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 Machinery Company Limited	15,000,000.00	15,000,000.00			15,000,000.00	75.00		
Tianjin Hongda Textile Machinery Company Limited	26,930,000.00	71,005,633.00			71,005,633.00	98.00		
Tianjin Jingwei New Type 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 Trading Company Limited	1,800,000.00	1,800,000.00			1,800,000.00	90.00		
Shanghai Weixin Electrical and Machinery Company Limited	14,400,000.00	14,400,000.00			14,400,000.00	90.00		
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	42,383,554.97	40,357,554.97			40,357,554.97	78.00		
Wuxi Hongda Textile Machinery and Special Parts Company Limited	2,000,000.00	4,765,534.00			4,765,534.00	10.00		400,000.00
Wuxi Jingwei Textile Technology Testing Company Limited	32,960,000.00	34,152,507.00			34,152,507.00	66.55		
Wuxi Jingwei Textile Technology Sales 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 Textile Machinery Company Limited	23,010,000.00	80,805,191.00			80,805,191.00	98.00		
Jingwei Textile Machinery Yuci Material Company Limited	4,960,000.00	5,000,000.00			5,000,000.00	99.92		
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	35,850,000.00	35,860,000.00			35,860,000.00	89.65		
Taiyuan Jingwei Electrical Company Limited	4,900,000.00	5,212,000.00			5,212,000.00	98.00		
Hongkong Huaming Co. Limited	4,966,416.00	62,559,880.00			62,559,880.00	100.00		
Huangshi Jingwei Textile Machinery Company Limited	17,851,007.41	24,902,014.83	5,400,000.00	12,451,007.42	17,851,007.41	45.00	7,051,007.42	
Jinzhong Jingwei Foundry Company Limited	17,200,000.00		17,200,000.00		17,200,000.00	68.80		
Xianyang Jingwei Textile Machinery Company Limited	48,200,000.00		48,200,000.00		48,200,000.00	96.40		
Hubei Xinchufeng Automobile Company Limited	100,000,000.00		100,000,000.00		100,000,000.00	50.00		
Anshan Jingwei Haihong Agricultural Machinery Limited	38,855,400.00		38,855,400.00		38,855,400.00	51.00		
Zhongrong International Trust Company Limited	1,191,016,921.62		1,191,016,921.62		1,191,016,921.62	36.00		
Total		1,042,772,847.01	1,416,837,051.44	46,817,392.30	2,412,792,506.15		19,724,878.84	96,312,070.25

Notes to the Financial Statements
For the year ended 31 December 2010

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

XVIII. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Operating income and Operating costs

(1) Operating income/costs

Item	2010	2009
Principal operating income	3,334,660,874.92	1,832,104,749.79
Other operating income	1,105,002,939.82	408,467,493.88
Total	4,439,663,814.74	2,240,572,243.67
Principal operating costs	3,180,462,523.04	1,763,895,215.26
Other operating costs	1,044,519,203.14	379,365,122.40
Total	4,224,981,726.18	2,143,260,337.66

(2) Classified by product and industry

	2010		2009	
Industry name	Operating income	Operating costs	Operating income	Operating costs
Textile machinery	4,439,663,814.74	4,224,981,726.18	2,240,572,243.67	2,143,260,337.66
Total	4,439,663,814.74	4,224,981,726.18	2,240,572,243.67	2,143,260,337.66

(3) Classified according to regions

	2010		2009	
Region	Operating income	Operating costs	Operating income	Operating costs
Dominate activities	4,117,726,131.57	3,933,288,598.55	2,129,790,231.62	2,037,289,778.92
Abroad activities	321,937,683.17	291,693,127.63	110,782,012.05	105,970,558.74
Total	4,439,663,814.74	4,224,981,726.18	2,240,572,243.67	2,143,260,337.66

(4) Top five customers:

Customers	Operating Income	Proportion
1. Xinjiang Tiansheng Industrial Company Limited	350,765,230.76	7.90%
2. Qingdao Hongda Textile Machinery Company Limited	334,407,191.24	7.50%
3. China Texmatech Company Limited	203,400,339.48	4.58%
4. Yichang Jingwei Textile Machinery Company Limited	203,352,857.48	4.58%
5. Wuxi Jingwei Textile Technology Sales Company Limited.	173,542,648.74	3.91%
Total	1,265,468,267.70	28.50%

Notes to the Financial Statements
For the year ended 31 December 2010

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

XVIII. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. Investment income

(1) Disclosure of investment income by item is as follows:

Source of investment income	2010	2009
Investment income under cost method	93,880,000.00	67,047,000.00
Investment income under equity method	-6,760,718.37	5,906,973.59
Gain on disposal of long-term equity investment	-12,953,031.96	56,750,834.78
Gain on disposal of held-for-trading financial assets	321,635.05	747,437.08
Others		4,670,533.99
Total	74,487,884.72	135,122,779.44

(2) Investment income under cost method

Name of Investee	2010	2009	Reason of change
Beijing Jingwei Textile Machinery New Technology Co., Ltd	93,480,000.00	49,200,000.00	The Investee gained much profit this year
Langfang Hengsheng Property Development Group Co., Ltd		16,797,000.00	The investment had been disposed in the previous year
Shanxi Jingwei Textile Machinery and Special Parts Co., Ltd		1,050,000.00	Undistributed dividends this year
Wuxi Hongda Textile Machinery and Special Parts Co., Ltd	400,000.00		Undistributed dividends last year
Total	93,880,000.00	67,047,000.00	

(3) Investment income under equity method

Name of Investee	2010	2009	Reason of change
China Texmatech Company Limited	7,715,811.03	8,978,200.28	From normal operation
Hongda Research Company Limited	-13,731,812.56	268,000.00	The investee got losses this year
Zhengzhou Hongda Non-woven Fabric Company Limited	-992,197.58	-2,109,963.65	This company had been liquidated this year
Hengyang Textile Machinery Company Limited	247,480.74	-1,229,263.04	From normal operation
Total	-6,760,718.37	5,906,973.59	

Note: No restriction on receiving investment income

Notes to the Financial Statements
For the year ended 31 December 2010

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

XVIII. NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

6. Supplementary information of the consolidated cash flow statement

Category	2010	2009
Reconciliation of net profit to cash flow from operating activities:		
Net losses/profit	12,381,104.48	63,284,714.04
Add: Provision for impairment	32,816,831.68	-7,246,885.05
Depreciation of non-current assets	33,609,648.71	42,442,500.24
Amortisation of intangible assets	4,647,472.78	4,663,890.20
Amortisation of long-term deferred expenses		
Gains on disposal of non-current assets	11,111,068.96	-11,104,245.72
Financial expenses	63,577,452.41	51,180,551.40
Investment losses	-74,487,884.72	-135,122,779.44
Decrease in deferred tax assets		17,630,074.35
Decrease in inventories	31,831,321.34	85,240,706.42
Increase/Decrease in operating receivables	-1,176,628,812.80	-97,279,238.68
Increase/Decrease in operating payables	1,175,294,511.49	42,051,535.41
Others		
Net cash flow from operating activities	114,152,714.33	55,740,823.17
Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	1,066,843,362.54	1,024,391,879.25
Less: Opening balance of cash and cash equivalents	1,024,391,879.25	510,729,116.30
Net increase in cash and cash equivalents	42,451,483.29	513,662,762.95

XIX. APPROVAL OF THE FINANCIAL STATEMENTS

The separate and consolidated financial statements of the Company were approved by the Board of Directors of the Company on 14 March 2011.

Chapter XII Supplementary Information provided by the Management

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

1. Details of extraordinary items during the reporting period

Detail of extraordinary items	**2010**	**2009**
(1) Gains/losses from disposal of non-current assets	83,109,874.79	76,326,513.98
(2) Tax refund or exemption from unauthorized approval or non-official approved document or contingency		
(3) Government grant which recorded into profit/loss of current year except that relevant to enterprise operation and in compliance with government policies	60,483,494.60	53,690,194.57
(4) Capital occupation income from non-financial enterprise credited to current income statement		1,786,743.26
(5) Gains from the excess of the enterprise share of the net fair value of identifiable net assets over the cost of acquisition of the subsidiary, jointly controlled entity and associate		
(6) Gains/losses from the exchange of non-monetary assets		
(7) Gains/losses from trusted investment or assets of management		
(8) Losses on provision for impairment of assets due to force majeure i.e. natural disaster		
(9) Debt restructuring gains/losses	1,430,885.64	760,246.66
(10) Restructuring expense, i.e. employee placement, integration costs etc		
(11) Gains/losses from the excess over fair value of an unfair transaction		
(12) Current net profit/loss of subsidiary under the common control from the beginning of the year of consolidation to the consolidation date		
(13) Gains/Losses from contingencies irrelevant to the normal operations		
(14) Investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets and gains/losses from variation of fair value of trading financial assets, trading financial liabilities and available-for-sale financial assets except the hedging relevant to the principal business	3,963,877.12	2,568,038.30
(15) Written back of the provision for impairment of accounts receivable under the independent test		
(16) Gains/losses from trusted loan		4,670,533.99
(17) Gains/loss from variation of fair value of investment property		
(18) Effects of one-off adjustment on current profit/loss in accordance with taxation and accounting regulations		
(19) Hosting income from entrusted operations		
(20) Other non-operating income and expense Except above	4,137,428.65	6,527,536.93
(21) Other extraordinary gains/losses		54,230,000.00
Total extraordinary gain or loss	153,125,560.80	200,559,807.69
Less: Effect on taxation	16,637,253.24	1,429,822.61
Effect on minority interest (after tax)	12,537,039.48	8,496,424.27
Total	123,951,268.08	190,633,560.81

2. The differences between financial date prepared by GAS and IFRS

	Net profit		Net Assets	
	2010	2009	Ending balance	Beginning balance
Under PRC CAS	510,492,366.89	-111,662,546.94	4,318,515,252.21	2,922,891,304.42
Under IFRS	510,492,366.89	-111,662,546.94	4,318,515,252.21	2,922,891,304.42

There was no difference in net profit and net assets presented in the financial statements prepared by the Group in accordance with the PRC CAS and IFRS.

3. Rate of return on net assets and earnings per share

This rate of return on net assets table was prepared by Jingwei Textile Machinery Company Limited (hereinafter referred to as "Jingwei Company") in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and disclosures for the rate of return on net assets and earnings per share" (as amended in 2010) issued by the China Securities Regulatory Commission.

2010	Weighted average rate of return on net assets	Earnings/Losses per share Basic EPS	Diluted EPS
Net profit attributable to ordinary shares	8.46%	0.4053	0.4053
Net profit (exclusive of non-operating profit) attribute to ordinary shares	4.18%	0.2000	0.2000

Calculation of basic EPS:

Basic EPS = P÷S = P/(S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk) where: P refers to net profit attributable to ordinary shares and net profit (exclusive of non-operating profit) attributable to ordinary shares; S refers to weighted average amount of ordinary shares issued; S0 refers to the sum of shares at the beginning of the period; S1 refers to the increases of shares due to transferred from capital reserve or share dividend; Si refers to the increases of shares due to right issue or convertible bond; Sj refers to the decreases of shares due to shares repurchase; Sk refers to the decreases of shares due to stock reserve split-up in the reporting period; M0 refers to the amount of months in the reporting period; Mi refers to the amount of months from the next month of that increase of shares to the end of the period; Mj refers to the amount of months from the next month of that decrease of shares to the end of the period;

Diluted EPS = P1÷(S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk+increase of weighted average amount of ordinary shares due to warrant, share option or convertible bond), where: P1 refers to net profit attributable to ordinary shares and net profit (exclusive of non-operation profit) attributable to ordinary shares, consider the effects of the dilution potential ordinary shares and modulate it according to "Enterprise Accounting Principle" and the relevant regulations. When calculating the diluted earnings per share, all effects of diluted potential ordinary shares on P1 and weighted average shares shall be taken into consideration. The dilution potential ordinary shares shall be included in diluted EPS according to the degree of dilution in descending order, until the diluted earnings per share reach the minimum amount.

4. Analysis on Changes of financial statements items

The following analysis on changes of items in the financial statements was prepared by Jingwei Textile Machinery Company Limited (hereinafter referred to as "Jingwei Company") in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 15) – General Requirements for Financial Reports" (as amended in 2007) issued by the China Securities Regulatory Commission.

Item	31-DEC-2010	1-JAN-2010	Variance	Notes
Currency funds	2,415,614,051.14	1,277,692,186.98	89.06%	Note 1
Held-for-trading financial assets	84,349,920.20	2,170,449.36	3786.29%	Note 2
Bills receivable	2,099,738,841.61	1,134,243,957.54	85.12%	Note 3
Advance to suppliers	429,722,491.71	291,486,987.42	47.42%	Note 4
Reverse repurchase agreements	24,000,000.00			Note 5
Non-current assets – due within one year	63,809,963.95	25,293,598.30	152.28%	Note 6
Available-for-sale financial assets	954,209,347.83			Note 5
Long-term receivables	62,039,867.83	32,362,971.62	91.70%	Note 7
Long-term equity investments	304,589,878.71	160,728,002.46	89.51%	Note 8
Construction in progress	225,737,563.46	115,624,744.62	95.23%	Note 9
Intangible assets	472,953,676.03	358,576,612.08	31.90%	Note 10
Goodwill	843,156,675.16	2,258,412.00	37234.05%	Note 11
Deferred tax assets	23,998,702.36	13,502,943.18	77.73%	Note 12
Other non-current assets		69,605,575.93		Note 13
Long-term deferred expenses	9,225,429.21			Note 5
Short-term borrowings	929,296,030.62	572,705,445.03	62.26%	Note 14
Bills payable	225,171,544.61	128,017,549.79	75.89%	Note 15
Accounts payable	2,170,306,895.68	1,172,324,555.10	85.13%	Note 16
Advances from customers	900,026,132.89	640,622,805.42	40.49%	Note 17
Employee benefits payables	358,613,366.48	77,974,570.33	359.91%	Note 18
Taxation payables	243,742,227.00	62,355,085.35	290.89%	Note 19
Dividends payables	2,149,115.58	19,880,370.69	-89.19%	Note 20
Other payables	925,428,565.13	257,404,757.92	259.52%	Note 21
Long-term payables due within one year	553,000,238.23	106,177,044.50	420.83%	Note 22
Long-term borrowings	218,370,000.00	580,444,247.74	-62.38%	Note 23
Bonds payable	60,000,000.00			Note 24
Special payables	129,843,370.10	60,163,884.14	115.82%	Note 25
Total operating revenues	6,346,580,501.70	3,571,472,295.37	77.70%	Note 26
Interest income	19,371,650.39			Note 27
Fee and commission income	921,280,416.62			Note 27
Operating costs	5,502,328,724.76	3,263,823,104.58	68.59%	Note 25
Sales taxes and levies	83,524,130.83	25,061,044.84	233.28%	Note 28
Selling and distribution expenses	166,512,856.78	105,202,194.38	58.28%	Note 29
Administrative expenses	993,848,984.25	378,091,930.89	162.86%	Note 30
Impairment loss in respect of assets	41,335,198.28	-2,703,299.76		Note 31
Non-operating expenses	23,726,719.07	7,755,795.57	205.92%	Note 32
Income tax	158,099,044.44	26,425,627.31	498.28%	Note 33

4. Analysis on Changes of financial statements items (continued)

Note 1: Currency funds increased in the balance at the end of 2010 compared with 2009, because the scope of consolidation added the company of Zhongrong International Trust Company Limited, and the Group had a high sales volume on the market in 2010 to increase sales which contributed to more net operating cash in flow, meanwhile, Short-term borrowings increased which helped currency funds increase.

