



# 经纬纺织机械股份有限公司

## JINGWEI TEXTILE MACHINERY CO., LTD.

中国恒天  
CHTC

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

# INTERIM REPORT

2011

半年度报告

### **IMPORTANT NOTES**

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

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

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

The 2011 interim financial and accounting report of the Company has not been audited by any accounting firm but it has been reviewed by the Board of Directors and the Audit Committee of the Company.

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



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## Chapter I Corporate Information

### I. COMPANY PROFILE

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

A Shares	Listed on	: Shenzhen Stock Exchange
	Stock short name	: JWTM
	Stock code	: 000666
H Shares	Listed on	: The Stock Exchange of Hong Kong Limited
	Stock short name	: Jingwei Textile
	Stock code	: 0350

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



## II. KEY FINANCIAL DATA AND INDICATORS

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

#### 1.1 Key accounting data and financial indicators

*Unit: RMB*

	As at the end of the reporting period	As at the end of the previous year	Increase (Decrease) at the end of the current reporting period as compared to the end of the previous year (%)
Total assets (RMB)	12,807,423,244.09	11,340,459,043.03	12.94
Owner's equity attributable to shareholders of the listed company (RMB)	3,310,621,836.33	3,064,121,270.29	8.04
Share capital (share)	603,800,000.00	603,800,000.00	
Net assets per share attributable to shareholders of the listed company (RMB/share)	5.48	5.07	8.04
	Reporting Period (January to June)	Corresponding period of the previous year	Increase (Decrease) in the current reporting period as compared to the corresponding period of the previous year (%)
Total operating income (RMB)	5,307,052,593.67	2,456,484,361.31	116.04
Operating profit (RMB)	860,622,574.19	17,662,881.51	4,772.49
Total profit (RMB)	864,581,471.30	35,919,129.57	2,307.02
Net profit attributable to shareholders of the listed company (RMB)	305,542,394.06	29,189,636.93	946.75
Net profit after extraordinary items attributable to shareholders of the listed company (RMB)	302,941,609.33	13,484,120.65	2,146.65
Basic earnings per share (RMB/share)	0.51	0.05	946.75
Diluted earnings per share (RMB/share)	0.51	0.05	946.75
Weighted average rate of return on net assets (%)	9.55	1.05	increase by 8.5 percentage points
Weighted average rate of return on net assets, net of nonrecurring profit and loss	9.47	0.49	increase by 8.98 percentage points
Net cashflows from			
– operating activities (RMB)	799,846,391.98	-67,855,009.91	1,278.76
– operating activities on per-share basis (RMB/share)	1.32	-0.11	1,278.76
Profit for the reporting period	Weighted average rate of return on net assets	Earnings per share Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of the Company's ordinary shares	9.55	0.51	0.51
Net profit attributable to holders of the Company's ordinary shares, net of nonrecurring profit and loss	9.47	0.50	0.50

**1.2 Extraordinary items**
*Unit: RMB*

<b>Extraordinary items</b>	<b>Amount</b>
Gains/losses from disposal of non-current assets	54,649.32
Government grant which recorded into profit/loss of current year except that relevant to enterprise operation and in compliance with government policies	4,807,877.63
Debt restructuring gains/losses	27,124.13
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	-91,028.81
Other non-operating income and expense except above	-888,828.30
Other extraordinary gains/losses	
Effect on minority interest	-331,560.75
Effect on taxation	-977,448.49
Extraordinary items attributable to the parent company	2,600,784.73

**2. Financial information prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (Unaudited)**
**Condensed consolidated income statement**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
<b>Turnover</b>	5,206,319	2,439,561
Cost of sales	-3,347,301	-2,163,797
<b>Gross profit</b>	1,859,018	275,764
Other income	135,804	44,890
Gain on fair value changes of held-for-trading investments	-14,029	912
Distribution expenses	-74,731	-55,689
Administrative expenses	-1,001,847	-201,134
<b>Operating profit</b>	902,415	64,743
Finance cost	-47,551	-31,757
Share of profit (loss) of jointly controlled entities and associated companies	7,917	2,933
<b>Profit before taxation</b>	864,581	35,919
Income tax expenses	-201,484	-5,467
<b>Profit (loss) for the period</b>	<u>663,097</u>	<u>30,452</u>
<b>Profit (loss) for the period attributable to:</b>		
Equity holders of the Company	305,542	29,190
Minority interests	357,555	1,262
	<u>663,097</u>	<u>30,452</u>
Earnings per Share attributable to the equity holders of the Company during the period	<u>RMB0.51</u>	<u>RMB0.05</u>
(expressed in RMB per Share)		
– basic and diluted	<u>RMB0.51</u>	<u>RMB0.05</u>



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

### I. MOVEMENT IN SHARE CAPITAL DURING THE REPORTING PERIOD

For the six months ended 30 June 2011, there was no change in the Company's shareholding structure.

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

Unit: Share

**Total number of shareholders** 36,903 (of which the number of Holders of A shares is 36,866 and the number of Holders of H shares is 37)

#### Shareholdings of the top ten registered shareholders

Name of shareholder	Type of shareholder	Percentage to total share capital	Total number of shares held	Number of restricted floating shares held	Number of shares under pledge or lock-up
China Textile Machinery (Group) Company Limited	State-owned legal person	33.83%	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited	Overseas legal person	29.83%	180,091,399		
Industrial and Commercial Bank of China-CMB Core Value Mixed Securities Investment Fund	Fund, wealth management products and others	0.68%	4,102,974		
Bank of China – Invesco Great Wall Dingyi Stock Fund	Fund, wealth management products and others	0.65%	3,939,625		
Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Fund	Fund, wealth management products and others	0.62%	3,729,930		
Ping An Insurance (Group) Co. of China, Ltd. – Investment Link – Personal insurance investment link	Fund, wealth management products and others	0.46%	2,799,859		
Credit Suisse China themed fund	Overseas legal person	0.46%	2,749,947		
New China Life Insurance Co., Ltd – All inclusive – exultant financing – 018L – WN001 Shen	Fund, wealth management products and others	0.28%	1,699,935		
Agricultural Bank of China – Bosera New Growth Stock Fund	Fund, wealth management products and others	0.25%	1,499,844		
ICBC Credit Suisse Asset Management – ICBC – Specific clients asset	Fund, wealth management products and others	0.24%	1,439,803		

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

Name of shareholder	Number of unrestricted floating shares held	Class of shares
HKSCC Nominees Limited	180,091,399	Overseas listed foreign shares
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed domestic shares
Industrial and Commercial Bank of China-CMB Core Value Mixed Securities Investment Fund	4,102,974	Domestically listed domestic shares
Bank of China – Invesco Great Wall Dingyi Stock Fund	3,939,625	Domestically listed domestic shares
Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Fund	3,729,930	Domestically listed domestic shares
Ping An Insurance (Group) Co. of China, Ltd. – Investment Link – Personal insurance investment link	2,799,859	Domestically listed domestic shares
Credit Suisse China Theme fund	2,749,947	Domestically listed domestic shares
New China Life Insurance Co., Ltd – All inclusive – exultant financing – 018L – WN001 Shen	1,699,935	Domestically listed domestic shares
Agricultural Bank of China – Bosera New Growth Stock Fund	1,499,844	Domestically listed domestic shares
ICBC Credit Suisse Asset Management— ICBC — Specific clients asset	1,439,803	Domestically listed domestic shares

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

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

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

*Notes:*

- i. The H shares registered in the name of HKSCC Nominees Limited were held in the capacity of nominee on behalf of various clients and HKSCC Nominees Limited did not own 5% or more of the interest in the total issued share capital of the Company.
- ii. As at 30 June 2011, so far as the Directors, Supervisors and senior management of the Company are aware, in accordance with the records in the register required to be maintained by the Company pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the following persons (except for the directors, supervisors or chief executive of the Company) were interested in the shares and underlying shares of the Company as below:

	Capacity	Number of H Shares (Share)	Approximate percentage in the total issued H share capital (%)	Approximate percentage in the total issued share capital (%)
Zhang Sheng Han	Beneficial owner	10,240,000	5.00 (Note)	1.70

*Notes:*

Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21 October 2003 as shown on the website of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”). However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000, which, if correct, represents approximately 5.66%, instead of 5.00% (as stated in such notice) of the total issued H shares of the Company as at 30 June 2011. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company from 21 October 2003 to present. The Company is also unable to ascertain the actual number of H Shares held by Zhang Sheng Hang from the register of members of the Company as none of the H Shares was registered in the name of Zhang Sheng Hang as at 30 June 2011.

Long positions in the A shares of the Company:

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

Save as disclosed above, based on the register required to be maintained pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, the Company has not received any notification in relation to the holding of interests or short positions in the shares and underlying shares of the Company as at 30 June 2011.

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





### Chapter III Directors, Supervisors, Senior Management and Staff

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

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

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

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

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

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

Name	Position	Date
Li Min	Independent Non-executive Director	14 June 2011

Note: At the 2010 Annual General Meeting of the Company held on 14 June 2011, Mr. Li Min was elected as an independent non-executive Director of the sixth Board of Directors of the Company, for a term ending on 15 August 2013. For details, please refer to the announcements on resolutions published by the Company at the website of chinfo (www.cninfo.com.cn) and the website of the Stock Exchange on 15 June 2011 and 14 June 2011 respectively.

## Chapter IV Directors' Report

### I. OPERATING RESULTS AND FINANCIAL ANALYSIS

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

Results of the reporting period increased significantly compared with the corresponding period last year, mainly due to the inclusion of Zhongrong International Trust Co., Ltd. into the scope of consolidation, and the Company's income derived from textile machinery sales recorded a significant increase compared with the corresponding period last year, enhancing its profitability.

#### 1. Operating Results

Under the financial statements prepared in accordance with HKFRSs, the Group's turnover and the profit attributable to shareholders for the six months ended 30 June 2011 were RMB5,206,319,000 and RMB305,542,000 respectively, representing an increase of 113.41% and 946.75% as compared with the corresponding period in the previous year. As at 30 June 2011, bank balances of the Group amounted to RMB2,389,624,000 and borrowings repayable within one year amounted to RMB1,727,255,000, both denominated in Renminbi and foreign currency. Long-term borrowings amounted to RMB160,000,000, and the gearing ratio was 3.14% (long-term borrowings divided by net assets value).