Note 2: Held-for-trading financial assets increased at the end of 2010 compared with 2009, mainly because the scope of consolidation added Zhongrong International Trust Company Limited.

Note 3: Bills receivable increased at the end of 2010 compared with 2009, mainly because the Group had a high sales volume on the market in 2010 to increase sales and more and more clients increased the frequency of using paper billing what also helped the balance of bills receivable increase.

Note 4: Owing to the better sales situation in the reporting period, the increase of purchase brought about the increase of prepayments.

Note 5: Reverse repurchase agreements, Available-for-sale financial assets and Long-term deferred expenses increased at the end of 2010 compared with 2009, mainly because the scope of consolidation added Zhongrong International Trust Company Limited.

Note 6: The increase of non-current assets due within one year in the balance as at the end of 2010 was mainly due to the increase of long-term receivables due within one year.

Note 7: Long-term receivables increased at the end of 2010 when compared with 2009 mainly due to the increase of installment sale of goods.

Note 8: Long-term equity investments increased at the end of 2010 compared with 2009, mainly due to the increase in equity investment in Hengtian Properties Limited.

Note 9: Construction in progress increased at the end of 2010 compared with 2009, mainly because the scope of consolidation added Hubei Xinchufeng Automobile Co., Ltd and the subsidiaries of the group added the new production park and major production line program in 2010.

Note 10: Intangible assets increased at the end of 2010 when compared with 2009, mainly because the scope of consolidation added Hubei Xinchufeng Automobile Company Limited.

Note 11: Goodwill increased at the end of 2010 when compared with 2009 mainly due to equity premium of acquiring 36% of Zhongrong International Trust Company Limited.

Note 12: Deferred tax assets increased mainly due to the scope of consolidation added Zhongrong International Trust Company Limited.

Note 13: The decrease of other non-current assets in the balance as compared to 2009 was mainly because project funds in advance at the beginning of 2010 carried forward to construction in progress as the progress of works.

Note 14: The increase in Short-term borrowings in balance as compared to 2009 was mainly due to the additional liquidity through short-term borrowings owing to the better sales situation in 2010.

Note 15: The increase in bills payable as compared to 2009 was mainly because sales of the Group were better, thus procurement volume increased resulting in an increase in the issuance of bills payable.

Note 16: The increase in accounts payable as compared to 2009 was mainly due to the increase of purchase accompanied with the increase of suppliers debts.

Note 17: The increase in advances from customers as compared to 2009 was mainly due to the increase of product orders.

Note 18: Employee benefits payables increased at the end of 2010 compared with 2009, mainly because the scope of consolidation added Zhongrong International Trust Company Limited.

Note 19: Taxation payables increased at the end of 2010 compared with 2009, mainly because the scope of consolidation added Zhongrong International Trust Company Limited.

Note 20: Dividend payables decreased at the end of 2010 compared with 2009 mainly because The Group paid dividends to the parent company of CTMC.

4. Analysis on Changes of financial statements items (continued)

Note 21: Other payables increased at the end of 2010 compared with 2009 mainly due to the payment of the acquiring of Zhongrong International Trust Company Limited.

Note 22: The increase in non-current liabilities amount due within one year at the end of 2010 when compared with 2009 was mainly due to the fact there were more long term borrowings due within one year during the period.

Note 23: The decrease in long term borrowings as compared to the end of 2009 was mainly due to the fact that long term borrowings due within one year transferred to the non-current liabilities due within one year.

Note 24: Bonds payable balance increased at the end of 2010 mainly because the group issued two-year collection of small and medium-sized enterprises bill during the period.

Note 25: The increase in special payables as compared to the end of last year was mainly due to the receipt of the Allocation of Significant Technological Innovation and Industrialization Funds under the State-owned Capital Operation Budget during the period.

Note 26: Operating income and operating costs increased for 2010 as compared to 2009 mainly because the group had a high sales volume on the market to increase sales.

Note 27: Interest income and fee and commission income increased mainly due to the scope of consolidation added Zhongrong International Trust Company Limited.

Note 28: Sales taxes and levies increased mainly due to the scope of consolidation added Zhongrong International Trust Company Limited.

Note 29: Selling expenses increased for 2010 as compared to 2009 mainly because the group had a high sales volume on the market to increase sales.

Note 30: Administrative expenses increased for 2010 as compared to 2009, because the scope of consolidation added Zhongrong International Trust Company Limited.

Note 31: Impairment loss in respect of assets increased mainly because the group prepared impairment when there was an indication of impairment in 2010.

Note 32: The increase in non-operating expense as compared to 2009 was mainly due to the disposal of the power plant by the Group during the period.

Note 33: Income tax increased for 2010 as compared to 2009, mainly because the scope of consolidation added Zhongrong International Trust Company Limited.

Chapter XIII Independent Auditor's Report

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司

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TO THE MEMBERS OF JINGWEI TEXTILE MACHINERY COMPANY LIMITED
(Incorporated in People's Republic of China with limited liability)

We have audited the consolidated financial statements of Jingwei Textile Machinery Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 161 to 238, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 14 March 2011

Lo Wing See
Practising certificate number P04607

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Note	2010 *RMB'000*	2009 *RMB'000* (Re-presented)
Continuing operations			
Turnover	5	6,987,647	3,217,494
Cost of sales		(5,376,064)	(3,008,884)
Gross profit		1,611,583	208,610
Other income	7	170,113	192,556
Gain on fair value changes of financial assets at fair value through profit or loss		27,119	426
Distribution and selling expenses		(149,417)	(99,207)
Administrative expenses		(1,052,663)	(364,974)
Finance costs	8	(76,754)	(60,093)
Share of profit/(loss) of associates		3,344	(190)
Profit/(loss) before taxation	9	533,325	(122,872)
Income tax expense	10	(124,192)	(16,871)
Profit/(loss) for the year from continuing operations		409,133	(139,743)
Discontinued operations			
Profit for the year from discontinued operations	11	101,360	28,080
Profit/(loss) for the year		510,493	(111,663)
Other comprehensive income/(loss)	12		
Exchange difference on translation of a foreign operation		(146)	(7)
Acquisition of additional interest in subsidiaries		–	(9,028)
Fair value gain on available-for-sale financial assets		214,874	–
Share of other comprehensive income of associates		203	–
Income tax relating to components of other comprehensive income		(53,719)	–
Other comprehensive income/(loss) for the year, net of income tax		161,212	(9,035)
Total comprehensive income/(loss) for the year		671,705	(120,698)
Profit/(loss) for the year attributable to:			
Owners of the Company		244,717	(78,891)
Non-controlling interests		265,776	(32,772)
		510,493	(111,663)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		302,788	(87,926)
Non-controlling interests		368,917	(32,772)
		671,705	(120,698)
Earnings/(loss) per share	15		
From continuing and discontinued operations			
– Basic and diluted		RMB0.41	(RMB0.13)
From continuing operations			
– Basic and diluted		RMB0.25	(RMB0.16)

Consolidated Statement of Financial Position
At 31 December 2010

	Note	2010 *RMB'000*	2009 *RMB'000*
Non-current assets			
Property, plant and equipment	16	1,679,631	1,396,494
Prepaid lease payments	17	436,147	340,113
Intangible assets	18	26,521	10,114
Goodwill	19	843,157	2,259
Interests in associates	20	92,227	107,593
Available-for-sale financial assets	21	1,166,572	53,135
Deferred tax assets	22	23,999	13,503
Other non-current assets	23	62,040	49,268
		4,330,294	1,972,479
Current assets			
Inventories	24	1,161,956	1,073,306
Properties under development for sale	25	–	176,135
Completed properties for sale	26	–	86,871
Trade and other receivables	27	2,975,709	1,943,709
Prepaid lease payments	17	10,286	8,349
Amount due from a holding company	28	64	64
Amounts due from fellow subsidiaries	28	37,479	104,916
Amounts due from associates	28	305,638	167,257
Current tax assets		–	4,150
Financial assets at fair value through profit or loss	29	103,420	2,170
Pledged bank deposits	30	65,022	70,320
Cash and cash equivalents	30	2,350,592	1,207,372
		7,010,166	4,844,619
Current liabilities			
Trade and other payables	31	4,280,894	2,249,627
Amounts due to holding companies	28	27,532	41,540
Amounts due to fellow subsidiaries	28	327,717	44,275
Amounts due to associates	28	57,942	13,152
Current tax liabilities		134,972	13,114
Borrowings-amount due within one year	32	1,450,133	648,413
Obligations under finance leases	33	28,915	27,342
		6,308,105	3,037,463
Net current assets		702,061	1,807,156
Total assets less current liabilities		5,032,355	3,779,635
Non-current liabilities			
Borrowings-amount due after one year	32	278,370	580,444
Obligations under finance leases	33	87,620	116,658
Other non-current liabilities	34	347,849	159,642
		713,839	856,744
		4,318,516	2,922,891
Capital and reserves			
Share capital	35	603,800	603,800
Reserves	36	2,460,319	2,153,117
Equity attributable to owners of the Company		3,064,119	2,756,917
Non-controlling interests		1,254,397	165,974
		4,318,516	2,922,891

The financial statements on pages 161 to 238 were approved by the Board of Directors on 14 March 2011 and are signed on its behalf by:

Ye Maoxin
Director

Yao Yuming
Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2010

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000* (note 36a)	Discretionary surplus reserve *RMB'000* (note 36b)	Regulatory reserve *RMB'000* (note 36c)	Investment revaluation reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Retained earnings *RMB'000*	Attributable to owners of the Company *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2009	603,800	1,253,404	384,643	177,764	–	–	(2,880)	434,150	2,850,881	221,001	3,071,882
Loss for the year	–	–	–	–	–	–	–	(78,891)	(78,891)	(32,772)	(111,663)
Other comprehensive income for the year	–	(9,028)	–	–	–	–	(7)	–	(9,035)	–	(9,035)
Total comprehensive income for the year	–	(9,028)	–	–	–	–	(7)	(78,891)	(87,926)	(32,772)	(120,698)
Appropriation to reserve	–	–	12,129	–	–	–	–	(12,129)	–	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(20,545)	(20,545)
Capital injection for non-controlling interests	–	–	–	–	–	–	–	–	–	11,940	11,940
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(13,650)	(13,650)
Dividends paid	–	–	–	–	–	–	–	(6,038)	(6,038)	–	(6,038)
At 31 December 2009	603,800	1,244,376	396,772	177,764	–	–	(2,887)	337,092	2,756,917	165,974	2,922,891
At 1 January 2010	603,800	1,244,376	396,772	177,764	–	–	(2,887)	337,092	2,756,917	165,974	2,922,891
Profit for the year	–	–	–	–	–	–	–	244,717	244,717	265,776	510,493
Other comprehensive income for the year	–	–	–	–	–	58,217	(146)	–	58,071	103,141	161,212
Total comprehensive income for the year	–	–	–	–	–	58,217	(146)	244,717	302,788	368,917	671,705
Appropriation to reserve	–	–	28,072	–	7,715	–	–	(35,787)	–	–	–
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	760,902	760,902
Capital injection for non-controlling interests	–	–	–	–	–	–	–	–	–	66,720	66,720
Disposal of a subsidiary (note 40)	–	–	–	–	–	–	–	–	–	(106,452)	(106,452)
Changes in ownership interest in a subsidiary that do not result in a loss of control (note 39(b))	–	4,414	–	–	–	–	–	–	4,414	936	5,350
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,600)	(2,600)
At 31 December 2010	603,800	1,248,790	424,844	177,764	7,715	58,217	(3,033)	546,022	3,064,119	1,254,397	4,318,516

Consolidated Statement of Cash Flows
For the year ended 31 December 2010

	Note	2010 *RMB'000*	2009 *RMB'000*
Operating activities			
Profit/(loss) before taxation including discontinued operations		671,012	(82,439)
Adjustments for:			
Depreciation of property, plant and equipment		124,722	113,599
Net loss/(gain) on disposal of property, plant and equipment		12,193	(13,060)
Amortisation of intangible assets		5,461	3,347
Amortisation of prepaid lease payments		9,718	6,839
Interest income		(32,967)	(12,220)
Interest expenses		77,667	60,093
Fair value changes of contingent consideration liability for business combination		2,167	–
Gain on disposal of a subsidiary		(86,517)	(4,528)
Impairment loss recognised/(reversed) in respect of trade and other receivables		2,841	(19,577)
Net loss on disposal of associates		5,585	–
Share of results of associates		(2,619)	190
Dividend income from available-for-sale financial assets		(2,232)	(17,719)
Allowance for obsolete inventories		19,210	6,641
Impairment loss recognised in respect of property, plant and equipment		7,034	9
Gain on disposal of available-for-sale financial assets		(1,297)	(52,800)
Gain on disposal of financial assets at fair value through profit or loss		(24,776)	–
Net (gain)/loss on disposal of prepaid lease payments		(12,877)	197
Waiver of trade and other payables		(1,431)	(7,769)
Unrealised exchange (gain)/loss		(5,291)	904
Operating cash flows before movements in working capital		767,603	(18,293)
Decrease/(increase) in properties under development for sale		116,258	(3,685)
(Increase)/decrease in completed properties for sale		(62,425)	194,883
(Increase)/decrease in inventories		(85,298)	275,762
Increase in trade and other receivables		(1,157,150)	(515,261)
Decrease in amounts due from fellow subsidiaries		50,437	60,230
(Increase)/decrease in amounts due from associates		(138,381)	48,016
Decrease/(increase) in financial assets at fair value through profit or loss		87,461	(2,170)
Increase in trade and other payables		1,554,789	466,469
Increase/(decrease) in amounts due to holding companies		3,600	(1,363)
Increase/(decrease) in amounts due to fellow subsidiaries		283,605	(70,994)
Increase in amounts due to associates		44,790	7,409
Decrease in retirement benefit obligations		(2,098)	(55,851)
(Decrease)/increase in deferred revenue and others		(1,882)	35,085
Cash generated from operations		1,461,309	420,237
PRC Enterprise Income Tax paid		(58,759)	(10,997)
Net cash generated by operating activities		1,402,550	409,240

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2010

	Note	2010 *RMB'000*	2009 *RMB'000*
Investing activities			
Purchase of property, plant and equipment		(433,359)	(89,059)
Purchase of available-for-sale financial assets		(523,802)	(187,567)
Decrease in advance to an investee		–	50,000
Increase in pledged bank deposits		5,298	(20,044)
(Increase)/decrease in other receivables		(12,772)	9,004
Additions of prepaid lease payments		(17,157)	(18,534)
Acquisition of associates		(12,400)	(12,897)
Purchase of intangible assets		(9,193)	(2,728)
Acquisition of additional interest in subsidiaries		–	(39,800)
Proceeds from disposal of property, plant and equipment		84,580	9,765
Proceeds from disposal of available-for-sale financial assets		2,468	182,854
Proceeds from disposal of prepaid lease payment		16,674	751
Interest received		32,967	11,789
Dividend received from an associate		2,432	561
Dividend received from available-for-sale financial assets		2,232	17,719
Proceeds from disposal of a subsidiary	40	(98,287)	5,954
Proceeds from acquisitions of subsidiaries	39	4,793	(13,171)
Proceeds from disposal of associates		17,619	–
Net cash used in investing activities		(937,907)	(95,403)
Financing activities			
New borrowings raised		1,204,070	1,250,514
Increase/(decrease) in borrowings related to discounted bills		109,035	(5,980)
Repayments of bank loans		(650,941)	(970,847)
Grant and allowance received from government		69,009	–
Interest paid		(76,738)	(42,669)
Capital injection from non-controlling interests		66,720	11,940
Dividends paid to non-controlling interests		(1,999)	(13,650)
Dividends paid		(17,608)	(4,091)
Deposit paid for finance lease		–	(7,500)
Proceeds from changes in ownership interests in a subsidiary that do not result in a loss of control		5,350	–
Capital element of finance lease rental paid		(20,681)	(6,619)
Interest element of finance lease rental paid		(6,784)	(1,944)
Net cash generated by financing activities		679,433	209,154
Net increase in cash and cash equivalents		1,144,076	522,991
Cash and cash equivalents at beginning of the reporting period		1,207,372	684,433
Effect of foreign exchange rate changes		(856)	(52)
Cash and cash equivalents at end of the reporting period		2,350,592	1,207,372
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents		2,350,592	1,207,372

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

1 GENERAL INFORMATION

The Company is a public limited company incorporated in the People's Republic of China (the "PRC") with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Shenzhen Stock Exchange. Its immediate substantial shareholder is China Textile Machinery (Group) Company Limited ("CTMC"), a company established in the PRC which holds 33.83% of the equity interest in the Company with controlling interest. The remaining 66.17% of the Company's shares are widely held. The directors regard the Company's parent company is CTMC and the Company's ultimate holding company is China Hengtian Group Company ("China Hengtian"). China Hengtian is a state-owned enterprise established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

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

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

The Group disposed of its major business line of property development during the year and such business is classified as discontinued operations for the year.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HK-Int 4 (Amendments)	Determination of the Length of Lease Term in respect of Hong Kong Land Lease
HK-Int 5	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3(as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

– HKFRS 3(as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of subsidiaries as disclosed in note 39, the Group has elected to measure the non-controlling interests at the non-controlling interests' share of recognised identifiable net assets of the acquiree. Accordingly, no additional goodwill has been recognised and no effect on profit or loss has been resulted as a result of the application of HKFRS 3 (as revised in 2008).