Under the financial report prepared in accordance with the China Accounting Standards for Business Enterprises, total operating revenue of the Group for the six months ended 30 June 2011 amounted to RMB5,307,053,000, representing an increase of 116% as compared with the corresponding period in the previous year. Operating profit amounted to RMB860,623,000, representing an increase of 4,772% as compared with the corresponding period in the previous year. Net profit attributable to shareholders of the parent company amounted to RMB305,542,000, representing an increase of 947% as compared with the corresponding period in the previous year.

Of which:

Operating revenue of the Company amounted to RMB2,569,225,000, representing an increase of 56% as compared with the corresponding period in the previous year. Operating profit amounted to RMB20,536,000, representing an increase of 632% as compared with the corresponding period in the previous year. Net profit amounted to RMB22,071,000, representing an increase of 841% as compared with the corresponding period in the previous year.

Major subsidiaries:

Interest and handling fee income and operating profit of Zhongrong International Trust Co., Ltd. amounted to RMB1,487,154 and RMB736,559,000 respectively.

Operating revenue and operating profit of Qingdao Hongda Textile Machinery Company Limited amounted to RMB1,009,444,000 and RMB39,766,000 respectively.

Operating revenue and operating profit of Changde Textile Machinery Company Limited amounted to RMB321,629,000 and RMB19,219,000 respectively.

Operating revenue and operating profit of Wuxi Hongda Textile Machinery and Special Parts Company Limited amounted to RMB139,674,000 and RMB14,464,000 respectively.

Operating revenue and operating profit of Tianjin Hongda Textile Machinery Company Limited amounted to RMB218,222,000 and RMB8,064,000 respectively.

Operating revenue and operating profit of Beijing Jingwei Textile Machinery New Technology Company Limited amounted to RMB174,698,000 and RMB11,453,000 respectively.

Operating revenue and operating profit of Shenyang Hongda Textile Machinery Company Limited amounted to RMB134,423,000 and RMB7,053,000 respectively.

Operating revenue and operating profit of Yichang Jingwei Textile Machinery Company Limited amounted to RMB122,553,000 and RMB13,899,000 respectively.

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

Major items	As at 30 June 2011	As at 31 December 2010	Increase/ (Decrease) Changes +/( -)	Increase/ (Decrease) Changes %	Reasons for the change
Financial assets held for trading	547,578.32	84,349.92	463,228.40	549.17%	Note (1)
Interests receivable		3,637.50	-3,637.50	-100.00%	Note (2)
Financial assets purchased under agreements to resell		24,000.00	-24,000.00	-100.00%	Note (3)
Inventories	1,558,885.28	1,161,955.81	396,929.47	34.16%	Note (4)
Other current assets	29,500.00	19,070.00	10,430.00	54.69%	Note (5)
Loans and advances provided	450,000.00		450,000.00		Note (6)
Construction in progress	301,742.06	225,737.56	76,004.50	33.67%	Note (7)
Construction materials	27,353.97	1,204.82	26,149.15	2,170.38%	Note (8)
Deferred tax assets	35,856.16	23,998.70	11,857.46	49.41%	Note (9)
Short-term borrowings	1,510,515.41	929,296.03	581,219.38	62.54%	Note (10)
Funds borrowed	31,500.00		31,500.00		Note (11)
Employee benefits payable	640,625.54	358,613.37	282,012.17	78.64%	Note (12)
Interests payable	1,840.52	370.52	1,470.00	396.74%	Note (13)
Dividends payable	44,414.73	2,149.12	42,265.62	1,966.65%	Note (14)
Other payables	437,154.85	925,428.57	-488,273.72	-52.76%	Note (15)
Non-current liabilities due within one year	246,838.35	553,000.24	-306,161.89	-55.36%	Note (16)
Unappropriated profit	809,298.01	546,021.61	263,276.39	48.22%	Note (17)
Minority interests	1,789,616.67	1,254,393.98	535,222.69	42.67%	Note (18)

Major items	Six months ended 30 June 2011	Six months ended 30 June 2010	Increase/ (Decrease) Changes +/( -)	Increase/ (Decrease) Changes %	Reasons for the change
Total operating income	5,307,052.59	2,456,484.36	2,850,568.23	116.04%	Note (19)
Operating cost	3,265,376.18	2,163,497.63	1,101,878.55	50.93%	Note (20)
Business taxes and levies	99,147.57	5,738.15	93,409.43	1,627.87%	Note (21)
Selling expenses	74,731.30	55,688.76	19,042.53	34.19%	Note (22)
Administrative expenses	987,944.53	202,926.65	785,017.88	386.85%	Note (23)
Finance costs	40,328.79	20,192.03	20,136.75	99.73%	Note (24)
Asset impairment loss	9,673.47	-3,897.45	13,570.92	348.20%	Note (25)
Gains from changes in fair values	-14,029.24		-14,029.24		Note (26)
Investment gains	45,305.04	5,324.30	39,980.74	750.91%	Note (27)
Non-operating income	7,762.19	20,710.65	-12,948.47	-62.52%	Note (28)
Non-operating expense	3,803.29	2,454.40	1,348.88	54.96%	Note (29)
Income tax expenses	201,484.32	5,466.61	196,017.71	3,585.73%	Note (30)
Minority interests	357,554.76	1,262.89	356,291.87	28,212.53%	Note (31)
Net cash flows from operating activities	799,846.39	-67,855.01	867,701.40	1,278.76%	Note (32)
Net cash flows from investing activities	-1,100,287.46	-135,098.98	-965,188.48	-714.43%	Note (33)
Net cash flows from financing activities	246,359.53	432,747.67	-186,388.15	-43.07%	Note (34)
Cash receipts from disposals of investments	933,529.31	9,096.02	924,433.29	10,163%	Note (35)
Cash payments to acquire investments	1,978,376.41	109,042.09	1,869,334.31	1,714%	Note (35)

## I. OPERATING RESULTS AND FINANCIAL ANALYSIS (continued)

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

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

##### *Explanation for changes:*

- Note (1): Financial assets held for trading increased compared with the beginning of the year mainly due to the increase of external securities investment by Zhongrong International Trust Co., Ltd. (a subsidiary) during the reporting period.
- Note (2): Interests receivable decreased compared with the beginning of the year mainly due to the collection of interests during the period.
- Note (3): Financial assets purchased under agreements to resell decreased compared with the beginning of the year mainly because they were due for sale.
- Note (4): Inventories increased compared with the beginning of the year mainly due to the increase in inventory purchase with the increase in income during the reporting period.
- Note (5): Other current assets increased compared with the beginning of the year mainly due to the purchase of RMB wealth management product during the reporting period.
- Note (6): Loans and advances provided increased compared with the beginning of the year mainly due to the increase of loans provided by Zhongrong International Trust Co., Ltd..
- Note (7): Construction in progress increased compared with the beginning of the year mainly due to the increase in investment on factory building during the reporting period.
- Note (8): Construction material increased compared with the beginning of the year mainly due to the increase of purchase of construction materials during the reporting period.
- Note (9): Deferred tax assets increased compared with the beginning of the year mainly due to the decrease of deferred tax liabilities during the reporting period, and the net amount of deferred income tax asset increased after being offset by deferred income tax liabilities.
- Note (10): Short-term borrowings increased compared with the beginning of the year mainly due to the increase of short-term borrowings during the reporting period.
- Note (11): Funds borrowed increased compared with the beginning of the year mainly due to the increase of funds borrowed by Zhongrong International Trust Co., Ltd. from financial institutions during the reporting period.
- Note (12): Employee benefits payables increased compared with the beginning of the year mainly due to the increase in bonus paid by Zhongrong International Trust Co., Ltd. due to the increase in results.
- Note (13): Interests payable increased compared with the beginning of the year mainly due to the increase of bond interest payable during the reporting period.
- Note (14): Dividends payable increased compared with the beginning of the year mainly due to the provision for 2010 dividends payable to shareholders according to the resolution approved in the general meeting.
- Note (15): Other payables decreased compared with the beginning of the year mainly due to the payment for share transfer to Zhongzhi Enterprise Group Co., Ltd. during the reporting period.
- Note (16): Non-current liabilities due within one year decreased compared with the beginning of the year mainly because the long-term borrowings due within one year were due for repayment during the reporting period.
- Note (17): Unallocated profit increased compared with the beginning of the year mainly due to the significant increase in results during the reporting period.
- Note (18): Minority interests increased compared with the beginning of the year mainly due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation during the reporting period compared with the same period last year, and at the same time, shareholders of that company increase the share capital proportionately.
- Note (19): Total operating income increased compared with the same period last year mainly due to the good sales condition of the principal business of textile machinery during the reporting period, and hence the sales amount, and the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation compared with the same period last year.
- Note (20): Operating cost increased compared with the same period last year mainly due to the good sales condition of the principal business of textile machinery during the reporting period, and hence the increase in sales amount.
- Note (21): Business taxes and levies increased compared with the same period last year mainly due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation during the reporting period compared with the same period last year.
- Note (22): Selling expenses increased compared with the same period last year mainly due to the good sales condition during the reporting period, sales income increased and hence selling expenses increased correspondingly.
- Note (23): Administrative expenses increased compared with the same period last year mainly due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation during the reporting period compared with the same period last year.
- Note (24): Financial expenses increased compared with the same period last year mainly due to the increase of borrowings compared with the same period last year.

## I. OPERATING RESULTS AND FINANCIAL ANALYSIS (continued)

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

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

Explanation for changes: (continued)

- Note (25): Asset impairment loss increased compared with the same period last year mainly due to the provision for impairment during the reporting period.
- Note (26): Gains from changes in fair values increased compared with the same period last year mainly due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation during the reporting period compared with the same period last year.
- Note (27): Investment gain increased compared with the same period last year mainly due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation during the reporting period compared with the same period last year, and the increase of investment gain from associated companies.
- Note (28): Non-operating income decreased compared with the same period last year mainly due to the decrease of government subsidies accounted for in gain and loss during the reporting period.
- Note (29): Non-operating expense increased compared with the same period last year mainly due to the loss of handing with intangible assets and the increase in external donations.
- Note (30): Income tax expenses increased compared with the same period last year mainly due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation during the reporting period compared with the same period last year.
- Note (31): Minority interests increased compared with the same period last year mainly due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation during the reporting period compared with the same period last year.
- Note (32): Net cash flows from operating activities increased compared with the same period last year mainly due to the better sales of products and increase of collection of goods payment during the year. Also, it was due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation compared with the same period last year.
- Note (33): Net cash flows from investing activities decreased compared with the same period last year mainly due to the payment for share transfer to Zhongzhi Enterprise Group Co., Ltd. during the period.
- Note (34): Net cash flows from financing activities decreased compared with the same period last year mainly due to the increase in repayment of borrowings during the reporting period.
- Note (35): Cash receipts from disposals of investments and cash payments to acquire investments increased compared with the same period last year due to the expansion of external investment business of Zhongrong International Trust Co., Ltd., and at the same time, net amount of cash inflows and outflows of short-term, highly liquid inter-bank bonds were presented according to the China Accounting Standards for Business Enterprises.

## II. OPERATIONS IN THE REPORTING PERIOD

### 1. Analysis of principal activities by industry or products

Unit: RMB'000

By industry or products	Total operating income	Operating cost	Profit margin (%)	Six months ended 30 June 2011		
				Increase/ (Decrease) in Operating income as compared with the corresponding period in the previous year (%)	Increase/ (Decrease) in Operating cost as compared with the corresponding period in the previous year (%)	Increase/ (Decrease) in profit margin as compared with the corresponding period in the previous year (%)
Textile machinery	3,306,773.98	2,814,106.35	14.90	53.18	46.32	Increased by 3.99 percentage points
Financial trust	1,418,958.76	504.00	99.96			Increased by 99.96 percentage points
Non-textile machinery industry	141,655.12	132,703.64	6.32	1682.17	1910.52	Decreased by 10.64 percentage points
Other business income	439,664.73	318,566.19	27.54	52.25	36.57	Increased by 8.32 percentage points
<b>Total</b>	<b>5,307,052.59</b>	<b>3,265,880.18</b>	<b>38.46</b>	<b>116.04</b>	<b>50.95</b>	<b>26.53</b>

## II. OPERATIONS IN THE REPORTING PERIOD (continued)

### 1. Analysis of principal activities by industry or products (continued)

Of which: during the reporting period, the amount of connected transactions regarding the sales of products and provision of services by the Group to the controlling shareholder and its subsidiaries was RMB225,627,000.

Orders for textile machinery business increased during the reporting period, sales income and profit increased significantly compared with the same period last year; the main reason for the structural change is the addition of Zhongrong International Trust Co., Ltd to the scope of consolidation during the reporting period compared with the same period last year.

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

Gross margin of the textile machinery business increased mainly due to the strengthening of cost control, the lowering of production cost and the raising of product price.

There were material changes in profit composition compared with the same period last year due to the addition of Zhongrong International Trust Co., Ltd. to the scope of consolidation during the reporting period.

### 2. Analysis of principal activities by regional sales

*Unit: RMB'000*

Region	Revenue from principal activities	Increase/(Decrease) in revenue from principal activities as compared with the corresponding period in the previous year (%)
Domestic sales	3,261,950	62.35
Overseas sales	186,479	17.62
Of which: Asia	179,681	14.39
Africa	338	100.00
Other key continents and regions	6,460	396.54
Total	<u>3,448,429</u>	<u>59.08</u>

## III. OPERATING PROBLEMS AND DIFFICULTIES

Concerning the textile machinery business, on one hand, the slowdown of the growth of the world economy and the political unrest in certain regions have interrupted the export of textile machinery enterprises; the continued appreciation of RMB has also imposed pressure on export; fluctuation in the price of raw materials such as cotton has added uncertainty to the cost of spinning; moreover, labour cost increased continuously, some regions have the problem of lacking electricity, which affected the profitability of textile enterprises. All these have increased textile enterprises' capital turnover pressure and operational risks, which resulted in adverse impact on the Company's textile machinery business. On the other hand, in order to cope with the current situation, textile enterprises must put more effort in reducing the consumption of raw materials and reducing spindle, raise the profit margin of products, accelerate the renewal and transformation of equipment, such that there will be structural changes in demand in the textile machinery market. High speed, high efficiency, energy-saving and environmental-friendly products have become the mainstream of market demand. The textile machinery industry is now facing an opportunity of reshuffling and eliminating those enterprises that lack behind. This again provides new opportunities for the Company's development.

Concerning the financial business, as the State's macroeconomic environment is in good condition, more and more people will have wealth management needs, and this will promote the continued development of the trust industry. In order to cope with the high inflation, the State would inevitably maintain a tightened monetary policy, and this will create a good development environment for the trust industry. However, at the same time, the regulatory policies of the State are becoming more and more stringent, and the requirements upon the trust industry is ever-rising. In particular, policies related to net capital management would also affect the development of the Company's trust business.

Therefore, in the second half of 2011, the Company must clearly understand the market condition, put more effort in market expansion, and accelerate technological innovation and structural adjustment. At the same time, we shall open up new market with diversified approach and actively prepare for the market changes.

## Chapter V Significant Events

### I. CORPORATE GOVERNANCE

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

### II. THE BOARD OF DIRECTORS OF THE COMPANY HAS RESOLVED NOT TO PAY ANY INTERIM DIVIDEND FOR THE SIX MONTHS ENDED 30 JUNE 2011 AND NO SURPLUS RESERVES WOULD BE CAPITALISED.

### III. IMPLEMENTATION OF PROFIT APPROPRIATION PROPOSAL FOR THE PREVIOUS YEAR

In the 2010 Annual General Meeting convened by the Company on 14 June 2011, the 2010 profit distribution plan was approved. This profit distribution plan was implemented on 29 July 2011.

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

### V. ACQUISITION AND DISPOSAL OF ASSETS DURING THE REPORTING PERIOD

#### 1. Acquisition of Assets

Unit: RMB '000

Counterparty of the transaction or ultimate controller	Assets acquired or added	Date of acquisition	Price of transaction	Net profit	Net profit	Whether it was a connected transaction	Pricing basis	Whether all rights of the assets were completely transferred	Whether all rights and obligations were completely transferred	Connected relationship with counterparty (applicable to connected transactions)
				attributable to the Company from the date of acquisition to the end of the reporting period (applicable to combination of enterprises not under the same controller)	attributable to the Company from the beginning of the year to the end of the reporting period (applicable to combination of enterprises under the same controller)					
Jingwei Machinery (Group) Company Limited	Jinzhong Jingwei Fiber Company Limited	27 June 2011	18,810	0	-	No	Appraised value	Yes	Yes	-

#### 2. Disposal of assets

The Company announced on 29 June 2011 matters related to the disposal of its subsidiary, Yichang Hengtian Development Properties Company Limited. This disposal was not completed during the reporting period. The relevant details have been set out in the announcement of the Company published on the websites of cninfo (www.cninfo.com.cn) and the Stock Exchange (www.hkex.com.hk) on 29 June 2011 and in the Securities Times and the website of the Company (www.jwgf.com) on 30 June.

## VI. RELATED TRANSACTIONS

### 1. Continuing connected transactions arising from 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 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 at the 2010 First Extraordinary General Meeting. Pursuant to the new Composite Services Agreement, all continuing connected transactions shall be conducted on normal commercial terms, and prices payable or receivable by the Company shall be determined on the following basis:

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

The relevant details have been set out in the announcements of the Company published on Securities Times, the websites of cninfo (<http://www.cninfo.com.cn>) and the website of the Company ([www.jwgf.com](http://www.jwgf.com)) on 27 September 2010 and the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 21 September 2010.

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

*Unit: RMB'000*

<b>Connected parties</b>	<b>Sales of goods and provision of services to the connected parties</b>		<b>Purchases of goods and services from the connected parties</b>	
	<i>Transaction Amount</i>	<i>Proportion to transaction amount of same type of transaction</i>	<i>Transaction Amount</i>	<i>Proportion to transaction amount of same type of transaction</i>
Companies controlled by the same parent company	224.38	0.10%	8,636.70	3.49%
Companies controlled by the ultimate parent company	56,124.11	24.87%	212,772.38	85.88%
Associated companies of the Group	<u>169,278.66</u>	<u>75.03%</u>	<u>26,337.21</u>	<u>10.63%</u>
<b>Total</b>	<u><u>225,627.15</u></u>	<u><u>100.00%</u></u>	<u><u>247,746.29</u></u>	<u><u>100.00%</u></u>

Of which: An aggregated connected transaction amount of RMB223,726,810 was incurred from the sales of finished goods, raw materials and accessories to companies controlled by the same parent company and companies controlled by the ultimate parent company and the collection of processing fee from them.





**VI. RELATED TRANSACTIONS (continued)**

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

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

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

Such transactions were conducted in the ordinary course of the Company's operations and the related parties had many years of business cooperation with the Company and good match of production and processing capacity, which ensured the orderly and smooth operations of the Company. Such transactions warranted their necessity and continuity in the Company's operations. The connected transactions did not affect the Company's independence.

**2. There was no connected transaction of the nature of acquisition and disposal of place during the reporting period.**

**VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE**

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

**2. Material Guarantees**

*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	20 October 2010 No. 2010-42	150,000	21 October 2010	150,000	Joint liability	21 October 2010- 20 October 2011	No	No
Total external guaranteed amount approved during the reporting period (A1)			0		Total actual external guaranteed amount during the reporting period (A2)			0
Total external guaranteed amount approved at the end of the reporting period (A3)			150000		Balance of total actual guaranteed amount at the end of the reporting period (A4)			150,000

**VII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (continued)**
**2. Material Guarantees (continued)**
*Unit: RMB'000*

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
Tianjin Hongda Textile Machinery Company Limited	26/1/2011 No. 2011-4	20,000	26/1/2011	20,000	Joint liability	26/1/2011-24/1/2012	No	No
Yichang Jingwei Textile Machinery Company Limited	26/5/2011 No. 2011-20	45,000	26/5/2011	45,000	Joint liability	26/5/2011-25/5/2012	No	No
Changde Textile Machinery Company Limited	26/5/2011 No. 2011-20	30,000	26/5/2011	30,000	Joint liability	26/5/2011-25/5/2012	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)			95,000	Total actual guaranteed amount to subsidiaries during the reporting period (B2)			95,000	
Balance of total approved amount guaranteed to subsidiaries as at the end of the reporting period (B3)			180,000	Balance of total actual guaranteed amount to subsidiaries as at the end of the reporting period (B4)			180,000	
Total guarantee provided by the Company (The total of the above two parts)								
Total guaranteed amount approved during the reporting period (A1 + B1)			95,000	Total actual guaranteed amount during the reporting period (A2 + B2)			95,000	
Total guaranteed amount approved at the end of the reporting period (A3 + B3)			330,000	Balance of total actual guaranteed amount at the end of the reporting period (A4 + B4)			330,000	
Ratio of total actual guaranteed amount (A4 + B4) to the net asset of the Company							9.97%	
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	