– HKFRS 3(as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. In the current year, in accounting for the acquisition of Anshan Jingwei Haihong Agricultural Machinery Limited and Zhongrong International Trust Co., Ltd. ("Zhongrong Trust"), as disclosed in note 39, the total undiscounted amount of contingent consideration of RMB1,210,000,000 is measured at fair value at the acquisition date as RMB1,201,017,000. The subsequent adjustment to contingent consideration of RMB2,167,000 is recognised in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in amount of goodwill of RMB8,983,000 being recognised and a decrease in profit for the year of RMB2,167,000 being included in finance cost.

– HKFRS 3(as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. In the current year, in accounting for the acquisition of subsidiaries as disclosed in note 39, total acquisition-related costs of RMB9,225,000 are recognised as an expense in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in profit for the year of RMB9,225,000 being included in administrative expenses.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27(as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27(as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's disposal of part of its interest in a subsidiary, Huangshi Jingwei Textile Machinery Company Limited ("Huangshi Jingwei"), that do not result in a loss of control in the current year. The change in policy has resulted in the difference of RMB4,414,000 between the consideration received of RMB5,350,000 and the non-controlling interests recognised of RMB936,000 being recognised directly in equity, instead of in profit or loss. Therefore, the change in accounting policy has resulted in a decrease in the profit for the year of RMB4,414,000. In addition, the cash consideration received in the current year of RMB5,350,000 has been included in cash flows from financing activities.

In addition, under HKAS 27(as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 (except for the amendments to HKFRS 3(as revised in 2008))[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 disclosures for First-Time Adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

The amendments to HKFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that the application of these amendments to HKFRS 7 will have a significant effect on the Group's disclosures.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and it is impracticable to estimate the impact of the application of the new Standard may have on amounts reported in respect of the Groups' financial assets and financial inabilities.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors do not anticipate that the application of the amendments to HKAS 12 will have any impact on deferred tax recognised as the Group does not own any investment property.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) provide relief from disclosure of information by the Group in report of transactions with the government to which the Group is related, or transactions with other entities related to the same government. Disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because the Group and its parent need to disclose any transactions between its subsidiaries and its associates.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK (IFRIC) – Int 14 (Amendments) clarifies the accounting treatment for prepayments under a minimum funding requirement. Such a prepayment would be recognised as an asset, on the basis that the entity has a future economic benefit from the prepayment in the form of reduced future minimum funding requirement contributions relating to future service.

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the significant accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Other comprehensive income and loss of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Fiduciary activities

The Group's fiduciary business refers to the management of trusted assets for customers in accordance with custody agreements signed by the Group and securities investment funds and other institutions. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as items out of the consolidated statement of financial position.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, returns and sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and cots, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Revenue from the sales of properties in ordinary course of business is recognised when the significant risks and rewards of ownership of the properties are transferred to buyers. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Subcontracting service income is recognised when such services are rendered.

Trust fee and performance fee income is recognised in profit or loss when the corresponding trust and fiduciary service is provided. Trust fee income represents amounts receivable for services in relation to the management of trusted assets, net of sales related taxes. Performance fee income arising from the management of trusted assets, which is recognised when the amount can be measured reliably and it is probable that future economic benefit will flow to the Group, taking into consideration the performance of trusted assets and the relevant basis of calculation.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

Leasehold land held for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency, i.e. the currency of the primary economic environment in which the entity operates, at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Retirement benefit costs

Companies within the Group, which were established in the PRC, contribute to defined contribution retirement schemes established by the relevant local municipal government who undertakes the retirement benefit obligations of all existing and future retired employees employed by the Group. Contributions to these schemes are charged to the consolidated statement of comprehensive income as incurred.

A subsidiary of the Group, which was incorporated in Hong Kong, operates a defined contribution scheme for certain employees in Hong Kong. Contributions to this scheme are calculated based on certain percentage of the employee's monthly salary. The assets of this scheme are held separately from the subsidiary in an independently administered fund. Contributions to this scheme are charged to the consolidated statement of comprehensive income as incurred.

Payments to defined contribution retirement benefit are recognised as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets as at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items that are charged or credited to other comprehensive income or directly to equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified in the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives, including patents and licenses and software are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Research and development expenditure

Research expenditure is recognised as an expense when incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Whether or not there is indication of impairment, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties under development for sale

The carrying value of properties under development for sale comprises the interest in leasehold land together with development expenditure, which includes construction costs, capitalised interest and borrowing costs directly attributable to the development, if any, less foreseeable losses. The properties under development for sale are stated at the lower of cost and net realisable value.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the specified categories, including financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, and available-for-sale (“AFS”) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in other income.

Financial assets at FVTPL

Financial assets at FVTPL of the Group represents financial assets held for trading which has been acquired principally for the purpose of selling in the near future. Derivatives are also categorised as held for trading unless they are designed as hedges.

At each end of the reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in consolidated statement of comprehensive income excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivable, amounts due from holding companies, fellow subsidiaries and associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

AFS financial assets

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For AFS equity and trust investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity and trust investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it is probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables from third parties and related parties, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity and trust investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to holding companies, fellow subsidiaries and associates, borrowings and obligation under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collaterised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separated major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of property, plant and equipment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the property, plant and equipment. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of goodwill is RMB843,157,000 (2009: RMB2,259,000. Details of the recoverable amount calculation are disclosed in note 19.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated net realisable value of inventories, properties under development for sale and completed properties for sale

The determination of net realisable value of inventories, properties under development for sale and completed properties for sale requires significant judgment. In making this judgment, the Group estimates the selling prices in the ordinary course of business, the costs of completion and the costs necessary to make the sale.

Notes to the Consolidated Financial Statements
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4 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Provision for employee retirement benefits

The Group is obligated to pay employee retirement benefits for the qualifying retired employees and certain early retired employees (i.e. retired before their statutory retirement dates) for their life time or up to their statutory retirement dates, respectively. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees and post-retirement supplemental benefits to its qualifying retired employees in accordance with various employee benefits schemes. The estimation of the provision requires subjective assumptions; any change to the assumptions can materially affect the fair value of the provision for employee retirement benefits. As at 31 December 2010, total provision for the employee retirement benefits is RMB40,329,000 (2009: RMB42,393,000).

Deferred tax assets

As at 31 December 2010, a deferred tax asset of RMB23,999,000 (2009: RMB13,503,000) in relation to temporary timing differences and unused tax losses have been recognised in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of comprehensive income in the period such a reversal takes place.

Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 21, 34 and 38 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5 TURNOVER

Turnover from continuing operations represents the amount received and receivable for goods sold and provision of trust and fiduciary activities by the Group to outsiders for the year and is analysed as follows:

	2010 *RMB'000*	**2009** *RMB'000*
Manufacture and sales of textile machinery and related material, parts and component	5,886,382	3,217,494
Provision of trust and fiduciary services	940,652	–
Manufacture and sales of non-textile products	160,613	–
	6,987,647	3,217,494

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

6 BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For management reporting purposes, the Group is currently organised into three divisions-(a) manufacture and sale of textile machinery and related material, parts and component; (b) provision of trust and fiduciary services and (c) manufacture and sales of other non-textile products. Provision of trust and fiduciary services operation was new to the Group during the year due to the acquisition of Zhongrong Trust which principally carries out these activities. Property development operation was discontinued in the current year. The segment information reported afterwards does not include any amounts for the discontinued operation, which is described in more detail in note 11.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of other income/(expenses), finance costs, gain on fair value changes of financial assets at fair value through profit or loss and share of profits/(loss) of associates. This is the measure reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates and available-for-sale financial assets and unallocated corporate assets (if any). Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and

– all liabilities are allocated to reportable segments other than unallocated corporate liabilities (if any).

Segment information about these businesses is presented below:

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2010					
TURNOVER					
External sales	5,886,382	940,652	160,613	–	6,987,647
Inter-segment sales	1,879	–	–	(1,879)	–
Total from continuing operations	5,888,261	940,652	160,613	(1,879)	6,987,647

Inter-segment sales are charged at prevailing market rates.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
RESULT					
Segment result (continuing operations)	84,409	471,031	(4,046)	–	551,394
Unallocated income					28,222
Finance costs					(76,754)
Gain on fair value changes of financial assets at fair value through profit or loss					27,119
Share of profits of associates					3,344
Profit before taxation (continuing operations)					533,325
Income tax expense					(124,192)
Profit for the year (continuing operations)					409,133

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities as at 31 December 2010					
ASSETS					
Segment assets	8,805,575	876,742	420,542	(21,198)	10,081,661
Interests in associates					92,227
Available-for-sale financial assets					1,166,572
Consolidated total assets					11,340,460
LIABILITIES					
Segment liabilities	6,416,141	504,005	122,996	(21,198)	7,021,944
Consolidated total liabilities					7,021,944
Other information as at 31 December 2010					
Additions to non-current assets	409,122	13,155	34,990	–	457,267
Depreciation and impairment loss recognised in respect of property, plant and equipment	120,394	9,689	1,269	–	131,352
Amortisation of intangible assets	3,931	612	918	–	5,461
Amortisation of prepaid lease payments	8,533	–	1,185	–	9,718

Notes to the Consolidated Financial Statements
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6 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2009					
TURNOVER					
External sales	3,217,494	–	–	–	3,217,494
Total from continuing operations	3,217,494	–	–	–	3,217,494

Inter-segment sales are charged at prevailing market rates.

RESULT					
Segment result (continuing operations)	(233,111)	–	–	–	(233,111)
Unallocated income					180,248
Unallocated expenses					(10,152)
Finance costs					(60,093)
Gain on fair value changes of financial assets of fair value through profit or loss					426
Share of losses of associates					(190)
Loss before taxation (continuing operations)					(122,872)
Income tax expense					(16,871)
Loss for the year (continuing operations)					(139,743)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Property development (now discontinued) *RMB'000*	Total *RMB'000*
Assets and liabilities as at 31 December 2009					
ASSETS					
Segment assets	6,198,633	–	–	394,966	6,593,599
Interests in associates					107,593
Available-for-sale financial assets					53,135
Unallocated corporate assets					62,771
Consolidated total assets					6,817,098
LIABILITIES					
Segment liabilities	2,122,936	–	–	238,772	2,361,708
Unallocated corporate liabilities					1,532,499
Consolidated total liabilities					3,894,207
Other information as at 31 December 2009					
Additions to non-current assets	387,118	–	–	786	387,904
Depreciation and impairment loss recognised in respect of property, plant and equipment	113,446	–	–	162	113,608
Amortisation of intangible assets	3,347	–	–	–	3,347
Amortisation of prepaid lease payments	6,839	–	–	–	6,839

(b) The Group's operations and assets are principally carried out and located in the PRC, including Hong Kong and Mainland China, no geographical segment analysis is presented.

(c) No single customer accounted for 10% or more of the total revenue for the year ended 31 December 2010 and 2009.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

7 OTHER INCOME

Continuing operations

	2010 *RMB'000*	**2009** *RMB'000*
Interest income from banks	13,934	11,675
Interest income from other receivables and related parties	14,288	4,671
Government subsidies (Note)	56,598	52,494
Gain on disposal of a subsidiary	–	4,528
Gain on disposal of available-for-sale financial assets	1,297	52,800
Gain on disposal of held for trading investment	25,202	2,142
Gain on disposal of prepaid lease payments	12,877	–
Gain on disposal of property, plant and equipment	–	13,060
Net foreign exchange gains	5,145	–
Rental income	4,523	5,578
Dividend income from available-for-sale financial assets	2,232	17,719
Written back of allowance for bad debts	1,912	–
Waiver of urban land use tax	4,999	–
Others	27,106	27,889
	170,113	192,556

Note: Government subsidies mainly represent subsidies received from local authorities to support the project constructions, repayment of interests from bank loans, research and development activities carried out by the Group in relation to textile industry.

8 FINANCE COSTS

Continuing operations

	2010 *RMB'000*	**2009** *RMB'000*
Interest expenses on borrowings wholly repayable within five years	74,587	60,093
Fair value changes of contingent consideration liability for business combinations	2,167	–
	76,754	60,093

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

9 PROFIT/(LOSS) BEFORE TAXATION

Continuing operations

	2010 *RMB'000*	**2009** *RMB'000*
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Salaries, wages and other benefits	882,937	391,367
Retirement benefits costs	104,592	61,946
Provision/(reversal of provision) for retirement and supplemental benefit obligations (included in administrative expenses)	1,420	(53,620)
Total staff costs (including directors' remuneration)	988,949	399,693
Less: Staff costs included in research and development cost	(45,161)	(24,415)
	943,788	375,278
Auditor's remuneration	3,011	3,000
Amortisation:		
– intangible assets (included in administrative expenses)	5,461	3,347
– prepaid lease payments	9,718	6,839
Cost of inventories recognised as an expense	5,294,959	3,002,780
Depreciation of property, plant and equipment	124,318	113,437
Impairment loss recognised		
– plant and machinery	7,034	9
– trade and other receivables	4,753	3,088
Impairment loss reversed		
– trade and other receivables	(1,912)	(22,858)
Loss on disposal of associates	5,585	–
Gain on disposal of available-for-sale financial assets (included in other income)	(1,297)	(52,800)
(Gain)/loss on disposal of prepaid lease payments (included in other income/administrative expenses)	(12,877)	197
Loss/(gain) on disposal of plant and equipment (included in administrative expenses/other income)	12,185	(13,060)
Minimum lease payments paid under operating lease in respect of land and buildings	29,320	16,647
Net foreign exchange (gains)/losses (included in other income/administrative expenses)	(5,145)	904
Research and development costs (included staff costs)	135,350	60,686
Waiver of trade and other payables (included in administrative expenses)	(1,431)	(7,769)
Write-down of inventories	19,210	6,641

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10 INCOME TAX EXPENSE

Continuing operations

Income tax recognised in profit or loss

	2010	**2009**
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	154,886	385
Overprovision in prior years	(255)	(56)
	154,631	329
Deferred tax (credit)/charge for the year (note 22)	(30,439)	16,542
	124,192	16,871

Provision for Hong Kong Profits Tax has not been made as the Group had no taxable profits in Hong Kong for the year (2009: RMBNil). The Company and its subsidiaries incorporated in the PRC are subject to PRC Enterprise Income Tax which has been calculated based on their taxable profits in accordance with the relevant tax laws applicable in the PRC.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the existing tax rates for group entities from 15% and 18% in 2007 to 25% progressively over 5 years for certain subsidiaries from 1 January 2008 and from 33% in 2007 to 25% from 1 January 2008. For the subsidiaries enjoying preferential tax rate at 15%, they will continue to enjoy the preferential rate. For the subsidiaries under Tax Exemption, such exemption is still applicable under transitional arrangement of the New Law. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets is realised or the liability is settled.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("Tax Exemptions").

In 2010, the Company's PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2009: 25%), except for certain subsidiaries which are regarded as high and new technology enterprises and thus enjoy a preferential tax rate of 15% (2009: 15%).

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10 INCOME TAX EXPENSE (CONTINUED)

The charge for the year can be reconciled to the profit/(loss) before taxation per consolidated statement of comprehensive income as follows:

	2010 *RMB'000*	**2009** *RMB'000*
Profit/(loss) before taxation (from continuing operations)	533,325	(122,872)
Tax at the PRC Enterprise Income Tax rate of 15% (2009: 15%) (note a)	79,999	(18,431)
Tax effect of share of results of associates	(502)	28
Tax effect of other temporary differences not recognised	8,311	21,784
Tax effect of non-taxable income	(13,213)	(2,658)
Effect of Tax Exemptions granted to PRC subsidiaries	–	(293)
Tax effect of tax losses not recognised	16,439	17,104
Tax effect on non-deductible expenses	5,783	4,338
Tax effect on utilisation of tax losses not previously recognised	(7,627)	(168)
Effect of different tax rates of subsidiaries operating in other jurisdictions	45,895	945
Reduction of tax in respect of tax benefits (note b)	(10,638)	(5,722)
Overprovision in prior years	(255)	(56)
Income tax expense (relating to continuing operations)	124,192	16,871

Notes:

(a) The tax rate of 15% represented the tax rate applicable to majority of the group companies.

(b) Certain of the Company's PRC subsidiaries are entitled to tax benefits on purchase of PRC produced plant and equipment for production use and on certain qualifying research and development expenses charged to profit or loss for the year.

Income tax recognised in other comprehensive income

	2010 *RMB'000*	**2009** *RMB'000*
Deferred tax		
Arising from income and expense recognised in other comprehensive income:		
Revaluations of available-for-sale financial assets	53,719	–
	53,719	–

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11 DISCONTINUED OPERATIONS

The combined results of the gain on disposal of a subsidiary as in note 40 and the property development operation discontinued for the year have been included in the consolidated statement of comprehensive income as follows:

	2010 *RMB'000*	2009 *RMB'000*
Turnover	242,839	280,525
Cost of sales	(173,133)	(228,525)
Gross profit	69,706	52,000
Other income	11,281	2,658
Distribution and selling expenses	(17,097)	(5,995)
Administrative expenses	(8,915)	(8,230)
Finance costs	(3,080)	–
Share of losses of associates	(725)	–
Profit before taxation	51,170	40,433
Income tax expense	(22,161)	(12,353)
	29,009	28,080
Gain on disposal of a subsidiary (note 40)	86,517	–
Income tax expenses	(14,166)	–
	72,351	–
Profit for the year from discontinued operations	101,360	28,080
Attributable to:		
Owners of the Company	91,207	18,252
Non-controlling interests	10,153	9,828
	101,360	28,080
Net cash flows from discontinued operations		
Net cash flow generated by operating activities	92,824	298,949
Net cash flow used in investing activities	(6,382)	(655)
Net cash flow generated by/(used in) financing activities	7,263	(273,636)
	93,705	24,658

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12 OTHER COMPREHENSIVE INCOME/(LOSS)

Tax effects relating to each component of other comprehensive income:

	2010			2009		
	Before-tax amount *RMB'000*	Income tax expense *RMB'000*	Net-of-tax amount *RMB'000*	Before-tax amount *RMB'000*	Income tax expense *RMB'000*	Net-of-tax amount *RMB'000*
Exchange difference on translation of a foreign operation	(146)	–	(146)	(7)	–	(7)
Acquisition of additional interest in subsidiaries	–	–	–	(9,028)	–	(9,028)
Fair value gain on available-for-sale financial assets	214,874	(53,719)	161,155	–	–	–
Share of other comprehensive income of associates	203	–	203	–	–	–
	214,931	(53,719)	161,212	(9,035)	–	(9,035)

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments paid or payable to each of the 16 (2009: 12) directors during the year were as follows:

2010

	Liu Haitao *RMB'000* (Note 1)	Ye Maoxin *RMB'000* (Note 2)	Fan Xinmin *RMB'000* (Note 1)	Yan Fuquan *RMB'000* (Note 2)	Liu Hong *RMB'000* (Note 1)	Li Xiaohong *RMB'000* (Note 5)	Shi Tinghong *RMB'000* (Note 2)	Yao Yuming *RMB'000* (Note 2)	Zhang Jianguo *RMB'000* (Note 1)	Zhao Xizi *RMB'000* (Note 1)	Gao Yong *RMB'000* (Note 1)	Chen Zhong *RMB'000* (Note 4)	Liu Huangsong *RMB'000* (Note 3)	Xu Wenying *RMB'000* (Note 5)	Au Guozun *RMB'000* (Note 5)	Yu Shiquan *RMB'000* (Note 1)	Total 2010 *RMB'000*
Fees	–	–	–	–	–	–	–	–	–	31	31	21	29	19	19	31	181
Other emoluments																	
Salaries and other benefits	–	–	–	–	–	–	–	149	–	–	–	–	–	–	–	–	149
Discretionary bonus	–	–	–	–	–	–	–	334	–	–	–	–	–	–	–	–	334
Retirement benefit costs	–	–	–	–	–	–	–	10	–	–	–	–	–	–	–	–	10
Total emoluments	–	–	–	–	–	–	–	493	–	31	31	21	29	19	19	31	674

2009

	Liu Haitao *RMB'000* (Note 1)	Ye Maoxin *RMB'000* (Note 2)	Fan Xinmin *RMB'000* (Note 1)	Yan Fuquan *RMB'000* (Note 2)	Liu Hong *RMB'000* (Note 1)	Li Xiaohong *RMB'000* (Note 5)	Shi Tinghong *RMB'000* (Note 2)	Yao Yuming *RMB'000* (Note 2)	Zhang Jianguo *RMB'000* (Note 1)	Zhao Xizi *RMB'000* (Note 1)	Gao Yong *RMB'000* (Note 1)	Chen Zhong *RMB'000* (Note 4)	Liu Huangsong *RMB'000* (Note 3)	Xu Wenying *RMB'000* (Note 5)	Au Guozun *RMB'000* (Note 5)	Yu Shiquan *RMB'000* (Note 1)	Total 2009 *RMB'000*
Fees	–	–	–	–	–	–	–	–	–	50	50	50	–	–	–	50	200
Other emoluments																	
Salaries and other benefits	–	–	–	–	–	–	–	129	84	–	–	–	–	–	–	–	213
Discretionary bonus	–	–	–	–	–	–	–	200	180	–	–	–	–	–	–	–	380
Retirement benefit costs	–	–	–	–	–	–	–	10	7	–	–	–	–	–	–	–	17
Total emoluments	–	–	–	–	–	–	–	339	271	50	50	50	–	–	–	50	810

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13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

Note 1: Retired on 15 August 2010.

Note 2: Retired and reappointed on 15 August 2010.

Note 3: Appointed on 3 June 2010, retired and reappointed on 15 August 2010.

Note 4: Resigned on 3 June 2010.

Note 5: Appointed on 15 August 2010.

The emoluments paid or payable to the supervisors are as follows:

	2010 *RMB'000*	**2009** *RMB'000*
Salaries and other benefits	318	311
Discretionary bonus	622	624
Retirement benefits costs	22	27
	962	962

None of the directors and supervisors has waived or agreed to waive any emoluments in both years.

During the year, no emoluments were paid by the Group to the directors or the supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Highest paid individuals

Of the five individuals with highest emoluments in the Group, no individual was either director (2009: none) or supervisor (2009: one) of the Company. The emoluments of the remaining five (2009: four) individuals are as follows:

	2010 *RMB'000*	**2009** *RMB'000*
Salaries and other benefits	2,330	522
Discretionary bonus	15,502	1,050
Retirement benefit costs	114	33
	17,946	1,605

The emoluments of the remaining five (2009: four) individuals with the highest emoluments are within the following bands:

In Hong Kong dollars ("HKD")	**2010** *Number of Individuals*	**2009** *Number of Individuals*
Less than HKD1,000,000 (Equivalent to RMB822,700)	–	4
HKD4,000,000 to HKD4,500,000 (Equivalent to the range of RMB3,290,800 to RMB3,702,150)	5	–

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14 DIVIDENDS

Dividend recognised as distributions during the year:

	2010 *RMB'000*	2009 *RMB'000*
Final dividend for 2009, none (2009: RMB0.01 paid for 2008) per share:		
A shares		
– Restricted	–	1,957
– Others	–	2,273
H shares	–	1,808
	–	6,038

Subsequent to the end of the reporting period, final dividend of RMB7 cents per share in respect of the year ended 31 December 2010 (2009: RMBNil) has been proposed by the Board of Directors of the Company.

15 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of RMB244,717,000 (2009: loss of RMB78,891,000) and the number of shares of 603,800,000 (2009: 603,800,000) in issue during the year.

From continuing operations

The calculation of basic earnings/(loss) per share from continuing operations attributable to owners of the Company is based on the following data:

	2010 *RMB'000*	2009 *RMB'000*
Profit/(loss) for the year attributable to the owners of the Company for the purpose of basic earnings/(loss) per share	244,717	(78,891)
Less: Profit for the year attributable to the owners of the Company from discontinued operations (note 11)	(91,207)	(18,252)
Profit/(loss) for the year attributable to the owners of the Company for the purpose of basic earnings/(loss) per share from continuing operations	153,510	(97,143)

The calculation of basic earnings/(loss) per share from continuing operations is based on the profit attributable to owners of the Company of RMB153,510,000 (2009: loss of RMB97,143,000) and the number of shares of 603,800,000 (2009: 603,800,000) in issue during the year.

From discontinued operations

Basic earnings per share from the discontinued operations is RMB0.16 (2009: RMB0.03). The calculation of basic earnings/(loss) per share from discontinued operations is based on the profit attributable to owners of the Company of RMB91,207,000 (2009: RMB18,252,000) and the number of shares of 603,800,000 (2009: 603,800,000) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Group does not have any potential dilutive shares for both years.

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16 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST					
At 1 January 2009	859,886	1,517,837	123,887	74,105	2,575,715
Additions	2,195	41,863	9,325	105,771	159,154
Acquired on acquisition of subsidiaries (note 39(a))	87,983	56,262	1,215	–	145,460
Disposals and other reductions	(12,706)	(138,125)	(20,516)	(24,118)	(195,465)
Derecognised on disposal of a subsidiary (note 40)	(2,473)	(123)	–	–	(2,596)
Assigned assets after construction	10,235	29,457	–	(39,692)	–
At 31 December 2009 and 1 January 2010	945,120	1,507,171	113,911	116,066	2,682,268
Additions	28,108	45,187	18,272	341,792	433,359
Acquired on acquisition of subsidiaries (note 39(a))	25,298	26,085	8,693	39,416	99,492
Disposals and other reductions	(46,931)	(99,431)	(17,713)	(45,202)	(209,277)
Derecognised on disposal of a subsidiary (note 40)	–	(440)	(3,439)	–	(3,879)
Assigned assets after construction	174,139	44,946	6,045	(225,130)	–
At 31 December 2010	1,125,734	1,523,518	125,769	226,942	3,001,963
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2009	235,309	928,013	52,492	–	1,215,814
Charge for the year	23,076	63,957	26,566	–	113,599
Acquired on acquisition of subsidiaries (note 39(a))	47,030	41,558	670	–	89,258
Impairment loss recognised	–	–	9	–	9
Eliminated on disposals	(1,375)	(116,889)	(12,771)	–	(131,035)
Eliminated on disposal of a subsidiary (note 40)	(1,762)	(109)	–	–	(1,871)
At 31 December 2009 and 1 January 2010	302,278	916,530	66,966	–	1,285,774
Charge for the year	28,956	83,894	11,872	–	124,722
Acquired on acquisition of subsidiaries (note 39(a))	9,121	7,072	1,977	–	18,170
Impairment loss recognised	–	7,034	–	–	7,034
Eliminated on disposals	(27,493)	(72,002)	(13,009)	–	(112,504)
Eliminated on disposal of a subsidiary (note 40)	–	(342)	(522)	–	(864)
At 31 December 2010	312,862	942,186	67,284	–	1,322,332
CARRYING VALUE					
At 31 December 2010	812,872	581,332	58,485	226,942	1,679,631
At 31 December 2009	642,842	590,641	46,945	116,066	1,396,494

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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings	9 to 50 years
Machinery and equipment	5 to 22 years
Motor vehicles	5 to 14 years

At 31 December 2010, the certificates of ownership of certain buildings of the Group at carrying value of RMB314,620,000 (2009: RMB115,608,000) situated in the PRC, have not been passed to the Group.

During the year, the directors conducted a review of the Group's property, plant and equipment and determined that a number of machinery and equipment were impaired, due to physical damage and technical obsolescence. Accordingly, impairment losses of RMB7,034,000 have been recognised in respect of machinery and equipment, which are used in the Group's manufacture and sales of textile machinery segment.

There was impairment loss of RMB9,000 recognised on certain motor vehicles in 2009.

During the year, the Group has entered into a sales and leaseback transaction with a financial institute in the PRC in return for a loan under non-cancellable finance lease agreement. The lease term is 5 years and the ownership of the assets remains within the Group. Please refer to note 33 for obligations under finance leases.

The related assets held under finance leases are machinery and equipment as follows:

	2010 *RMB'000*	**2009** *RMB'000*
Cost-capitalised finance leases	378,772	378,772
Accumulated depreciation	(242,955)	(233,840)
Carrying value	135,817	144,932

17 PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent medium-term land use rights situated in the PRC.

	2010 *RMB'000*	**2009** *RMB'000*
Analysed for reporting purposes as:		
Current asset	10,286	8,349
Non-current asset	436,147	340,113
	446,433	348,462

At 31 December 2010, the certificates of ownership of certain land use right of the Group, at carrying value of RMBNil (2009: RMB20,292,000), situated in the PRC have not been passed to the Group.