**3. Entrustment on fund management**

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

### VIII. SECURITIES INVESTMENT

Serial no.	Securities type	Securities code	Securities short code	Initial investment Amount (RMB)	Amount held at the end of the period (share)	Carrying value at the end of the period (RMB)	Percentage of the total securities investment at the end of the period (%)	Profit or loss for the period (RMB)
1	Stock	600000	SPD Bank	72,151,873.20	6,729,250.00	66,215,820.00	12.09	-5,936,053.20
2	Stock	000157	Zoomlion	50,118,484.63	3,450,512.00	53,068,874.56	9.69	2,950,389.93
3	Stock	000059	Liaotong Chemicals	36,361,638.99	2,768,860.00	37,601,118.80	6.87	1,239,479.81
4	Stock	000937	Jizhong Energy	32,572,608.56	1,417,400.00	35,931,090.00	6.56	3,358,481.44
5	Stock	600516	Fangda Carbon	30,103,414.07	2,089,269.00	27,432,101.97	5.01	-2,671,312.10
6	Stock	600058	Minmetals	24,137,129.24	672,600.00	23,056,728.00	4.21	-1,080,401.24
7	Stock	600188	Yanzhou Coal	20,981,485.01	655,800.00	21,438,102.00	3.92	456,616.99
8	Bond	09204	Mianyang commercial debt	31,228,350.00	30,000,000.00	31,228,350.00	5.70	-
9	Bond	1181295	Bond (11Ten DaCP01)	50,000,000.00	50,000,000.00	50,000,000.00	9.13	-
10	Bond	1181296	Bond (11 Xin Nong Zi CP01)	50,000,000.00	50,000,000.00	50,000,000.00	9.13	-
11	Stock		Other stocks	162,100,602.56		151,606,135.94	27.69	-12,346,438.21
<b>Other securities investment held at the end of the period</b>						-		
<b>Investment gain or loss on securities sold during the reporting period</b>				-	-	-	-	
<b>Total</b>				559,755,586.26	-	547,578,321.27	100%	-14,029,236.58

- Notes: 1. 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 took part in the subscription of part of the new share issue.
2. The above securities investments include the securities investments business of the Company's subsidiary – Zhongrong International Trust Co., Ltd..

### IX. EQUITY INTERESTS IN OTHER LISTED COMPANIES HELD

Stock code	Securities abbreviation	Initial investment amount (RMB)	As a percentage of the equity interest of that company	Face value at the end of the period (RMB)	Profit or loss during the reporting period	Change in shareholders' equity during the reporting period (RMB)	Accounting item	Source of shares
600470	Liuguo Chemical	155,850,000	4.60%	240,000,000		31,950,000	Available-for-sale financial assets	Private Placing
600971	Hengyuan Coal Electricity	324,000,000	2.05%	363,240,000		-78,300,000	Available-for-sale financial assets	Private Placing
<b>Total</b>		479,850,000		603,240,000		-46,350,000		

**X. 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	-61,800,000.00	
Less: Impact on income tax arising from available-for-sale financial assets	-15,450,000.00	
Sub-total	-46,350,000.00	
2. Share of other comprehensive income of the investee determined by equity accounting		
Sub-total		
3. Profit (or loss) generated from cash flow hedging instrument		
Sub-total		
4. Foreign currency translation differences	-89,828.02	-26,880.74
Sub-total	-89,828.02	-26,880.74
5. Other items		
Sub-total		
Total	<u>-46,439,828.02</u>	<u>-26,880.74</u>

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

Commitment	Promisee	Content	Performance status
Commitment on share segregation reform	Controlling shareholder – CPMC Group	CPMC Group undertakes not to trade or transfer its floating A 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 be no less than RMB7 per Share (subject to such adjustment as may be made in connection with declaration of dividend, distribution or re-allocation of capital reserve fund to share capital).	Not yet implemented

**XII. PURCHASE, SALE AND REDEMPTION OF SHARES**

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

**XIII. CODE ON CORPORATE GOVERNANCE PRACTICES**

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

### **XIII. CODE ON CORPORATE GOVERNANCE PRACTICES (continued)**

Due to the change of directors resulted from the change of session of the Board on 15 August 2010, there were only 2 members of the Audit Committee on 14 June 2011. Neither of these members possesses the professional qualification or experience as required under Rule 3.10(2) of the Listing Rules, though one of them has experience in financial management. The Audit Committee constituted as mentioned, accordingly, is not in strict compliance with Rule 3.21 of the Listing Rules. Steps were taken by the Board such that an independent non-executive Director with the appropriate qualification to comply with requirements under the said Rule 3.10(2) was appointed of the general meeting held on 14 June 2011. During the reporting period, the Company fully complied with the Code Provisions of Codes on Corporate Governance in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

### **XIV. THERE WERE NO RECEPTION ACTIVITIES IN RESPECT OF RESEARCH, COMMUNICATION, INTERVIEWS AND OTHER ACTIVITIES DURING THE REPORTING PERIOD**

### **XV. AUDIT COMMITTEE**

The Audit Committee of the Board of the Company has, together with the management, reviewed the accounting principles, accounting standards and methods adopted by the Group, and has discussed about issues regarding auditing, internal controls and financial reporting including review of the unaudited interim accounts of the Group for the six months ended 30 June 2011.

### **XVI. ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

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

### **XVII. SPECIFIC STATEMENTS BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON APPROPRIATION OF FUNDS BY RELATED PARTIES AND CONTROLLING SHAREHOLDERS AND EXTERNAL GUARANTEES OF THE COMPANY:**

Pursuant to the requirements set out in the Notice Concerning Certain Issues on Regulating the Funds between Listed Companies and Related Parties and Provision of External Guarantees by Listed Companies (《關於規範上市公司與關聯方資金往來及上市公司對外擔保若干問題的通知》) (Zheng Jian Fa [2003] No. 56), the Notice concerning the Regulation of Provision of External Guarantees by Listed Companies (《關於規範上市公司對外擔保行為的通知》) (Zheng Jian Fa [2005] No. 120) and the Notice on the Preparation of 2011 Interim Reports of Listed Companies (《上市公司2011年半年度報告工作的通知》) (Shen Zheng Shang [2011] No.193 issued by the Shenzhen Stock Exchange, we, as independent non-executive Directors of the Company and being accountable to the Company, all the shareholders and investors, conducted a detailed review on the appropriation of funds by controlling shareholder and related parties and the external guarantees of the Company and issued the following specific statements and independent opinions:

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

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

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

Disclosure on guarantee position as made in the 2011 Interim Report of the Company is correct. There was no non-compliant guarantee. The decision-making process regarding the giving of guarantees by the Company was in compliance with the requirements of laws, rules and regulations and the articles of association of the Company. Such decision did not compromise the interests of the Company and shareholders of the Company, particularly the medium and minority shareholders.

#### XVIII. ACCOUNTING FIRMS ENGAGED BY THE COMPANY IN 2011

It was considered and approved by shareholders of the Company at the 2010 annual general meeting of the Company held on 14 June 2011 to re-appoint UHY Vocation HK CPA Limited (Hong Kong Certified Public Accountants), and Vocation International Certified Public Accountants Co., Ltd. (the PRC Certified Public Accountants), as the international and PRC auditors respectively for the year ending 31 December 2011.

#### XIX. INDEX OF MAJOR ANNOUNCEMENTS DURING THE REPORTING PERIOD

Item	Published on	Publishing date
Estimated Results Announcement	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	17 January 2011 18 January 2011
Announcement in relation to the financial information of subsidiary Zhongrong International Trust Co., Ltd	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	18 January 2011 19 January 2011
Announcement in relation the resolutions passed at the Extraordinary Meeting of the sixth session of the Board of Directors	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	26 January 2011 27 January 2011
Announcement in relation to the provision of guarantee to subsidiary	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	26 January 2011 27 January 2011
Announcement in relation to the resolutions passed at the sixth meeting of the sixth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	14 March 2011 15 March 2011
Announcement in relation to the resolutions passed at the fifth meeting of the sixth session of the Supervisory Committee	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	14 March 2011 15 March 2011
2010 Annual Report	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	14 March 2011 15 March 2011
Announcement in relation to the completion of business registration changes of the capital increased subsidiary – Zhongrong International Trust Co., Ltd	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	21 March 2011 22 March 2011
2011 First Quarterly Results	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	7 April 2011 8 April 2011
2011 First Quarterly Report	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	20 April 2011 21 April 2011
Announcement in relation to the resolutions passed at the eighth meeting of the sixth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	21 April 2011 22 April 2011

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

<b>Item</b>	<b>Published on</b>	<b>Publishing date</b>
Feasibility study on private offering of A-shares fund raising project	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	21 April 2011 22 April 2011
Proposal of private offering of A-shares	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	21 April 2011 22 April 2011
Notice on 2010 general meeting, class meeting for holders of A-shares and class meeting for holder of H-shares	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	21 April 2011 22 April 2011
Announcement in relation to the resolutions passed at the extraordinary meeting of the sixth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	28 April 2011 29 April 2011
Announcement in relation to the resolutions passed at the extraordinary meeting of the sixth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	26 May 2011 27 May 2011
Announcement in relation to external guarantee	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	26 May 2011 27 May 2011
Announcement in relation to the resolutions passed at the 2010 Annual General Meeting, Class Meeting for Holders of A Shares and Class Meeting for Holders of H Shares	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	14 June 2011 15 June 2011
Announcement in relation to the resolutions passed at the ninth meeting of the sixth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	14 June 2011 15 June 2011
Indicative announcement in relation to the latest progress of the non-public issue of shares	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	14 June 2011 15 June 2011
Announcement in relation to the resolutions passed at the extraordinary meeting of the sixth session of the Board	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	29 June 2011 30 June 2011
Announcement in relation to the disposal of assets and connected transaction	Cninfo.com.cn, website of the Stock Exchange, Securities Times and the website of the Company	29 June 2011 30 June 2011