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18 INTANGIBLE ASSETS

	Patents and licences *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2009	21,454	13,330	34,784
Additions	–	2,728	2,728
Write off	(11,964)	(2,099)	(14,063)
At 31 December 2009 and 1 January 2010	9,490	13,959	23,449
Additions	–	9,193	9,193
Acquired on acquisition of subsidiaries (note 39)	13,300	5,273	18,573
At 31 December 2010	22,790	28,425	51,215
Amortisation			
At 1 January 2009	17,170	6,881	24,051
Charge for the year	382	2,965	3,347
Write off	(11,964)	(2,099)	(14,063)
At 31 December 2009 and 1 January 2010	5,588	7,747	13,335
Charge for the year	1,634	3,827	5,461
Acquired on acquisition of subsidiaries (note 39)	3,144	2,754	5,898
At 31 December 2010	10,366	14,328	24,694
Carrying value			
At 31 December 2010	12,424	14,097	26,521
At 31 December 2009	3,902	6,212	10,114

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

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

Patents and licenses	10 years
Software	5 years

No impairment loss was recognised in both years.

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income.

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19 GOODWILL

	2010 *RMB'000*	2009 *RMB'000*
Cost and carrying value		
At 1 January	2,259	2,259
Arising from acquisition of subsidiaries (note 39)	840,898	–
At 31 December	843,157	2,259

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill have been allocated to the Group's cash generating units (CGUs), according to business segment as below:

	2010 *RMB'000*	2009 *RMB'000*
Multiple units without significant goodwill	9,768	2,259
Provision of trust and fiduciary services	833,389	–
	843,157	2,259

During the year ended 31 December 2010, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amount of the CGU for provision of trust and fiduciary services and its major underlying assumptions is summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 17%. This unit's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the unit to exceed the aggregate recoverable amount of the unit.

20 INTEREST IN ASSOCIATES

	2010 *RMB'000*	2009 *RMB'000*
Cost of investment, unlisted	70,500	93,337
Share of post-acquisition profits and other comprehensive income, net of dividends dividends received	21,727	14,256
	92,227	107,593

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20 INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates as at 31 December 2010 and 2009 are as follows:

Name of associate	Place of establishment and operation	Registered capital	Proportion of registered capital attributable to the Group 2010 %	Proportion of registered capital attributable to the Group 2009 %	Proportion of voting power held 2010 %	Proportion of voting power held 2009 %	Principal activities
Hongda Research Company Limited	PRC	RMB50,000,000	40	40	40	40	Sale and development of textile machinery
Shenyang Jingxing Textile Machinery Company Limited	PRC	RMB3,200,000	–	31.25	–	31.25	Manufacture and sales of textile machinery, spare parts and related components
Zhengzhou Hongda Non-woven Fabric Company Limited	PRC	RMB40,000,000	–	23.74	–	23.74	Manufacture and sales of various non-woven fabrics; consultation and training services of relevant techniques. Research and development of new products, techniques, equipment and materials
China Textile Machinery and Technology Import and Export Corporation	PRC	RMB120,000,000	25	25	25	25	Import and export of textile machinery
Hengyang Textile Machinery Company Limited	PRC	RMB26,320,000	–	49	–	49	Manufacture and sales of textile machinery
Anhui Huamao Jingwei New Type Textile Company Limited ("Anhui Huamao")	PRC	RMB50,000,000	25	25	25	25	Production, processing and sales of various kinds of yarn and textile products
Jingwei Machinery (Group) Company Limited (Note)	PRC	RMB40,000,000	20	–	40	–	Manufacture and sales of textile machinery

The summarised financial information in respect of the Group's associates is set out below:

	2010 *RMB'000*	2009 *RMB'000*
Total assets	2,312,037	1,374,566
Total liabilities	(2,086,569)	(990,046)
Net assets	225,468	384,520
Group's share of net assets of associates	92,227	107,593
Revenue	2,220,014	1,480,376
Profit/(loss) for the year	29,112	(598)
Other comprehensive income	805	–
Group's share of profit/(loss) and other comprehensive income of associates for the year (from continuing operation)	3,547	(190)

Note: The Group is able to exercise significant influence over Jingwei Machinery (Group) Company Limited because it has the power to appoint two out of five directors of that company under the provisions stated in the Articles of Association of that company.

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21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 *RMB'000*	2009 *RMB'000*
Listed securities		
– Equity securities – PRC	665,040	–
Unlisted securities		
– Equity securities (note a)		
Cost	234,784	59,492
Accumulated impairment losses	(22,422)	(6,357)
	212,362	53,135
– Trust investments (note b)	289,170	–
	501,532	53,135
Included in non-current assets	1,166,572	53,135

Notes:

(a) Unlisted investments in equity securities issued by private entities incorporated in the PRC are measured at cost less impairment at each end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted equity securities with carrying amount of RMB1,311,000 (2009: RMB249,899,000), which had been carried at cost less impairment before the disposal. A gain on disposal of RMB1,297,000 (2009: RMB52,800,000) had been recognised in profit or loss for the current year.

(b) Unlisted securities in trust investments are stated at fair value.

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22 DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Allowance for receivables, inventories and impairment of assets *RMB'000*	Revaluation of available-for-sale financial assets *RMB'000*	Tax losses *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2009	24,830	–	–	5,215	30,045
Credit/(charge) to consolidated statement of comprehensive income for the year (note 10)	(22,390)	–	8,624	(2,776)	(16,542)
At 31 December 2009 and 1 January 2010	2,440	–	8,624	2,439	13,503
Acquired on acquisition of subsidiaries (note 39)	1,175	2,597	–	30,004	33,776
Credit/(charge) to consolidated statement of comprehensive income for the year (note 10)	(309)	–	(2,719)	33,467	30,439
Charge to investment revaluation reserve	–	(53,719)	–	–	(53,719)
At 31 December 2010	3,306	(51,122)	5,905	65,910	23,999

Note: Others mainly represent deferred tax assets arising from unrealised profit on intra-group sales, accrued bonus and expenses and other temporary differences.

The deductible temporary differences not recognised in the financial statements as follows:

	2010 *RMB'000*	2009 *RMB'000*
Tax losses	284,865	175,275
Other temporary differences	253,668	256,480
	538,533	431,755

At 31 December 2010, the Group has unused tax losses of approximately RMB324,235,000 (2009: RMB232,768,000) available for offset against future profits. A deferred tax assets has been recognised in respect of approximately RMB39,370,000 (2009: RMB57,493,000) of such losses. No deferred tax asset has been recognised for the remaining balance of approximately RMB284,865,000 (2009: RMB175,275,000) due to unpredictability of future profit streams.

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23 OTHER NON-CURRENT ASSETS

	2010 *RMB'000*	2009 *RMB'000*
Trade receivables in respect of sales of textile products from independent third parties with factoring (note a)	4,892	14,257
Trade receivables in respect of sales of textile and medical products from independent third parties (note b)	114,196	43,400
Rental receivable from the independent third parties (note c)	6,762	16,905
	125,850	74,562
Less: Amount due for settlement within one year and shown under current assets (note 27)	(63,810)	(25,294)
	62,040	49,268

Notes:

(a) It represents the trade receivables from an independent third party in relation to the sales of textile products, which are interest-free, unsecured, due in 2011. In 2008, the Group entered into an interest free and unsecured factoring agreement with a bank under which the Group obtained bank borrowings by factoring its non-current trade receivables of RMB30,000,000 to the bank. At 31 December 2010, RMB25,000,000 (2009: RMB15,000,000) has been settled by the customer with the remaining RMB5,000,000 to be repayable in 2011. Accordingly, the unsettled receivables and the related borrowings are shown under current and non-current asset as well as current and non-current borrowings respectively.

(b) The amount represents trade receivables from certain customers relating to a number of sales totalling amounting to RMB179,985,000 (2009: RMB61,206,000) during the current and prior years, which are agreed to be settled by instalments. At 31 December 2010, RMB59,415,000 (2009: RMB15,126,000) has been settled by the customers and the remaining balance of RMB120,570,000 (2009: RMB46,080,000) repayable in 2016. The Company has pledged one of these receivables to a bank to obtain a long-term bank borrowing of RMB48,870,000 during 2009, which is to be settled by instalments. At 31 December 2010, the outstanding balance related bank borrowing is RMB24,315,000 (2009: RMB41,895,000) to be repayable in 2012. Accordingly, the unsettled receivables and the related borrowings are shown under current and non-current asset as well as current and non-current borrowings respectively.

(c) The amount represents an unsecured receivable relating to a financing arrangement between a subsidiary of the Company and a third party (the "Landlord") in June 2008. The key terms are: (i) the Group made an advance to the Landlord which is the lessor of certain property interest under two rental agreements (the "Rental Agreements"); (ii) the Group is entitled to receive rentals from two tenants (the "Tenants") for a period of 44 to 48 months according to the terms set out in the original Rental Agreements. This has been amended to a period of 36 months from the commencement date in the original agreement, according to the supplementary agreement with the Landlord dated 25 December 2009; and (iii) the rentals to be paid by the Tenants are jointly and severally guaranteed by the Landlord. In addition, the Landlord has the right to early terminate the arrangement voluntarily by repurchasing the entitlement to receive the rentals, subject to certain conditions, on 30 June 2009. The Landlord did not execute this right to terminate the agreement voluntarily as at the due date. The Landlord and Tenants are third parties to the Group.

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24 INVENTORIES

	2010 *RMB'000*	2009 *RMB'000*
Raw materials	337,512	289,385
Work in progress	322,032	302,301
Finished goods	502,412	481,620
	1,161,956	1,073,306

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2010 *RMB'000*	2009 *RMB'000*
Carrying amount of inventories sold	5,294,959	3,002,780
Write down of inventories	19,210	6,641
	5,314,169	3,009,421

25 PROPERTIES UNDER DEVELOPMENT FOR SALE

	RMB'000
At 1 January 2009	172,450
Additions	3,685
At 31 December 2009 and 1 January 2010	176,135
Transferred to completed properties for sale	(116,258)
Derecognised on disposal of a subsidiary	(59,877)
At 31 December 2010	–

At 31 December 2010, total borrowing costs capitalised in the Group's properties under development for sale and completed properties for sale (note 26) were RMBNil (2009: RMB10,259,000).

Properties under development for sale derecognised as the property development operation was discontinued in the current year (note 11 and 40).

26 COMPLETED PROPERTIES FOR SALE

The Group's completed properties for sale are situated in the PRC. Completed properties for sale derecognised as the property development operation was discontinued in the current year (note 11 and 40).

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27 TRADE AND OTHER RECEIVABLES

	2010 *RMB'000*	2009 *RMB'000*
Trade receivables	372,431	409,042
Less: Allowance for doubtful debts	(83,455)	(97,435)
	288,976	311,607
Bills receivable (note a)	2,027,891	1,116,376
Deposits and other receivables	167,786	165,669
Prepayments	403,246	312,411
Securities purchased under sales agreement (note b)	24,000	–
Non-current assets (due within one year) (note 23)	63,810	25,294
Prepaid tax	–	12,352
	2,975,709	1,943,709

Notes:

(a) At the end of the reporting period, bills receivable outstanding amounting to RMB1,108,866,000 (2009: RMB458,728,000) has been endorsed to certain creditors and RMB109,035,000 (2009: RMB130,466,000) has been discounted to the banks. The Group continues to present the endorsed bills and discounted bills as bills receivable until maturity.

The Group has pledged bills receivable with a carrying amount of RMB64,033,000 (2009: RMB26,025,000) to secure credit facilities granted to the Group.

(b) In 2010, the Group entered into purchase and sale agreement in which the Group was required to sell back the related assets in future at 9.25% premium. The agreement was denominated in RMB and with a maturity date of less than one year from the date of entering into the agreement. In 2011, the Group sold the assets based on terms set out in the agreement.

Receipts of customers payments in advance are recognised as the Group's deposits. The remaining settlement is made in accordance with the terms specified in the contracts of governing the relevant transactions. A credit period ranging from 30 to 360 days may be granted to large or long established customers with good payment history. The following is an aged analysis of the trade and bills receivables net of allowance for doubtful debts, including receivables of holding companies, fellow subsidiaries and associates (note 28):

	2010 *RMB'000*	2009 *RMB'000*
Less than 1 year	2,476,461	1,496,539
1-2 years	40,709	24,303
2-3 years	3,633	12,079
Over 3 years	–	1,052
	2,520,803	1,533,973

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB44,342,000 (2009: RMB37,434,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements
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27 TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an aged analysis of trade receivables, including receivables from related parties, which are past due but not impaired:

	2010 *RMB'000*	2009 *RMB'000*
1-2 years	40,709	24,303
2-3 years	3,633	12,079
Over 3 years	–	1,052
	44,342	37,434

The Group has not provided for certain of trade receivables aged over one year because historical experience indicated that those trade debtors have good credit history and the balance of these receivables are eventually recoverable.

Movement in the allowance for doubtful debts of trade receivables

	2010 *RMB'000*	2009 *RMB'000*
1 January	97,435	129,680
Impairment losses recognised	3,340	2,528
Acquired on acquisition of subsidiaries	–	9,107
Impairment losses reversed	(1,955)	(22,105)
Amounts written off as uncollectible	(15,365)	(21,775)
31 December	83,455	97,435

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB83,455,000 (2009: RMB97,435,000). The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

At 31 December 2010, the trade and other receivables included an aggregate amount of RMB60,122,000 (2009: RMB39,594,000), representing certain trade balances between the Group and companies in which certain key management personnel of the Group have influence in. The amounts are unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements
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28 AMOUNTS DUE FROM/TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/ASSOCIATES

Amount due from a holding company

The amount is unsecured, trade nature, non-interest bearing and repayable on demand.

Amounts due from fellow subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature with carrying amount of approximately RMB19,026,000 (2009: RMB76,419,000).

Amounts due from associates

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature with carrying amount of approximately RMB184,846,000 (2009: RMB29,507,000).

Amounts due to holding companies/fellow subsidiaries/associates

The amounts are unsecured, non-interest bearing and repayable on demand.

Included in the balances are trade nature with carrying amount of approximately RMB296,946,000 (2009: RMB19,676,000).

At 31 December 2010, balance with a holding company is dividend payable with carrying amount of RMBNil (2009: RMB17,607,000).

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 *RMB'000*	**2009** *RMB'000*
Listed securities – held for trading:		
– Debentures – PRC (note)	31,228	–
– Equity securities – PRC	72,192	2,170
Market value of listed securities	103,420	2,170

Note: The debentures are listed in the PRC with fixed interest rate of 6.10% per annum and maturity date on 30 December 2019.

30 PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Pledged bank deposits represent deposits pledged to banks to secure bills payable and letter of credit granted to the Group. The average effective interest rate on pledged bank deposits is 1.88% (2009: 1.50%).

At the end of the reporting period, cash and cash equivalents comprised mainly short-term deposits which carry interests at prevailing market rates.

The cash and cash equivalents that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2010 *RMB'000*	**2009** *RMB'000*
United States dollars ("USD")	17,488	3,038
Euro	3,185	2,037
Hong Kong dollars ("HKD")	4,412	6,284
Others	1,093	3,654

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31 TRADE AND OTHER PAYABLES

	2010 *RMB'000*	2009 *RMB'000*
Trade payables	1,900,158	1,153,448
Bills payable	198,374	126,918
Contingent consideration in relation to the acquisition of Zhongrong Trust	500,000	–
Other payables and accrued charges	1,682,362	969,261
	4,280,894	2,249,627

At 31 December 2010, the Group has endorsed bank acceptance bills to certain creditors amounting to RMB1,108,866,000 (2009: RMB458,728,000). The settlement of trade payables by such bills will only be derecognised when the relevant bills mature.