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

**Balance Sheet**  
30 June 2011  
*Monetary unit: RMB yuan*

Items	Note	CONSOLIDATED BALANCE SHEET		BALANCE SHEET	
		30 June 2011	1 Jan 2011	30 June 2011	1 Jan 2011
<b>Current assets:</b>					
Currency funds	VI.1	2,389,624,232.99	2,415,614,051.14	761,366,105.94	1,091,932,650.31
Reserve for settlement					
Deposits with banks and other financial institutions					
Held-for-trading financial assets	VI.2	547,578,321.27	84,349,920.20	1,218,024.59	1,035,746.81
Bills receivable	VI.3	2,305,391,508.26	2,099,738,841.61	1,690,914,765.00	1,325,063,794.51
Dividend receivables				146,511,319.00	172,561,319.00
Accounts receivable	VI.4/IX.1	526,502,526.19	421,064,521.45	374,755,260.14	303,923,013.12
Prepayments	VI.6	401,591,521.89	429,722,491.71	427,844,729.55	462,816,120.23
Interest receivables	VI.7		3,637,500.00		
Other receivables	VI.5/IX.2	221,500,123.54	276,916,871.10	506,164,123.01	534,282,451.34
Reserve repurchase agreements	VI.8		24,000,000.00		
Inventories	VI.9	1,558,885,283.67	1,161,955,806.98	300,979,865.63	247,849,726.21
Non-current assets due within one year	VI.10	57,522,164.21	63,809,963.95	50,760,001.55	55,651,801.29
Other current assets	VI.11	29,500,000.00	19,070,000.00		
<b>Total current assets</b>		<b>8,038,095,682.02</b>	<b>6,999,879,968.14</b>	<b>4,260,514,194.41</b>	<b>4,195,116,622.82</b>
<b>Non-current assets:</b>					
Loans and advances	VI.12	450,000,000.00			
Available-for-sale financial assets	VI.13	802,169,347.83	954,209,347.83		
Long-term receivables	VI.14	51,375,065.23	62,039,867.83	196,187,690.79	200,035,493.39
Long-term equity investments	VI.15/IX.3	327,406,824.30	304,589,878.71	2,536,597,728.74	2,393,067,627.31
Fixed assets	VI.16	1,449,463,763.34	1,443,463,114.30	321,438,255.67	325,408,766.83
Construction in progress	VI.17	301,742,058.12	225,737,563.46	9,622,135.37	3,241,677.58
Construction materials		27,353,974.16	1,204,820.00	7,179,327.20	1,204,820.00
Intangible assets	VI.18	470,474,769.59	472,953,676.03	78,123,167.06	79,642,957.72
Goodwill	VI.19	846,008,951.90	843,156,675.16		
Long-term amortization expenses	VI.20	7,476,649.76	9,225,429.21		
Deferred income tax assets	VI.21	35,856,157.84	23,998,702.36		
<b>Total non-current assets</b>		<b>4,769,327,562.07</b>	<b>4,340,579,074.89</b>	<b>3,149,148,304.83</b>	<b>3,002,601,342.83</b>
<b>Total assets</b>		<b>12,807,423,244.09</b>	<b>11,340,459,043.03</b>	<b>7,409,662,499.24</b>	<b>7,197,717,965.65</b>

Legal representative:  
**Yao Yuming**

Person-in-charge of accounting function:  
**Mao Faqing**

Person in charge of accounting department:  
**Wang Guofeng**



**Balance Sheet (continued)**

30 June 2011

Monetary unit: RMB yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	CONSOLIDATED BALANCE SHEET		BALANCE SHEET	
		30 June 2011	1 Jan 2011	30 June 2011	1 Jan 2011
<b>Current liabilities:</b>					
Short-term borrowings	VI.23	1,510,515,412.91	929,296,030.62	1,461,935,412.91	827,425,550.62
Advances from banks and other financial institutions		31,500,000.00			
Bills payable	VI.24	238,928,857.98	225,171,544.61	160,136,813.21	221,918,655.91
Accounts payable	VI.25	2,566,875,409.64	2,170,306,895.68	1,606,139,090.48	1,323,427,336.94
Advance receipts	VI.26	1,141,314,905.03	900,026,132.89	759,738,231.90	586,142,441.19
Employee wages payable	VI.27	640,625,538.69	358,613,366.48	30,050,036.53	34,103,620.60
Taxes payable	VI.28	184,556,026.57	243,742,227.00	19,145,639.41	19,533,769.08
Interest payable	VI.29	1,840,520.55	370,520.55		
Dividend payables	VI.30	44,414,734.50	2,149,115.58	42,268,554.50	2,935.58
Other payables	VI.31	437,154,846.97	925,428,565.13	240,810,311.90	713,378,200.17
Non-current liabilities due within one year	VI.32	246,838,350.55	553,000,238.23	246,274,876.38	550,371,676.12
<b>Total current liabilities</b>		<b>7,044,564,603.39</b>	<b>6,308,104,636.77</b>	<b>4,566,498,967.22</b>	<b>4,276,304,186.21</b>
<b>Non-current liabilities:</b>					
Long-term borrowings	VI.33	160,000,000.00	218,370,000.00	160,000,000.00	218,370,000.00
Bonds payable	VI.34	60,000,000.00	60,000,000.00		
Long-term payables	VI.35	235,038,286.62	247,966,078.34	185,208,356.17	199,454,343.44
Special items payable	VI.36	145,122,724.97	129,843,370.10	141,534,244.97	129,173,370.10
Other non-current liabilities	VI.37	62,459,121.87	57,659,705.61	21,316,385.98	19,116,385.98
<b>Total non-current liabilities</b>		<b>662,620,133.46</b>	<b>713,839,154.05</b>	<b>508,058,987.12</b>	<b>566,114,099.52</b>
<b>Total liabilities</b>		<b>7,707,184,736.85</b>	<b>7,021,943,790.82</b>	<b>5,074,557,954.34</b>	<b>4,842,418,285.73</b>
Equity holders' equity (or shareholders' equity):					
Paid-up capital (share capital)	VI.38	603,800,000.00	603,800,000.00	603,800,000.00	603,800,000.00
Capital reserves	VI.39	1,290,323,803.73	1,307,009,803.73	1,244,915,055.54	1,244,915,055.54
Surplus reserves	VI.40	602,607,325.16	602,607,325.16	368,119,180.61	368,119,180.61
Provision for ordinary risks	VI.41	7,714,836.62	7,714,836.62		
Unappropriated profit	VI.42	809,298,007.17	546,021,613.11	118,270,308.75	138,465,443.77
Exchange difference in foreign currency statements		-3,122,136.35	-3,032,308.33		
<b>Total equity attributable to equity holders of parent company</b>		<b>3,310,621,836.33</b>	<b>3,064,121,270.29</b>	<b>2,335,104,544.90</b>	<b>2,355,299,679.92</b>
Minority interests		1,789,616,670.91	1,254,393,981.92		
<b>Total equity holders' equity</b>		<b>5,100,238,507.24</b>	<b>4,318,515,252.21</b>	<b>2,335,104,544.90</b>	<b>2,355,299,679.92</b>
<b>Total liabilities and equity holders' equity</b>		<b>12,807,423,244.09</b>	<b>11,340,459,043.03</b>	<b>7,409,662,499.24</b>	<b>7,197,717,965.65</b>

 Legal representative:  
**Yao Yuming**

 Person-in-charge of accounting function:  
**Mao Faqing**

 Person in charge of accounting department:  
**Wang Guofeng**



**Income Statement**  
Jan-Jun 2011  
Monetary unit: RMB yuan

Items	Note	CONSOLIDATED INCOME STATEMENT		INCOME STATEMENT	
		Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010
<b>1. Total operating income</b>		5,307,052,593.67	2,456,484,361.31	2,569,224,542.93	1,647,207,764.90
of which: Operating income	VI.43/IX.4	3,888,093,834.30	2,456,484,361.31	2,569,224,542.93	1,647,207,764.90
Interest income	VI.45	23,024,858.26			
Fee and commission income	VI.46	1,395,933,901.11			
<b>2. Total operating costs</b>		4,477,705,821.00	2,444,145,779.30	2,555,349,295.21	1,653,908,797.84
of which: Operating costs	VI.44	3,265,376,175.83	2,163,497,631.96	2,409,269,246.07	1,562,390,883.51
Interest expenses	VI.45	504,000.00			
Sales taxes and levies	VI.47	99,147,572.43	5,738,146.60	4,053,545.58	542,990.84
Selling and distribution expenses	VI.48	74,731,296.56	55,688,764.18	30,651,983.35	23,291,810.86
Administrative expenses	VI.49	987,944,525.55	202,926,654.87	81,852,352.52	59,679,238.97
Financial expenses	VI.50	40,328,785.01	20,192,034.16	30,092,013.07	10,236,155.61
Impairment loss in respect of assets	VI.53	9,673,465.62	-3,897,452.47	-569,845.38	-2,232,281.95
Add: Gains from changes in fair values (losses are represented by “-”)	VI.51	-14,029,236.58		-80,472.22	
Investment income	VI.52/IX.5	45,305,038.10	5,324,299.50	6,740,789.67	2,837,675.02
of which: Income from investment in associates and jointly controlled entities		7,916,945.59	2,932,914.72	6,720,101.43	2,599,425.51
<b>3. Operating profit (losses are represented by “-”)</b>		860,622,574.19	17,662,881.51	20,535,565.17	-3,863,357.92
Add: Non-operating income	VI.54	7,762,186.60	20,710,652.66	2,117,500.95	7,405,790.20
Less: Non-operating expenses	VI.55	3,803,289.49	2,454,404.60	564,951.14	1,180,782.87
Including: Loss from disposal of non-current assets		2,036,872.26	1,726,251.45	495,245.48	1,027,851.92
<b>4. Total profit (Total losses are represented by “-”)</b>		864,581,471.30	35,919,129.57	22,088,114.98	2,361,649.41
Less: Income tax expenses	VI.56	201,484,318.44	5,466,607.31	17,250.00	15,985.00
<b>5. Net profit (losses are represented by “-”)</b>		663,097,152.86	30,452,522.26	22,070,864.98	2,345,664.41
Net profit attributable to shareholders of the parents		305,542,394.06	29,189,636.93	22,070,864.98	2,345,664.41
* Minority interests		357,554,758.80	1,262,885.33		
<b>6. Earnings per share</b>					
(I) Basic earnings per share	VI.57	0.51	0.05		
(II) Diluted earnings per share		0.51	0.05		

Legal representative:  
**Yao Yuming**

Person-in-charge of accounting function:  
**Mao Faqing**

Person in charge of accounting department:  
**Wang Guofeng**

**Cash Flow Statements**  
Jan – Jun 2011  
*Monetary unit: RMB yuan*

Items	CONSOLIDATED CASH FLOW STATEMENT		CASH FLOW STATEMENT	
	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010
<b>1. Cash flow from operating activities:</b>				
Cash receipts from sale of goods and the rendering of services	4,414,893,098.74	2,181,506,424.11	2,691,000,874.08	866,270,338.47
Interest, fee and commission received	2,593,328,759.37			
Receipts of tax refunds	13,062,661.75	10,727,387.55	10,360,874.87	3,051,409.83
Other cash receipts relating to operating activities	1,037,438,311.64	131,910,688.57	195,154,793.32	131,669,068.92
<b>Sub-total of cash inflows from operating activities</b>	<b>8,058,722,831.50</b>	<b>2,324,144,500.23</b>	<b>2,896,516,542.27</b>	<b>1,000,990,817.22</b>
Cash payments for goods purchased and services received	3,745,841,548.51	1,877,271,582.77	2,555,230,901.97	1,042,905,752.62
Net increase on loans and advances to customers	1,619,000,000.00			
Cash payments to and on behalf of employees	497,582,508.05	243,609,444.05	81,937,569.04	58,775,752.99
Payments of all types of taxes	498,745,242.83	155,436,341.28	25,351,606.92	45,349,221.20
Other cash payments relating to operating activities	897,707,140.13	115,682,142.04	166,035,505.50	119,626,741.20
<b>Sub-total of cash outflows from operating activities</b>	<b>7,258,876,439.52</b>	<b>2,391,999,510.14</b>	<b>2,828,555,583.43</b>	<b>1,266,657,468.01</b>
<b>Net cash flows from operating activities</b>	<b>799,846,391.98</b>	<b>-67,855,009.91</b>	<b>67,960,958.84</b>	<b>-265,666,650.79</b>
<b>2. Cash flows from investing activities</b>				
Cash receipts from disposals of investments	933,529,310.97	9,096,018.00	20,164,000.00	1,553,485.00
Cash receipts from returns on investments	50,223,139.63	2,528,646.40	25,029,890.17	238,249.51
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets	1,310,611.30	3,445,854.79	296,563.29	1,365,660.79
Other cash receipts relating to investing activities	20,048,102.04			100,644,826.99
<b>Sub-total of cash inflows from investing activities</b>	<b>1,005,111,163.94</b>	<b>15,070,519.19</b>	<b>45,490,453.46</b>	<b>103,802,222.29</b>
Cash payments to acquire fixed assets, intangible assets and other long-term assets	126,527,229.57	41,127,408.37	17,093,847.68	3,865,793.98
Cash payments to acquire investments	1,978,376,407.83	109,042,094.09	623,640,750.00	257,545,855.00
Other cash payments relating to investing activities	494,984.85			91,571,809.00
<b>Sub-total of cash outflows from investing activities</b>	<b>2,105,398,622.25</b>	<b>150,169,502.46</b>	<b>640,734,597.68</b>	<b>352,983,457.98</b>
<b>Net cash flows from investing activities</b>	<b>-1,100,287,458.31</b>	<b>-135,098,983.27</b>	<b>-595,244,144.22</b>	<b>-249,181,235.69</b>



## Cash Flow Statements (continued)

Items	CONSOLIDATED CASH FLOW STATEMENT		CASH FLOW STATEMENT	
	Jan-Jun 2011	Jan-Jun 2010	Jan-Jun 2011	Jan-Jun 2010
<b>3. Cash flows from financing activities</b>				
Receipt of cash investment	192,000,000.00	68,724,000.00		
of which: Capital injections to subsidiaries from non-controlling interests	192,000,000.00	68,724,000.00		
Cash receipts from borrowings	1,932,824,381.82	789,769,341.88	1,083,324,381.82	735,769,341.88
Other cash receipts relating to financing activities	373,612,301.15		489,291,715.45	
<b>Sub-total of cash inflows from financing activities</b>	<b>2,498,436,682.97</b>	<b>858,493,341.88</b>	<b>1,572,616,097.27</b>	<b>735,769,341.88</b>
Cash repayments of amounts borrowed	1,674,684,389.52	376,975,000.00	801,099,576.26	366,975,000.00
Cash payments for distribution of dividends, profits or interest expenses	38,862,938.27	31,646,329.04	36,270,050.70	30,071,914.04
Other cash payments relating to financing activities	538,529,829.30	17,124,340.56	538,529,829.30	17,124,340.56
<b>Sub-total of cash outflows from financing activities</b>	<b>2,252,077,157.09</b>	<b>425,745,669.60</b>	<b>1,375,899,456.26</b>	<b>414,171,254.60</b>
<b>Net cash flows from financing activities</b>	<b>246,359,525.88</b>	<b>432,747,672.28</b>	<b>196,716,641.01</b>	<b>321,598,087.28</b>
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>-276,188.38</b>	<b>8,307.61</b>		
<b>5. Net increase in cash and cash equivalents</b>	<b>-54,357,728.83</b>	<b>229,801,986.71</b>	<b>-330,566,544.37</b>	<b>-193,249,799.20</b>
Add: Opening balance of cash and cash equivalents	2,350,591,630.16	1,207,372,241.74	1,091,932,650.31	1,024,391,879.25
<b>6. Closing balance of cash and cash equivalents</b>	<b><u>2,296,233,901.33</u></b>	<b><u>1,437,174,228.45</u></b>	<b><u>761,366,105.94</u></b>	<b><u>831,142,080.05</u></b>

Legal representative:  
**Yao Yuming**

Person-in-charge of accounting function:  
**Mao Faqing**

Person in charge of accounting department:  
**Wang Guofeng**



**Consolidated Statement of Changes in Shareholders' Equity**  
Half year ended 30 June 2011  
Unit: RMB

Items	Amount of the period							Shareholders' equity
	Share capital	Capital reserve	Owner's equity attributable to the Parent			Others	Minority interests	
			Surplus reserve	Risk Preparation	Unallocated profit			
I. 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
Add: Change in accounting policies	-	-	-	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-	-	-	-
II. Balance at 1 January 2011	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
III. Increase or decrease for this period (Decrease is represented by "-")	-	-16,686,000.00	-	-	263,276,394.06	-89,828.02	535,222,688.99	781,723,255.03
(I) Net profit	-	-	-	-	305,542,394.06	-	357,554,758.80	663,097,152.86
(II) Other comprehensive income	-	-16,686,000.00	-	-	-	-89,828.02	-29,664,000.00	-46,439,828.02
Sub-total of (I) and (II)	-	-16,686,000.00	-	-	305,542,394.06	-89,828.02	327,890,758.80	616,657,324.84
(III) Capital injected and reduced by the owner	-	-	-	-	-	-	207,331,930.19	207,331,930.19
1. Capital injected by the owner	-	-	-	-	-	-	192,000,000.00	192,000,000.00
2. Settlement by shares taken to Shareholders' equity	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	15,331,930.19	15,331,930.19
(IV) Profit appropriation	-	-	-	-	42,266,000.00	-	-	42,266,000.00
1. Withdrawal from surplus reserve	-	-	-	-	-	-	-	-
2. Withdrawal from risk preparation	-	-	-	-	-	-	-	-
3. Allocation to owner (or shareholder)	-	-	-	-	42,266,000.00	-	-	42,266,000.00
4. Others	-	-	-	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(VI) Withdrawal and use of special reserve	-	-	-	-	-	-	-	-
1. Withdrawal during the period	-	-	-	-	-	-	-	-
2. Use during the period	-	-	-	-	-	-	-	-
(VII) Others	-	-	-	-	-	-	-	-
IV. Balance at the end of the year	603,800,000.00	1,290,323,803.73	602,607,325.16	7,714,836.62	809,298,007.17	-3,122,136.35	1,789,616,670.91	5,100,238,507.24

Legal representative:  
**Yao Yuming**

Person-in-charge of accounting function:  
**Mao Faqing**

Person in charge of accounting department:  
**Wang Guofeng**



**Consolidated Statement of Changes in Shareholders' Equity**  
Half year ended 30 June 2011  
Unit: RMB

Items	Amount of the year							Shareholders' equity
	Share capital	Capital reserve	Surplus reserve	Risk Preparation	Unallocated profit	Others	Minority interests	
<b>I. Balance at 31 December 2009</b>	603,800,000.00	1,244,377,317.17	574,533,957.37		337,092,967.43	-2,886,355.10	165,973,417.55	2,922,891,304.42
Add: Change in accounting policies	-	-	-	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-	-	-	-
<b>II. Balance at 1 January 2010</b>	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
<b>III. Increase or decrease for this period</b> (Decrease is represented by "-")	-	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
Sub-total of (I) and (II)	-	58,217,807.26	-	-	244,716,850.09	-145,953.23	368,915,728.73	671,704,432.85
(III) Capital injected and reduced by the owner	-	4,414,679.30	-	-	-	-	722,104,835.64	726,519,514.94
1. Capital injected by the owner	-	-	-	-	-	-	166,720,000.00	166,720,000.00
2. Settlement by shares taken to Shareholders' equity	-	-	-	-	-	-	-	-
3. Others	-	4,414,679.30	-	-	-	-	555,384,835.64	559,799,514.94
(IV) Profit appropriation	-	-	28,073,367.79	7,714,836.62	-35,788,204.41	-	-2,600,000.00	-2,600,000.00
1. Withdrawal from surplus reserve	-	-	28,073,367.79	-	-28,073,367.79	-	-	-
2. Withdrawal from risk preparation	-	-	-	7,714,836.62	-7,714,836.62	-	-	-
3. Allocation to owner (or shareholder)	-	-	-	-	-	-	-2,600,000.00	-2,600,000.00
4. Others	-	-	-	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(VI) Withdrawal and use of special reserve	-	-	-	-	-	-	-	-
1. Withdrawal during the period	-	-	-	-	-	-	-	-
2. Use during the period	-	-	-	-	-	-	-	-
(VII) Others	-	-	-	-	-	-	-	-
<b>IV. Balance at the end of the year</b>	<u>603,800,000.00</u>	<u>1,307,009,803.73</u>	<u>602,607,325.16</u>	<u>7,714,836.62</u>	<u>546,021,613.11</u>	<u>-3,032,308.33</u>	<u>1,254,393,981.92</u>	<u>4,318,515,252.21</u>