At 31 December 2010, trade and other payables included an aggregate carrying amount of RMB199,041,000 (2009: RMB21,331,000), representing certain balances with companies in which certain key management personnel of the Group have influence in. The amounts are unsecured, non-interest bearing and repayable on demand.

The following is an aged analysis of trade and bills payable, including payables to holding companies, fellow subsidiaries and associates:

	2010 *RMB'000*	2009 *RMB'000*
Less than 1 year	2,350,923	1,250,812
1-2 years	29,305	27,284
2-3 years	9,016	6,912
Over 3 years	6,234	15,334
	2,395,478	1,300,342

32 BORROWINGS

	2010 *RMB'000*	2009 *RMB'000*
Debentures	60,000	–
Discounted bills	109,035	130,466
Variable-rate bank loans	1,104,468	954,257
Fixed-rate bank loans	455,000	144,134
	1,728,503	1,228,857
Secured	198,241	186,618
Unsecured	1,530,262	1,042,239
	1,728,503	1,228,857

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32 BORROWINGS (CONTINUED)

	2010 *RMB'000*	2009 *RMB'000*
The borrowings are repayable as follows:		
On demand or within one year	1,450,133	648,413
More than one year, but not exceeding two years	218,370	522,074
More than two years, but not exceeding three years	60,000	58,370
	1,728,503	1,228,857
Less: Amount due within one year and shown under current liabilities	(1,450,133)	(648,413)
	278,370	580,444

Debentures bear interest at 4.90% per annum, are repayable in 2012, and are secured by corporate guarantee given from a third party.

Discounted bills carry interests at market rates ranging from 3.30% to 7.60% (2009: 1.80% to 4.50%) per annum.

Variable-rate bank loans that are denominated in USD of RMB282,262,000 (2009: RMBNil) bear interests from 3.50% to 4.61% (2009: Nil) per annum. Variable-rate bank loans of RMB200,000,000 (2009: RMB200,000,000) bear interests at the prime rate offered by the People's Bank of China (the "PBOC") and the variable interest rates are repriced every twelve months. The remaining variable-rate bank loans of RMB622,206,000 (2009: RMB754,257,000) bear interests from 90% to 95% of the rate offered by the PBOC (2009: 90% to 95% of the rate offered by the PBOC). All these variable interest rates are repriced from every three months to every twelve months (2009: from every three months to every twelve months).

Fixed-rate bank loans that are denominated in USD of RMBNil (2009: RMB51,240,000) bear no interests (2009: 1.91% to 3.66%) per annum. The remaining fixed-rate bank loans of RMB455,000,000 (2009: RMB92,894,000) bear interests from 4.78% to 5.56% (2009: 4.86% to 5.31%) per annum.

The ranges of effective interest rates of the borrowings are also equal to contracted interest rates.

At 31 December 2010, the Group has undrawn borrowing facilities amounting to approximately RMB2,141,643,000 (2009: RMB1,674,670,000).

At the end of the reporting period, the borrowings are secured by:

	2010 *RMB'000*	2009 *RMB'000*
Trade receivables (note 23)	29,207	56,152
Bill receivables for discounted bills (note 27)	109,035	130,466
Corporate guarantee of third party	60,000	–

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33 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases				
Within one year	34,249	34,249	28,915	27,342
In more than one year and not more than five years	94,184	128,433	87,620	116,658
	128,433	162,682	116,535	144,000
Less: future finance charges	(11,898)	(18,682)	–	–
Present value of lease obligations	116,535	144,000	116,535	144,000
Less: Amount due for settlement within 12 months (shown under current liabilities)			(28,915)	(27,342)
Amount due for settlement after 12 months			87,620	116,658

34 OTHER NON-CURRENT LIABILITIES

	2010	**2009**
	RMB'000	*RMB'000*
Deferred income (note a)	58,330	60,213
Retirement benefit obligations (note b)	40,329	42,393
Contingent consideration in relation to acquisition of Zhongrong Trust (note 39(a))	593,184	–
Grant received from government (note c)	60,000	–
Refund in respect of custom duty from the government (note d)	69,173	60,164
Others	29,994	–
	851,010	162,770
Less: Current portion included in trade and other payables	(503,161)	(3,128)
	347,849	159,642

Notes:

(a) The amount comprises government subsidies received in relation to lease payment of land of RMB9,830,000 (2009: RMB10,036,000) and qualifying assets of RMB47,388,000 (2009: RMB48,496,000) which are recognised in the consolidated statement of comprehensive income over the expected useful life of the relevant assets, and government subsidies for research development on technological development in textile industry and repayment of bank loan interest of RMB1,112,000 (2009: RMB1,681,000) which will be recognised in the same period as those expenses are charged in the consolidated statement of comprehensive income and are reported separately as other income.

(b) Included in the balance is an amount of RMB38,150,000 (2009: RMB38,740,000) representing the Group's obligations on retirement and supplementary benefits to the qualifying retired employees which was determined based on actuarial valuations performed by an independent firm of valuers (see note 44).

(c) The amount represents the government grant to the Group in respect of technology innovation and development as well as productivity improvement. According to the approval document issued by the PRC government, the amount would be available for capitalisation as share capital of the Company.

(d) The amount represents refund of custom duty of imported raw materials received from the PRC government. According to No.1 [2007] of the Ministry of Finance, the amount shall be capitalised as share capital of the Company in the next issuance of new shares.

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35 SHARE CAPITAL

2010

	1 January 2010	Increase/(decrease) (Note)	31 December 2010
Number of shares			
Registered, issued and fully paid			
– restricted	195,661,404	(5,351)	195,656,053
– others	227,338,596	5,351	227,343,947
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000	–	603,800,000
RMB'000			
Registered, issued and fully paid			
– restricted	195,661	(5)	195,656
– others	227,339	5	227,344
H shares, RMB1.00 each	180,800	–	180,800
	603,800	–	603,800

2009

	1 January 2009	Increase/(decrease) (Note)	31 December 2009
Number of shares			
Registered, issued and fully paid			
– restricted	195,661,404	(5,351)	195,656,053
– others	227,338,596	5,351	227,343,947
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000	–	603,800,000
RMB'000			
Registered, issued and fully paid			
– restricted	195,661	(5)	195,656
– others	227,339	5	227,344
H shares, RMB1.00 each	180,800	–	180,800
	603,800	–	603,800

Note: According to register of shareholders provided by China Securities Regulatory Commission (The Shares and Their Changes Management Rules of Listed Companies' Directors, Supervisors and Senior Management Personnels) and China Securities Depository and Clearing Company Limited, the restrictions of sale of 5,351 shares held by the 3 senior management personnels were unlocked during the reporting period and changed to unlimited trading A shares.

The A shares and H shares have a par value of RMB1.00 each and rank pari passu in all respects, except for certain conditions on restricted A shares as stated above, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

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36 RESERVES

(a) Statutory surplus reserve

According to the relevant laws and regulations and the Articles of Association of respective companies comprising the Group, 10% of profit after taxation ("PAT") reported under PRC GAAP is required to be transferred to statutory surplus reserve until the statutory surplus reserve reaches 50% of the registered capital of the respective companies. Upon approval from the authorities, the statutory surplus reserve can be used to offset accumulated losses or to increase share capital. When it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25% of the share capital.

(b) Discretionary surplus reserve

According to the Company's and the subsidiaries' Articles of Association, the Board of Directors, after obtaining approval from the shareholders, has the discretion to provide for discretionary surplus reserve. Upon approval from the authorities, the discretionary surplus reserve can be used to make up any losses incurred or to increase share capital.

(c) Regulatory reserve

According to relevant regulatory requirement in the PRC, a subsidiary of the Group, Zhongrong International Trust Co., Ltd, is required to appropriate 5% of its PAT reported and the appropriation of the regulatory reserve may cease to apply if the balance of the regulatory reserve has reached 20% of the subsidiary's registered capital.

In addition, pursuant to notices, the "Measures for Administering the Withdrawal of Reserves for Non-performing Debts by Financial Enterprises" (Cai Jin [2005] No. 49) issued by the Ministry of Finance of the PRC on 17 May 2005, banks and certain non-bank financial institutions in the PRC are required to set aside a general reserve to cover potential losses against their assets. The provision ratio for the general reserve is determined by financial institutions, with reference to the confronted risk factors. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The general reserve forms part of the equity of the financial institution, and transfers to it are made through appropriations of PAT.

37 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 32, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts. The Group's overall strategy remains unchanged from prior year.

Gearing ratio

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is defined as total debts (which include borrowings, trade and other payables, obligations under finance leases, amounts due to holding companies, amounts due to fellow subsidiaries and amounts due to associates and contingent consideration for business combinations disclosed in note 34) as shown in the consolidated statement of financial position less cash and cash equivalents. Total equity is defined as all components of equity attributable to owners of the Company in the consolidated statement of financial position.

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37 CAPITAL RISK MANAGEMENT (CONTINUED)

The gearing ratio at the end of the reporting period was as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Total debts	6,662,301	3,721,451
Cash and cash equivalents	(2,350,592)	(1,207,372)
Net debt	4,311,709	2,514,079
Equity	3,064,119	2,756,917
Net debt to equity ratio	141%	91%

38 FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010	**2009**
	RMB'000	*RMB'000*
Financial assets		
Financial assets at fair value through profit or loss	103,420	2,170
Loans and receivables (including cash and cash equivalents)	5,393,298	3,218,143
Available-for-sale financial assets	1,166,572	53,135
Financial liabilities		
Other financial liabilities	5,734,633	3,020,021

Financial risk management objectives and policies

The Group's major financial assets and liabilities include available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables, amounts due from a holding company/fellow subsidiaries/associates, cash and cash equivalents, pledged bank deposits, trade and other payables, amounts due to holding companies/fellow subsidiaries/associates, obligations under finance leases and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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38 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Currency risk

The functional currency of the group entities is mainly RMB in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the group entities at the end of the reporting period are as follows:

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

	Currency	2010	2009
		RMB'000	*RMB'000*
Cash and cash equivalents	USD	17,488	3,038
	Euro	3,185	2,037
	HKD	4,412	6,284
	Others	1,093	3,654
Trade and other receivables	USD	4,941	17,444
	Euro	34,763	1,572
	HKD	89	153
	Others	13,656	–
Trade and other payables	USD	(1,493)	–
	HKD	(5,803)	–
Borrowings	USD	(282,262)	(51,241)

	2010	2009
	RMB'000	*RMB'000*
Net balance in USD	(261,326)	(30,759)
Net balance in HKD	(1,302)	6,437
Net balance in Euro	37,948	3,609
Net balance in others	14,749	3,654

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of group entities against the relevant foreign currencies, mainly USD, Euro and HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicated an increase in profit where the functional currency of group entities strengthens 5% against the relevant foreign currencies. For a 5% weakening of the functional currency of group entities against the relevant foreign currencies, these would be an equal and opposite impact on the profit.

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38 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Currency risk (continued)

If RMB strengthens against foreign currencies by 5%:

	USD impact		Euro impact		HKD impact	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit after taxation	11,106	1,307	(1,612)	(153)	55	(274)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable rate bank borrowings which mainly float at rate offered by the PBOC and bank balances carry interests at prevailing market rates. The fair value interest rate risk relates primarily to fixed-rate short-term bank time deposits, debenture, fixed-rate bank loans and finance leases. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable rate bank borrowings, the analysis is prepared assuming amount outstanding at the end of the reporting period was outstanding for the whole year and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. The Group's sensitivity to interest rate risk in relation to variable rate bank borrowings at each end of the reporting period while all other variables were held constant is as follows:

	Year ended 31 December	
	2010	**2009**
Reasonably possible change in interest rate	100 basis points	100 basis points

	Year ended 31 December	
	2010	**2009**
	RMB'000	*RMB'000*
Increase/(decrease) in profit after taxation		
– as a result of increase in interest rate	(9,388)	(8,111)
– as a result of decrease in interest rate	9,388	8,111

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38 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in note 42. In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable regularly at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are mainly banks in the PRC with good reputation.

The Group has concentration of credit risk, with aggregate amounts of RMB252,787,000 (2009: RMB174,153,000) due from top five customers, including related parties within the manufacture and sales of textile machinery and related materials, parts and component segment, as well as amounts of RMB114,469,000 (2009: RMB139,696,000) due from an associate. However, the management of the Group has closely monitored and reviewed the recoverability of these amounts and the directors consider such risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of loan facilities and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised borrowing facilities of approximately RMB2,141,643,000 (2009: RMB1,674,670,000). Details of which are set out in note 32.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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For the year ended 31 December 2010

38 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
2010							
Non-derivative financial liabilities							
Trade and other payables		2,883,220	–	–	–	2,883,220	2,883,220
Amounts due to holding companies							
Non-interest bearing		27,532	–	–	–	27,532	27,532
Amounts due to fellow subsidiaries		327,717	–	–	–	327,717	327,717
Amounts due to associates		57,942	–	–	–	57,942	57,942
Obligations under finance leases	5.18%	34,249	34,249	34,249	25,686	128,433	116,535
Borrowings							
Fixed rate	4.95%	455,000	60,000	–	–	515,000	515,000
Variable rate *	4.88%	886,206	158,370	60,000	–	1,104,576	1,104,468
Discounted bills		109,035	–	–	–	109,035	109,035
Contingent consideration liabilities for business combination (including other non-current liabilities)		500,000	100,000	–	–	600,000	593,184
		5,280,901	352,619	94,249	25,686	5,753,455	5,734,633

	Weighted average interest rate %	Less than 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
2009							
Non-derivative financial liabilities							
Trade and other payables		1,548,197	–	–	–	1,548,197	1,548,197
Amounts due to holding companies							
Non-interest bearing		41,540	–	–	–	41,540	41,540
Amounts due to fellow subsidiaries		44,275	–	–	–	44,275	44,275
Amounts due to associates		13,152	–	–	–	13,152	13,152
Obligations under finance leases	5.18%	34,249	34,249	34,249	59,935	162,682	144,000
Borrowings							
Fixed rate	4.36%	118,304	17,460	8,370	–	144,134	144,134
Variable rate *	4.94%	400,000	505,000	50,000	–	955,000	954,257
Discounted bills		130,466	–	–	–	130,466	130,466
		2,330,183	556,709	92,619	59,935	3,039,446	3,020,021

* The interest rates applied to project undiscounted cash flows of variable rate bank loans are the interest rates at the end of the reporting period.

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38 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Equity price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in textile, metals and electronics industry sectors quoted in Shanghai Stock Exchange and Shenzhen Stock Exchange and debentures issued by financial institutions. Other than unquoted securities held for strategic purposes, all of these investments are listed.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is 15% in the current year to reflect the volatile financial market.

If equity prices had been 15% higher/lower (2009: 15% higher/lower), profit after taxation for the year ended 31 December 2010 would increase/decrease by RMB11,652,000 (2009: increase/decrease by RMB277,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

	2010	**2009**
Reasonable possible change in equity price	15%	15%

	2010	**2009**
	RMB'000	*RMB'000*
Increase/(decrease) in profit after taxation		
– as a result of increase in equity price	11,652	277
– as a result of decrease in equity price	(11,652)	(277)

Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2010 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

The levels are defined as follows:-

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

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For the year ended 31 December 2010

38 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Fair values (continued)

(a) Financial instruments carried at fair value (continued)

	Level 1 *RMB'000*	Level 2 *RMB'000*	Total *RMB'000*
2010			
Financial assets at fair value through profit or loss			
– listed securities	103,420	–	103,420
Available-for-sale financial assets			
– listed securities	665,040	–	665,040
– unlisted securities – trust investments	–	289,170	289,170
	768,460	289,170	1,057,630
Financial liabilities			
– contingent consideration for a business Combination	–	593,184	593,184

	Level 1 *RMB'000*	Level 2 *RMB'000*	Total *RMB'000*
2009			
Financial assets at fair value through profit or loss	2,170	–	2,170

During the year ended 31 December 2010 and 2009, there were no significant transfers between financial instruments in Level 1 and Level 2.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2010 and 2009.

(c) The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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39 BUSINESS COMBINATIONS

(a) Acquisitions of subsidiaries

During the year 2010, the Group acquired controlling interests in a number of companies so as to enlarge the Group's business scope. The details of the subsidiaries acquired are as follows:

Name of subsidiaries Acquired	Principal activities	Date of acquisition	Proportion of registered capital acquired %
Anshan Jingwei Haihong Agricultural Machinery Company Limited ("Anshan Haihong")	Manufacture and sales of agricultural machinery and equipment	31 March 2010	51
Hubei Xinchufeng Automobile Co., Ltd. ("Hubei Xinchufeng")	Manufacture and sales of heavy and medium commercial automobiles	1 June 2010	50
Shanghai Huayuan Hyperthermia Technology Co., Ltd. ("Shanghai Huayuan")	Manufacture and sales of hyperthermia products	1 September 2010	51
Zhongrong International Trust Co., Ltd. ("Zhongrong Trust")	Provision of trust and fiduciary services	31 July 2010	36

Assets acquired and liabilities recognised as at the date of acquisition were as follows:

	Anshan Haihong *RMB'000*	Hubei Xinchufeng *RMB'000*	Shanghai Huayuan *RMB'000*	Zhongrong Trust *RMB'000*	2010 Total *RMB'000*
Current assets					
Inventories	18,762	–	3,800	–	22,562
Trade and other receivables	18,446	–	9,262	119,034	146,742
Current tax assets	1,733	–	114	–	1,847
Financial assets at fair value through profit or loss	–	–	–	163,935	163,935
Cash and cash equivalents	5,562	109,924	2,193	620,767	738,446
Non-current assets					
Property, plant and equipment	7,650	39,070	380	34,222	81,322
Prepaid lease payments	13,329	81,000	–	–	94,329
Intangible assets	5,961	–	5,123	1,591	12,675
Available-for-sale financial assets	–	–	–	233,157	233,157
Deferred tax assets	–	–	–	33,776	33,776
Current liabilities					
Trade and other payables	(29,651)	–	(8,401)	(174,946)	(212,998)
Current tax liabilities	–	–	–	(38,125)	(38,125)
Borrowings – amount due within one year	–	–	(3,000)	–	(3,000)
Non-current liabilities					
Other non-current liabilities	–	(29,994)	–	–	(29,994)
Fair value of net identifiable assets acquired	41,792	200,000	9,471	993,411	1,244,674
Non-controlling interests	(20,478)	(100,000)	(4,641)	(635,783)	(760,902)
Net identifiable assets attributable to the equity interests acquired by the Group	21,314	100,000	4,830	357,628	483,772

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

39 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

Goodwill arising on acquisition

	Anshan Haihong *RMB'000* (note a)	**Hubei Xinchufeng** *RMB'000* (note b)	**Shanghai Huayuan** *RMB'000*	**Zhongrong Trust** *RMB'000* (note c)	**2010 Total** *RMB'000*
Consideration transferred					
Consideration paid in cash	18,655	100,000	4,998	–	123,653
Contingent consideration paid in cash in advance	10,000	–	–	600,000	610,000
Contingent consideration payable	–	–	–	591,017	591,017
	28,655	100,000	4,998	1,191,017	1,324,670
Net identifiable assets attributable to the equity interests acquired by the Group	(21,314)	(100,000)	(4,830)	(357,628)	(483,772)
Goodwill	7,341	–	168	833,389	840,898

Notes:

(a) The Group has obtained guarantee from the vendors of Anshan Haihong whereby the Group will be reimbursed consideration transferred of RMB10 million on the acquisition, if the following conditions occur:

(i) the aggregated amount of the audited revenue of Anshan Haihong for each of the three years ended 31 December 2010, 31 December 2011 and 31 December 2012 is less than RMB100 million, RMB150 million and RMB250 million ("the Three Financial Years") respectively; or

(ii) the audited revenue of Anshan Haihong is less than RMB500 million in aggregate for the Three Financial Years; or

(iii) the aggregate amount of the audited PAT of Anshan Haihong is less than RMB15 million, RMB22.5 million and RMB37.5 million for each of the Three Financial Years; or

(iv) if the aggregate amount of audited PAT of Anshan Haihong is less than RMB75 million for the Three Financial Years.

Accordingly, the consideration paid in cash of RMB10 million out of total consideration transferred is regarded as contingent consideration.

The fair value of the contingent consideration arrangement of RMB10 million was estimated by applying the income approach. The fair value estimates assumed probability-adjusted revenue and PAT in Anshan Haihong are in excess of the requirements above.

At 31 December 2010, neither the amount recognised for the contingent consideration, nor the range of outcomes or the assumptions used to develop the estimates had changed.

(b) The registered capital of Hubei Xinchufeng is RMB200 million, up to the date of acquisition agreement, RMB100 million was fully paid up by the vendor, the remaining RMB100 million have not yet been paid up. According to the acquisition agreement, the consideration for the acquisition was RMB100 million, the vendor shall receive nil purchase price from the Company and the consideration shall be injected into Hubei Xinchufeng for paying up the acquired interest, namely the unpaid equity interest in Hubei Xinchufeng, which represents 50% of its registered capital. As a result of capital injection, the Company has actual control on Hubei Xinchufeng (see note 47(f)).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

39 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

Goodwill arising on acquisition (continued)

Notes: (continued)

(c) The Group has obtained profit guarantee from the vendors of Zhongrong Trust whereby the Group will be reimbursed part of the consideration transferred on the acquisition, if the audited PAT of Zhongrong Trust is less than RMB400 million for each of the three years ended 31 December 2010, 31 December 2011 and 31 December 2012 respectively.

Accordingly, the consideration paid or payable of RMB1,200 million out of total consideration transferred is regarded as contingent consideration.

The fair value of the contingent consideration arrangement of RMB1,191,017,000 at the date of acquisition was estimated by applying the income approach. The fair value estimates are based on an assumed discount rate of 5.81%.

The fair value of contingent consideration payable is initially recognised as RMB591,017,000 in liabilities.

At 31 December 2010, neither the amount recognised for the contingent consideration, nor the range of outcomes or the assumptions used to develop the estimates had changed. The fair value of contingent consideration payable is remeasured as RMB593,184,000 in other non-current liabilities (note 34). The loss for the current year relating to the change in fair value of the contingent consideration liability of RMB2,167,000 has been recognised in the consolidated statement of comprehensive income as "finance cost".

Goodwill arose in the acquisition of the above companies because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the above companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Acquisition-related costs amounting to RMB9,225,000 for the year have been excluded from the consideration transferred and have been recognised as an expense as "administrative expenses" in the consolidated statement of comprehensive income.

Net cash outflow on acquisition of subsidiaries

	Anshan Haihong *RMB'000*	Hubei Xinchufeng *RMB'000*	Shanghai Huayuan *RMB'000*	Zhongrong Trust *RMB'000*	2010 Total *RMB'000*
Consideration paid in cash	18,655	100,000	4,998	–	123,653
Contingent consideration paid in cash in advance	10,000	–	–	600,000	610,000
Cash and cash equivalents of the subsidiaries acquired	(5,562)	(109,924)	(2,193)	(620,767)	(738,446)
Cash outflow/(inflow) on acquisition in 2010	23,093	(9,924)	2,805	(20,767)	(4,793)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

39 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

Impact of acquisitions on the results of the Group

Included in the profit for the year is RMB384,935,000 attributable to the additional business generated by the above companies. Revenue for the year includes RMB1,096,889,000 in respect of the above companies.

Had these business combinations been effected at 1 January 2010, the revenue of the Group from continuing operations would have been RMB7,735,651,000, and the profit for the year from continuing operations would have been RMB816,481,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In 2009, the Group entered into an agreement with Huangshi Xinning Quality Steel Company Limited ("Huangshi Jingwei") to acquire a 65 percent additional equity interest in Huangshi Jingwei, which was an associate held by the Group as at 31 December 2008 with 25 percent equity interest, for a consideration of RMB17,402,000. The acquisition was completed on 25 September 2009, after which Huangshi Jingwei became a subsidiary of the Group.

Assets acquired and liabilities recognised as at the date of acquisition were as follows:

	2009 *RMB'000*
Current assets	
Inventories	36,845
Trade and other receivables	7,893
Cash and cash equivalents	4,231
Non-current assets	
Property, plant and equipment	56,202
Prepaid lease payments	64,500
Other assets	4,350
Current liabilities	
Borrowings	(2,944)
Trade and other payables	(144,304)
Fair value of net identifiable assets acquired	26,773
Net identifiable assets attributable to the 65% additional equity interest acquired by the Group	17,402

Goodwill arising on acquisition

	2009 *RMB'000*
Consideration transferred	
Cash paid	17,402
Net identifiable assets attributable to the 65% additional equity interest acquired by the Group	17,402
Goodwill	–

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39 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

Net cash outflow on acquisition of subsidiaries

	2009 *RMB'000*
Cash outflow to acquire the subsidiary, net of cash acquired:	
Purchase consideration	17,402
Cash and cash equivalents of the subsidiary acquired	(4,231)
Cash outflow on acquisition in 2009	13,171

(b) Transactions with non-controlling interests

During the year, the Group disposed of 45% of its interest in Huangshi Jingwei, reducing its controlling interest to 45%. The proceeds on disposal of RMB5,350,000 were received in cash. An amount of RMB936,000, being the proportionate share of the carrying amount of the net assets of Huangshi Jingwei, has been transferred to non-controlling interests. The difference of RMB4,414,000 between the carrying amount of non-controlling interests and the consideration received has been credited to share premium account.

40 DISPOSAL OF A SUBSIDIARY

In November 2010, the Group purchased 12% equity interests in Hengtian Real Estate Co. Ltd. ("Hengtian RE"), the holder of non-controlling interests in Beijing Bohong Property Development Company Limited ("Beijing Bohong"), by way of: (i) injection of the 44.83% of the equity interest in Beijing Bohong held by it; and (ii) a cash contribution of RMB12,500,000. Conversely, Hengtian RE purchased the Group's 20.17% of the equity interest in Beijing Bohong at a consideration of RMB61,200,000. As a result, totalling 65% equity interest in Beijing Bohong held by the Group was disposed to Hengtian RE. Beijing Bohong becomes a wholly-owned subsidiary of Hengtian RE but ceased to be a subsidiary of the Group. Beijing Bohong's assets and liabilities as at the date of disposal were as follows:

	2010 *RMB'000*
Current assets	
Properties under development for sale	59,877
Completed properties for sale	149,296
Trade and other receivables	131,112
Cash and cash equivalents	148,187
Non-current assets	
Property, plant and equipment	3,015
Available for sales financial assets	1,764
Current liabilities	
Trade and other payables	(238,827)
Tax payables	(40,049)
Net assets disposed of	214,375

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40 DISPOSAL OF A SUBSIDIARY (CONTINUED)

Gain on disposal of a subsidiary:

	2010
	RMB'000
Consideration received and receivables	
Cash consideration	49,900
Available-for-sale financial assets – equity interest in Hengtian RE	144,540
	194,440
Net assets disposed of	(214,375)
Non-controlling interests	106,452
	86,517

Net cash outflow on disposal of a subsidiary:

	2010
	RMB'000
Consideration received in cash	49,900
Less: cash and cash equivalents of the subsidiary disposed	(148,187)
Total	(98,287)

In July 2009, the Group disposed of a 100% equity interest in Kunshan Jingwei Machinery Manufacturing Company Limited at a consideration of RMB9,522,000. Kunshan Jingwei Machinery Manufacturing Company Limited's assets and liabilities as at date of disposal were as follows:

	2009
	RMB'000
Current assets	
Trade and other receivables	4,040
Inventories	17
Non-current assets	
Property, plant and equipment	725
Prepaid lease payments	212
Net assets disposed of	4,994

Gain on disposal of a subsidiary:

	2009
	RMB'000
Consideration received and receivables	
Cash consideration	5,954
Trade receivables	3,568
	9,522
Net assets disposed of	(4,994)
Total	4,528

Net cash inflow on disposal of a subsidiary:

	2009
	RMB'000
Consideration received in cash	5,954

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41 COMMITMENTS

(a) Capital commitments

	2010	2009
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment		
Authorised but not contracted for	156,350	167,230
Contracted but not provided for	166,073	225,667
	322,423	392,897

(b) Lease commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	RMB'000	*RMB'000*
Land and buildings		
Within one year	18,810	11,028
In the second to fifth year inclusive	25,287	158
Five years or above	292	–
	44,389	11,186

Operating lease payments represent rentals payable by the Group for certain of its offices and sales offices. Leases are negotiated for an average term of one to five years and rentals are fixed for an average of two years.

42 CONTINGENT LIABILITIES

	2010	2009
	RMB'000	*RMB'000*
Guarantees for bank loans of third party	150,000	150,000
Guarantees for mortgage bank loans of customers	–	93,687
	150,000	243,687

The directors consider the fair values of the financial guarantee contracts granted by the Group at the date of inception were insignificant during both years.

43 FIDUCIARY SERVICES

A subsidiary of the Group, Zhongong Trust, acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by Zhongrong Trust and the related undertakings to return such assets to customers are excluded from the financial statements as the risks and rewards of the assets reside with customers.

The value of assets held by the Group in fiduciary but not recognised in the statement of financial position are as follows:

	2010	2009
	RMB'000	*RMB'000*
Trusted assets	179,936,831	–

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44 RETIREMENT BENEFIT PLANS

State-managed retirement plan

The employees of the Group in the PRC are members of state-managed retirement benefit plans operated by the government of the PRC. The subsidiaries are required to contribute 20% (2009: 20%) of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognised in the consolidated statement of comprehensive income of RMB68,023,000 (2009: RMB62,468,000) represents contributions payables to these plans by the Group at rates specified in the rules of plans.

At 31 December 2010, contributions totalling RMB14,972,000 (2009: RMB14,197,000) were payable to the retirement schemes and were included in other payables and accrued charges. There were no forfeited contributions utilised during the year or available at 31 December 2010 to reduce future contributions (2009: RMBNil).

Retirement and supplemental benefit obligations

The Group paid post-retirement supplemental benefits to its qualifying retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees in accordance with various employee benefit schemes adopted by the Group.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position is determined as follows:

	2010 *RMB'000*	**2009** *RMB'000*
Present value of unfunded defined benefit obligations	36,920	35,830
Net actuarial gain not recognised	1,230	2,910
Net liability arising from defined benefit obligations	38,150	38,740

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2010 *RMB'000*	**2009** *RMB'000*
At beginning of the reporting period	35,830	103,590
Interest cost	1,400	1,510
Benefits paid	(2,010)	(1,990)
Gain on settlements	–	(59,280)
Past service cost-vested benefits	830	–
Actuarial loss/(gain) for the year	870	(8,000)
At end of the reporting period	36,920	35,830

As from 1 January 2009, one of the Company's branch has cancelled the supplemental post-retirement benefits for pre-existing civil retirees, retirees and beneficiaries that the Group no longer undertakes the related retirement and supplemental benefits obligations. Accordingly, a reversal of such obligations amounting to RMB59,280,000 was made during last year. After deducting the related cumulative actuarial loss of RMB5,920,000, a net gain on settlements amounting to RMB53,360,000 was recognised during last year.