Legal representative:  
**Yao Yuming**

Person-in-charge of accounting function:  
**Mao Faqing**

Person in charge of accounting department:  
**Wang Guofeng**



## Company Statement of Changes in Shareholders' Equity

Half year ended 30 June 2011

Unit: RMB

Items	Amount for the period					Shareholder's equity in total
	Share capital	Capital reserve	Surplus reserve	Unallocated profit		
<b>I. Balance at 31 December 2010</b>	603,800,000.00	1,244,915,055.54	368,119,180.61	138,465,443.77		2,355,299,679.92
Add: Change in accounting policies	-	-	-	-		-
Correction of mistakes for previous periods	-	-	-	-		-
<b>II. Balance at 1 January 2011</b>	603,800,000.00	1,244,915,055.54	368,119,180.61	138,465,443.77		2,355,299,679.92
<b>III. Increase or decrease for this period</b> (Decrease is represented by "-")						
(I) Net profit				22,070,864.98		22,070,864.98
(II) Other comprehensive income	-	-	-	-		-
Sub-total of (I) and (II)	-	-	-	22,070,864.98		22,070,864.98
(III) Capital injected and reduced by the owner	-	-	-	-		-
1. Capital injected by the owner	-	-	-	-		-
2. Settlement by shares taken to Shareholders' equity	-	-	-	-		-
3. Others	-	-	-	-		-
(IV) Profit appropriation	-	-	-	42,266,000.00		42,266,000.00
1. Withdrawal from surplus reserve	-	-	-	-		-
2. Withdrawal from risk preparation	-	-	-	-		-
3. Allocation to owner (or shareholder)	-	-	-	42,266,000.00		42,266,000.00
4. Others	-	-	-	-		-
(V) Transfer within owner's equity	-	-	-	-		-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-		-
2. Transfer of surplus reserve to capital (or share capital)	-	-	-	-		-
3. Recovery of losses in surplus reserve	-	-	-	-		-
4. Others	-	-	-	-		-
(VI) Withdrawal and use of special reserve	-	-	-	-		-
1. Withdrawal during the period	-	-	-	-		-
2. Use during the period	-	-	-	-		-
(VII) Others						
<b>IV. Balance at the end of the year</b>	<u>603,800,000.00</u>	<u>1,244,915,055.54</u>	<u>368,119,180.61</u>	<u>118,270,308.75</u>		<u>2,335,104,544.90</u>

Legal representative:  
Yao YumingPerson-in-charge of accounting function:  
Mao FaqingPerson in charge of accounting department:  
Wang Guofeng

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

Half year ended 30 June 2011

Unit: RMB

Items	Amount of the year				
	Share capital	Capital reserve	Surplus reserve	Unallocated profit	Shareholder's equity in total
<b>I. Balance at 31 December 2009</b>	603,800,000.00	1,244,713,617.49	366,881,070.16	127,322,449.74	2,342,717,137.39
Add: Change in accounting policies	-	-	-	-	-
Correction of mistakes for previous periods	-	-	-	-	-
<b>II. Balance at 1 January 2010</b>	603,800,000.00	1,244,713,617.49	366,881,070.16	127,322,449.74	2,342,717,137.39
<b>III. Increase or decrease for this period</b> (Decrease is represented by “-”)		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
Sub-total of (I) and (II)	-	201,438.05	-	12,381,104.48	12,582,542.53
(III) Capital injected and reduced by the owner	-	-	-	-	-
1. Capital injected by the owner	-	-	-	-	-
2. Settlement by shares taken to Shareholders' equity	-	-	-	-	-
3. Others	-	-	-	-	-
(IV) Profit appropriation	-	-	1,238,110.45	-1,238,110.45	-
1. Withdrawal from surplus reserve	-	-	1,238,110.45	-1,238,110.45	-
2. Withdrawal from risk preparation	-	-	-	-	-
3. Allocation to owner (or shareholder)	-	-	-	-	-
4. Others	-	-	-	-	-
(V) Transfer within owner's equity	-	-	-	-	-
1. Transfer of capital reserve to capital (or share capital)	-	-	-	-	-
2. Transfer of surplus reserve to capital (or share capital)	-	-	-	-	-
3. Recovery of losses in surplus reserve	-	-	-	-	-
4. Others	-	-	-	-	-
(VI) Withdrawal and use of special reserve	-	-	-	-	-
1. Withdrawal during the period	-	-	-	-	-
2. Use during the period	-	-	-	-	-
(VII) Others	-	-	-	-	-
<b>IV. Balance at the end of the year</b>	<u>603,800,000.00</u>	<u>1,244,915,055.54</u>	<u>368,119,180.61</u>	<u>138,465,443.77</u>	<u>2,355,299,679.92</u>

 Legal representative:  
department:

**Yao Yuming**

Person-in-charge of accounting function:

**Mao Faqing**

Person in charge of accounting

**Wang Guofeng**





**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
(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 registered office is located at No. 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC. The headquarters is located at 7/F, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing and the legal representative Ye Maoxin.

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 on 15 February 2006, 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 period 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 on 15 February 2006.

**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 comprises cash on hand and deposits that can be readily withdrawn on demand.

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 half year ended 30 June 2011**  
(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. Foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions.

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

**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.

**(2) Fair value method for financial assets and financial liabilities**

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm’s length transaction. For financial instruments with an active market, the Group adopts the quoted prices in the active market to determine their prices. The quoted prices in an active market shall mean regularly accessible prices from exchanges, dealers, industry associations and pricing service providers, and represent prices of fair transactions actually occurred in the market.

For financial instruments without an active market (excluding derivatives), the Group adopts valuation techniques to determine the fair price, with reference to prices of recent market transactions between knowledgeable and willing parties, current fair values of other financial instruments of de facto similarities, discount of cash flow and option pricing model, among others.

**(3) Transfer and measurement of financial asset**

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.



**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
 (All amounts are stated in RMB Yuan unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**

**6. Financial instruments (continued)**

*(4) 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.

**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) Debtors may go into liquidation or under other financial reorganization; (3) 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 million (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.

- (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:

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

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
(All amounts are stated in RMB Yuan unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**

**7. Receivables (continued)**

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

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

The Group makes an 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 practicably 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.

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
(All amounts are stated in RMB Yuan unless otherwise stated)

**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 investment cost of the long-term equity investment is the combination cost. For business combinations not involving enterprises under common control through multiple transactions, the recognition of the cost of long-term equity investment is carried out according to the provisions of this Note IV-20-(2). 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.

**(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.

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
 (All amounts are stated in RMB Yuan unless otherwise stated)

**IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**

**10. Fixed assets**

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 (years)	Estimated net residual values rates (%)	Annual depreciation rates (%)
Buildings	9-50	5	1.90-10.56
Machinery and equipment	5-22	5	4.32-19.00
Motor vehicles	5-14	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.

**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.



**Notes to the Financial Statements**  
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**IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**

**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.

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.

**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 or charged to profit or loss according to different situations.

**15. Revenue**

**(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.

**(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.

**(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.

**16. Employee benefits**

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

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

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

**Notes to the Financial Statements**  
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**IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**

**17. 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.

**18. 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 law 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.

**19. 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.

**20. Accounting treatment of business combination**

**(1) A business combination involving enterprises under common control**

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

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.



**Notes to the Financial Statements**  
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**IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)**

**20. Accounting treatment of business combination (continued)**

*(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, in the individual financial statements, the initial investment cost of that investment shall be the sum of the carrying value of the equity investment held in the acquiree before the acquisition date and the newly added investment cost on the acquisition date for equity interest of the acquiree held before the acquisition date which involves other comprehensive income, the other comprehensive income related to it (e.g. the part of fair value changes of financial assets available for sale accounted for in capital reserves (the same below)) shall be reclassified as investment income for the current period when the investment is disposed of. For equity interests in the acquiree held before the acquisition date, it shall be re-measured according to the fair value of that equity interest on the acquisition date, and the difference between the fair value and the book value is recognised as investment income for the period in the consolidated financial statements. For equity interest of the acquiree held before the acquisition date which involves other comprehensive income, the other comprehensive income related to it shall be reclassified as current investment income of the acquisition date.

Intermediate fees and other related management expenses such as audit fee, legal fee and valuation fee incurred by the acquirer for business combination should be recorded in the profit or loss for current period; The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be included in the amount of initial recognition of the equity securities or debt securities.

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.

*(3) Handling principles for deferred income tax assets related to combination of enterprises*

In the combination of enterprises, the acquirer acquires the deductible temporary difference of the acquiree. Those which do not satisfy the recognition conditions of the deferred income tax assets on the acquisition date are not recognised. If new or addition information proves that the relevant circumstances have already existed on the acquisition date within twelve months after the acquisition date, which estimates that the economic benefits incurred from the deductible temporary difference at the acquisition date of acquirer can be realised, then the relevant deferred income tax assets will be recognised, and the goodwill will be reduced at the same time, if the goodwill is not sufficient be absorbed, any excess shall be recognised as the profit or loss for the period. Except as disclosed above, the deferred income tax assets related to the business combination are charged in the profit or loss for the period.

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
 (All amounts are stated in RMB Yuan unless otherwise stated)

#### IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

##### 21. 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 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". In the consolidated financial statements, the share of current period loss of minority shareholders of subsidiaries exceeded the proportion of equity shared by minority shareholders in such subsidiaries at the beginning of the period. Its balance still offset minority interests.

#### 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
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
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
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
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
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
Hongkong Huaming Co. Limited	Limited Company	Hong Kong	T&M	USD 7,700,000.00	T&M	USD 7,700,000.00	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
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
Hubei Xinchufeng Automobile Company Limited	Limited Company	Hubei	M&S	200,000,000.00	Automobile	100,000,000.00	50.00	57.14	Yes

**Notes to the Financial Statements**  
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**V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**1. Scope of consolidated financial statements (continued)**

**(1) Investing in newly established subsidiaries (continued)**

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

**(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
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
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
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
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
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

**(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
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
Xianyang Jingwei Machinery Manufacturing Company Limited	Limited Company	Shanxi	P&S	75,079,600.00	T&M	75,079,600.00	100.00	100.00	Yes
Taiyuan Jingwei Electrical Company Limited	Limited Company	Shanxi	P&S	5,000,000.00	T&M	5,000,000.00	100.00	100.00	Yes
Huangshi Jingwei Textile Machinery Company Limited	Limited Company	Hubei	P&S	32,000,000.00	T&M	17,851,007.41	45.00	60.00	Yes
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
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
Zhongrong International Trust Co., Ltd	Limited Company	Beijing	services	580,000,000.00	Trust	1,100,000,000.00	36.00	57.14	Yes
Jinzhong Jingwei Chemical Fibre Machinery Company Limited	Limited Company	Jinzhong	P&S	31,000,000.00	T&M	18,810,000.00	51.00	51.00	Yes

**Notes to the Financial Statements**  
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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 offered RMB18,810,000.00 to acquire 51% stake of Jinzhong Jingwei Chemical Fibre Machinery Company Limited. It is included in the scope of consolidation of the year.