During 2010, a subsidiary has increased its level of supplemental post-retirement benefits for pre-existing civil retirees. Such change has been accounted for as past service cost at 31 December 2010.

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44 RETIREMENT BENEFIT PLANS (CONTINUED)

Retirement and supplemental benefit obligations (continued)

The above obligations were determined based on actuarial valuations performed by an independent firm of actuaries, Towers Watson Management consulting (Shenzhen) Co., Ltd, using the projected unit credit method.

The amount recognised/(credited) to the consolidated statement of comprehensive income of the Group for the year is as follows:

	2010 *RMB'000*	**2009** *RMB'000*
Interest cost	1,400	1,510
Past service cost-vested benefits	830	–
Gain on settlements, net of actuarial loss	–	(53,360)
Actuarial gain recognised	(810)	(1,770)
	1,420	(53,620)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2010 *%*	**2009** *%*
Discount rate	4.00	4.00
Medical cost trend (Civil Retirees/Retirees)	8.00/6.00	6.00/6.00
Cost of living adjustment for beneficiaries	4.50	4.50
Mortality rate	China Life Annuity Mortality Table 2000-03 up 2 years	

An increase of one percentage point in the assumed medical cost trend rates:

(i) would result in an increase of RMB203,000 and RMB174,000 on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs for the year ended 31 December 2009 and 2010 respectively.

(ii) would result in an increase of RMB4,355,000 and RMB4,218,000 on the accumulated post-employment benefit obligation for medical costs for the year ended 31 December 2009 and 2010 respectively.

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45 MAJOR NON-CASH TRANSACTIONS

In August 2010, the Group acquired 36% of equity interests in Zhongrong Trust for a total consideration of RMB1,200 million. At 31 December 2010, RMB600 million was paid in cash by the Group. The remaining balance of RMB600 million carried at fair value of RMB593,184,000 has been included in trade and other payables and non-current liabilities at the end of the reporting period.

46 RELATED PARTIES TRANSACTIONS

Other than the transactions and balances with related parties disclosed in respective notes to consolidated financial statements, during the year, the Group has the following significant transactions with its related companies:

(a) (i) Transactions with holding companies

	2010 *RMB'000*	**2009** *RMB'000*
Other supporting services income	–	3

(ii) Transactions with fellow subsidiaries

	2010 *RMB'000*	**2009** *RMB'000*
Sales of goods and services		
Sale of finished goods	158,716	71,454
Sale of materials, parts and components	180,822	69,724
Other supporting services income	6,948	8,470
Processing fee income	2,522	572
Rental income	4,684	5,106
Purchases of goods and services		
Purchase of finished goods	386,596	136,994
Purchase of materials, parts and components	143,166	51,184
Purchase of energy	42	48
Processing fee expenses	33,683	37,612
Transportation services expenses	3,994	2,356
Repairs and maintenance services expenses	11,176	10,788
Other supporting services expenses	5,399	7,131
Rental expenses	472	660
Interest expenses	–	649

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46 RELATED PARTIES TRANSACTIONS (CONTINUED)

(a) (iii) Transactions with associates

	2010 *RMB'000*	2009 *RMB'000*
Sales of goods and services		
Sale of finished goods	384,451	139,415
Sale of materials, parts and components	2,244	96
Interest income	339	–
Purchases of goods and services		
Purchase of finished goods	–	490
Purchase of materials, parts and components	7,535	3,672

(iv) Transactions with companies in which certain key management personnel of the Group have influence in:

	2010 *RMB'000*	2009 *RMB'000*
Sales of goods and services		
Sale of finished goods	1,626	–
Sale of materials, parts and components	10,220	1,996
Processing fee income	585	179
Rental income	1,145	–
Purchases of goods and services		
Purchase of finished goods	421	25
Purchase of materials, parts and components	466,877	284,380
Purchase of energy	512	4,416
Processing fee expenses	6,497	1,821
Other supporting services expenses	7,931	1,832
Rental expenses	12,095	–

The above transactions were made at similar terms set out as the Group grants/received from other customers/suppliers.

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For the year ended 31 December 2010

46 RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Transactions with other state-owned entities

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under China Hengtian which is controlled by the PRC government. Apart from the transactions with its fellow subsidiaries and other related parties disclosed above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

Material transactions with other state-controlled entities are as follows:

	2010 *RMB'000*	2009 *RMB'000*
Sales of goods and services		
Sale of finished goods	112,131	106,871
Sale of materials, parts and components	3,371	–
Other supporting services income	1	1
Interest income	7,888	2,378
Purchases of goods and services		
Purchase of finished goods	–	6,145
Purchase of materials, parts and components	75,268	61,695
Purchase of energy	46,505	29,426
Processing fee expenses	2,057	–
Delivery fee expenses	543	–
Borrowings raised from state-owned banks	734,614	581,077
Other supporting services expenses	33,014	2,331
Interest expenses	31,665	20,769

(c) Compensation of key management personnel

	2010 *RMB'000*	2009 *RMB'000*
Salaries and other short-term employee benefits	16,017	10,832
Post-employment benefits	322	305
	16,339	11,137

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For the year ended 31 December 2010

47 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2010 and 2009 are as follows:

Name of Company	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2010 Attributable equity interest of the Group Indirectly	2010 Directly	2009 Attributable equity interest of the Group Indirectly	2009 Directly	Principal activities
			%	%	%	%	
Jingwei Textile Machinery Yuci Material Company Limited	PRC 9 July 1996	RMB5,000,000	0.72	99.2	0.72	99.2	Trading of furnace materials, metals, textile machinery component and charcoal
Taiyuan Jingwei Electrical Company Limited	PRC 18 March 1997	RMB5,000,000	2	98	2	98	Manufacture and sales of transformers and electrical components
Qingdao Hongda Textile Machinery Company Limited	PRC 16 August 1999	RMB114,000,000	–	97.663	–	97.663	Manufacture, sales and leasing of textile machinery and related components
Tianjin Hongda Textile Machinery Company Limited	PRC 17 August 1999	RMB78,500,000	2	98	2	98	Sales of textile machinery, photocopying, agriculture processing machinery and related components
Zhengzhou Hongda New Textile Machinery Company Limited	PRC 11 August 1999	RMB74,500,000	–	98	–	98	Development and manufacture of textile machinery and related components
Shenyang Hongda Textile Machinery Company Limited	PRC 16 August 1999	RMB71,000,000	–	98	–	98	Development, manufacture and processing of textile machinery and related components
Changde Textile Machinery Company Limited	PRC 5 January 2002	RMB42,349,900	25	70	25	70	Manufacture and trading of textile machinery and other machinery
Beijing Jingwei Textile Machinery New Technology Company Limited	PRC 2 March 2000	RMB100,000,000	1.6	98.4	1.6	98.4	Technical development and manufacture of textile machinery, sale of textile, industrial specialised machinery
Shanghai Weixin Electrical and Machinery Company Limited	PRC 30 June 2000	RMB16,000,000	10	90	10	90	Textile machinery, automobile component and general machinery's development and manufacturing
Beijing Jingpeng Investment Management Company Limited	PRC 30 July 2001	RMB100,000,000	4	96	4	96	Investment management, sales of electronic and chemical products
Shanghai Chuangan Trading Company Limited	PRC 29 September 2001	RMB2,000,000	–	90	–	90	Trading of textile, electronic products and chemical products
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	PRC 5 September 2001	RMB50,000,000	22	78	22	78	Manufacture and sales of blowing-carding machinery and related components

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

47. SUBSIDIARIES (CONTINUED)

Name of Company	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2010 Attributable equity interest of the Group		2009 Attributable equity interest of the Group		Principal activities
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Wuxi Jingwei Textile Technology Testing Company Limited	PRC 14 May 2003	RMB49,530,000	33.45	66.55	33.45	66.55	Manufacture and sales of textile products; research and development of technology relating to textile machinery and equipments
Tianjin Jingwei New Type Textile Machinery Company Limited	PRC 16 August 2005	RMB16,000,000	25	75	25	75	Development and processing textile machinery and related components
Shenyang Hongda Huaming Textile Machinery Company Limited	PRC 13 July 2005	RMB40,000,000	98.5	–	98.5	–	Development and processing of textile machinery and related components
Wuxi Jingwei Textile Technology Sales Company Limited	PRC 31 December 2005	RMB1,000,000	–	100	–	100	Manufacture and sales of textile products; textile machinery and related components
Wuxi Hongda Textile Machinery and Special Parts Company Limited ("Wuxi Special Parts") (note a)	PRC 13 March 2005	RMB20,000,000	25	10	25	10	Manufacture of textile machinery and related components, general machinery and component, advanced textile machinery
Xianyang Jingwei Machinery Manufacturing Company Limited	PRC 9 April 1999	RMB75,079,600	0.67	99.33	0.67	99.33	Manufacture of weaving machines and equipment, and provision of relevant consulting service
Yichang Jingwei Textile Machinery Company Limited	PRC 22 December 2006	RMB20,000,000	25	75	25	75	Development and processing of textile machinery and related components
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	PRC 24 September 1993	RMB40,000,000	–	89.65	–	89.65	Manufacture of textile machinery components
Hongkong Huaming Co. Limited (note b)	Hong Kong 31 December 2000	USD7,700,000	–	100	–	100	Export and import trading of textile machinery

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47. SUBSIDIARIES (CONTINUED)

Name of Company	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2010 Attributable equity interest of the Group Indirectly	2010 Attributable equity interest of the Group Directly	2009 Attributable equity interest of the Group Indirectly	2009 Attributable equity interest of the Group Directly	Principal activities
			%	%	%	%	
Shanxi Jingwei Heli Machinery Manufacturing Company Limited ("Shanxi Heli") (note c)	PRC 26 February 2003	RMB100,000,000	–	30	–	30	Designing and manufacturing of various electromechanical products and mining products
Beijing Bohong Property Development Company Limited ("Beijing Bohong") (note 40)	PRC 28 May 2001	RMB100,000,000	–	–	65	–	Real estate development
Shanghai WSP Mould and Injection Plastic Company Limited (note d)	PRC 14 May 2005	RMB5,256,800	50	–	50	–	Development, manufacture and trading of machinery and related machinery, automobile component, mould and general machinery
Jinzhong Jingwei Foundry Company Limited	PRC 6 Aug 2009	RMB25,000,000	–	68.8	–	68.8	Development and processing of textile machinery and related components
Huangshi Jingwei Textile Machinery Company Limited ("Huangshi Jingwei") (note (e))	PRC 24 Dec 2008	RMB32,000,000	–	45	–	90	Development and processing of textile machinery and related component
Yichang Hengtian Development Properties Company Limited	PRC 23 Jul 2009	RMB20,000,000	100	–	100	–	Real estate development
Hubei Xinchufeng (note 39 and (f))	PRC 22 March 2007	RMB200,000,000	–	50	–	–	Manufacture and sales of heavy and medium commercial automobiles
Zhongrong Trust (note 39 and (g))	PRC 30 June 1987	RMB580,000,000	–	36	–	–	Provision of trust and fiduciary services
Anshan Haihong (note 39)	PRC 3 November 2008	RMB40,000,000	–	51	–	–	Manufacture and sales of agricultural machinery and equipment
Shanghai Huayuan (note 39)	PRC 1 November 2004	RMB20,000,000	51	–	–	–	Manufacture and sales of hyperthermia products
Xianyang Jingwei Textile Machinery Company Limited	PRC 22 October 2010	RMB50,000,000	96.4	–	–	–	Manufacture of weaving machines and equipment, and provision of relevant consulting service

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

47 SUBSIDIARIES (CONTINUED)

Notes:

(a) The shareholding that the Group has in Wuxi Special Parts directly and via its subsidiaries is less than 51%. But pursuant to the Articles of Association of Wuxi Special Parts, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(b) Except for Hongkong Huaming Co. Limited which was incorporated and operated in Hong Kong with limited liabilities, all other subsidiaries are limited liability companies established and operated in the PRC.

(c) The shareholding that the Group has in Shanxi Heli directly is less than 51%. But pursuant to the Articles of Association of Shanxi Heli, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(d) The shareholding that the Group has in Shanghai WSP via its subsidiaries is less than 51%. In year 2007, the Company has obtained the voting trust of two natural person shareholders, with a term commencing from 1 January 2007 to 31 December 2011. Upon authorisation, the Company exercises full control over the voting rights in the Board of Directors of Shanghai WSP and subsequently has the actual control over the company. Therefore, Shanghai WSP is included into the consolidated financial statements.

(e) The shareholding that the Group has in Huangshi Jingwei directly and via its subsidiaries is less than 51%. But pursuant to the Articles of Association of Huangshi Jingwei, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(f) The shareholding that the Group has in Hubei Xinchufeng directly is less than 51%. But pursuant to the Articles of Association of Hubei Xinchufeng, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(g) The shareholding that the Group has in Zhongrong Trust directly is less than 51%. But pursuant to the Articles of Association of Zhongrong Trust, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

The above represents the list of the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

48 EVENTS AFTER REPORTING DATE

At the meeting of the Board of Directors held on 14 March 2011, it was resolved that, subject to Shareholders' approval, the Company will apply to the relevant regulatory authorities in the PRC for the issue of not more than 101,670,000 A Shares ("the proposed Issue of A Shares") with a nominal value of RMB1.00 each to be listed on the Shenzhen Stock Exchange, representing approximately 16.84% of the total issued share capital of the Company as at the end of the reporting period.

On the same date, the Company and China Hengtian has entered into a subscription agreement, pursuant to which China Hengtian has conditionally agreed to subscribe a number of A shares by cash of not less than RMB275,000,000 and not more than RMB300,000,000.

On the same date, the Company and CTMC have entered into another subscription agreement, pursuant to which CTMC has conditionally agreed to subscribe for a number of A shares by using the debt representing the reserve to be capitalised held by it on behalf of the PRC State in an aggregate amount of approximately RMB139,534,000.

On the same date, the Company and Zhongzhi Enterprise Group Co., Ltd. ("Zhongzhi"), a holder of non-controlling interests of Zhongrong Turst, have entered into a capital increase agreement, pursuant to which the parties agreed to increase the share capital of Zhongrong Trust, in which the Company shall pay to Zhongrong Trust a subscription amount of RMB764,128,400 by cash and Zhongzhi shall pay to Zhongrong Trust a subscription amount of RMB672,645,300 by cash ("the Proposed Capital Increase"). Other existing shareholders of Zhongrong Trust shall also have the right to subscribe the Proposed Capital Increase in proportion to their respective shareholding in Zhongrong Trust. It is agreed that the Company's shareholding in Zhongrong Trust shall not be less than 36% after the completion of the Proposed Capital Increase.

49 COMPARATIVE FIGURES

As a result of application of HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations, certain comparative figures have been adjusted to conform to current year's presentation.

Chapter XV Documents Available for Inspection

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

1. The accounting statements duly signed and sealed by the authorised representative, the person in charge of finance and the person in charge of accounting;

2. The original copy of the auditor's report duly hand signed by Baker Tilly China and certified public accountants registered in the PRC and the original copy of the auditor's report sealed by Baker Tilly Hong Kong Limited and financial statements prepared in accordance with the accepted in Hong Kong Financial Reporting Standards;

3. Original of all documents and public announcements which had been disclosed in the newspapers for company information disclosure during the reporting period and original of such manuscripts;

4. 2010 annual reports (both English and Chinese versions).

中国恒天
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Friend of Worldwide Textile Industry

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