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Currency funds**

	30 June 2011		1 Jan 2011	
	Original currency	RMB equivalent	Original currency	RMB equivalent
<b>Cash</b>		801,598.84		435,896.21
RMB	747,990.55	747,990.55	387,159.29	387,159.29
HKD	31,850.00	27,102.12	31,851.12	27,102.12
USD	29.00	190.52	576.00	3,814.68
Euro	987.24	9,219.78	82.24	724.25
JPY	70,150.00	5,700.39	70,115.50	5,700.39
GBP	1,050.00	10,729.11	1,050.00	10,729.11
CHF	57.00	402.20	57.00	402.20
CAD	40.00	264.17	40.00	264.17
<b>Bank Deposit</b>		2,176,742,981.58		2,278,031,464.63
RMB	2,149,672,725.79	2,149,672,725.79	2,251,905,093.00	2,251,905,093.00
USD	2,982,065.59	19,549,187.97	2,639,977.16	17,483,776.76
HKD	3,907,688.73	3,248,542.81	5,149,627.66	4,381,818.18
Euro	331,698.64	3,089,884.11	361,637.84	3,184,763.63
CHF	153,293.50	1,182,640.90	152,491.86	1,076,013.06
<b>Other Currency Funds</b>		212,079,652.57		137,146,690.30
RMB	212,079,014.78	212,079,014.78	137,143,717.66	137,143,717.66
HKD	767.23	637.79	3,493.52	2,972.64
<b>Total</b>		<u>2,389,624,232.99</u>		<u>2,415,614,051.14</u>

Note: At the balance sheet date, currency funds mainly included pledged bank balances. Deposits pledged to banks for Margin of RMB93,390,331.66.

**2. Held-for-trading financial assets**

Item	Fair value at 30 June 2011	Fair value at 1 January 2011
Held-for-trading bonds	131,228,350.00	31,228,350.00
Listed securities:		
– Equity securities – PRC	416,349,971.27	53,121,570.20
<b>Total</b>	<u>547,578,321.27</u>	<u>84,349,920.20</u>

**3. Bills receivable**

*(1) By Category*

Items	30 June 2011	1 Jan 2011
Bank guaranteed bills	2,168,391,508.26	2,011,738,841.61
Commercial bills	137,000,000.00	88,000,000.00
<b>Total</b>	<u>2,305,391,508.26</u>	<u>2,099,738,841.61</u>

Note: At the end of the period, the bills receivable included discounted unexpired bills amounted to RMB60,080,000.



**Notes to the Financial Statements**  
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**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**3. Bills receivable (continued)**

*(2) Pledged bills receivable*

Drawer	Date of draft	Due date	Amount
Pledged bills receivable:			
Shaoxing County Wanfan Knitting Co., Ltd	2011/03/17	2011/09/17	7,000,000.00
Xinye Huifeng Co., Ltd	2011/03/29	2011/09/29	5,500,000.00
Yichang Yuhong Textile Co., Ltd	2011/03/07	2011/09/07	3,000,000.00
Hangzhou Yongtai Textile Co., Ltd	2011/03/07	2011/09/07	2,500,000.00
Dezhou Fuhua Eco-Technology Co., Ltd	2011/04/29	2011/10/28	2,000,000.00
Others			10,006,772.33
Total			<u>30,006,772.33</u>

*(3) Unexpired bills receivable endorsed*

Drawer	Date of draft	Due date	Amount
Total			
			<u>1,113,613,600.90</u>
Top 5:			
Jingwei Machinery Group Ltd.	2011-05-12	2011-11-12	16,700,000.00
Jiangsu Xianghong Taihe Cotton Textile Co., Ltd	2011-03-22	2011-09-22	14,900,000.00
Fujian Province Hongxin Textile Co., Ltd	2011-05-18	2011-11-18	9,958,290.00
Shaoxing County Wanfan Knitting Co., Ltd	2011-03-05	2011-09-05	9,400,000.00
Dezhou Fuhua Eco-Technology Co., Ltd	2011-04-08	2011-10-08	7,940,000.00

**4. Accounts receivable**

*(1) By categories*

Category	Amount at the end of the period	Proportion	Provision for bad debt at the end of the period	Proportion	Amount at the beginning of the period	Provision for bad debt at the beginning of the period	Proportion
Individually significant and the individual accounts receivable bad debt provision	17,638,702.08	2.89%			15,340,790.60		3.04%
Portfolio: Aging analysis on a portfolio of accounts receivable	540,176,769.54	88.55%	77,890,420.83	14.42%	470,326,221.61	76,715,847.00	16.31%
Individually insignificant but the individual accounts receivable	52,219,595.29	8.56%	5,642,119.89	10.80%	18,852,181.84	6,738,825.60	35.75%
Total	<u>610,035,066.91</u>	<u>100.00%</u>	<u>83,532,540.72</u>		<u>504,519,194.05</u>	<u>83,454,672.60</u>	

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
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**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**4. Accounts receivable (continued)**

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

Aging	Amount at the end of the period		Provision for bad debt at the end of the period		Amount at the beginning of the period		Provision for bad debt at the beginning of the period	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
Less than 1 year	447,385,506.62	82.82%			382,845,494.28	81.41%		
1-2 years	16,361,559.00	3.03%	3,272,311.80	20.00%	11,448,306.01	2.43%	2,289,661.20	20.00%
2-3 years	3,623,189.78	0.67%	1,811,594.89	50.00%	3,212,471.03	0.68%	1,606,235.51	50.00%
Over 3 years	72,806,514.14	13.48%	72,806,514.14	100.00%	72,819,950.29	15.48%	72,819,950.29	100.00%
<b>Total</b>	<b>540,176,769.54</b>	<b>100.00%</b>	<b>77,890,420.83</b>		<b>470,326,221.61</b>	<b>100.00%</b>	<b>76,715,847.00</b>	

**(3) Individually insignificant but individual provision for bad debts of accounts receivable at 30 June 2011 as follows**

The contents of accounts receivable	Amount at the end of the period	Provision for bad debt at the end of the period	Proportion	Provision grounds
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	2,517,900.00	851,310.85	33.81%	Contractual dispute available
Dong Fei Ma Zuo Li Textile Machinery Co., Ltd	227,753.40	227,753.40	100.00%	Contractual dispute available
Zhongxiang Qingxiwei New Textile Co., Ltd	192,265.58	192,265.58	100.00%	Contractual dispute available
Shanxi Mingshunxiang Trade Co., Ltd	100,000.00	100,000.00	100.00%	Contractual dispute available
Others	49,181,676.31	4,270,790.06	8.68%	Contractual dispute available
<b>Total</b>	<b>52,219,595.29</b>	<b>5,642,119.89</b>		

**(4) Top five accounts receivable balance outstanding as at 30 June 2011 as follows**

Name of Company	Relationship with the Group	Amount	Period	Proportion
Beida Xianxing Taian Technology Industry Corporation	Third party	78,182,150.00	Less than 1 year	12.82%
China Texmatech Company Limited	Associates	49,268,082.79	Less than 1 year	8.08%
Sinofiber Shanghai Co., Ltd	Same holding company	22,989,386.17	Less than 1 year	3.77%
Kuitun Cotton Textile Co., Ltd	Third party	17,350,000.00	Less than 1 year	2.84%
Beida Xianxing Technology Industry Corporation	Third party	13,923,519.19	Less than 1 year	2.28%
<b>Total</b>		<b>181,713,138.15</b>		<b>29.79%</b>



**Notes to the Financial Statements**  
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**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**5. Other receivables**

*(1) By categories*

Category	Amount at the end of the period	Proportion	Provision for bad debt at the end of the period	Proportion	Amount at the beginning of the period	Proportion	Provision for bad debt at the beginning of the period	Proportion
Individually significant and the individual other receivable bad debt provision	150,368,561.91	63.95%			190,368,561.91	64.66%		
Aging analysis on a portfolio of other receivable	76,933,792.53	32.72%	11,326,503.01	14.72%	93,069,290.72	31.62%	11,941,367.57	12.83%
Individually insignificant but the individual other receivable bad debt provision	7,823,736.68	3.33%	2,299,464.57	29.39%	10,941,641.52	3.72%	5,521,255.48	50.46%
<b>Total</b>	<b>235,126,091.12</b>	<b>100.00%</b>	<b>13,625,967.58</b>		<b>294,379,494.15</b>	<b>100.00%</b>	<b>17,462,623.05</b>	

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

Category	Amount at the end of the period	Proportion	Provision for bad debt at the end of the period	Proportion	Amount at the beginning of the period	Proportion	Provision for bad debt at the beginning of the period	Proportion
Less than 1 year	63,733,121.28	82.84%			80,937,715.28	86.97%		
1-2 years	2,342,710.30	3.05%	468,542.06	20.00%	108,177.24	0.12%	21,635.45	20.00%
2-3 years					207,332.16	0.22%	103,666.08	50.00%
Over 3 years	10,857,960.95	14.11%	10,857,960.95	100.00%	11,816,066.04	12.69%	11,816,066.04	100.00%
<b>Total</b>	<b>76,933,792.53</b>	<b>100.00%</b>	<b>11,326,503.01</b>		<b>93,069,290.72</b>	<b>100.00%</b>	<b>11,941,367.57</b>	

**6. Prepayments**

*(1) Disclosed by aging*

Age	Amount at the end of the period	Proportion	Provision for bad debt at the end of the period	Amount at the beginning of the period	Proportion	Provision for bad debt at the beginning of the period
Less than 1 year	364,313,031.99	90.33%		398,496,724.12	92.56%	
1-2 years	34,757,894.43	8.62%	508,199.38	30,236,607.20	7.02%	35,230.89
2-3 years	2,627,129.62	0.65%	309,513.05	583,901.99	0.14%	85,012.10
Over 3 years	1,615,307.20	0.40%	904,128.92	1,204,089.31	0.28%	678,587.92
<b>Total</b>	<b>403,313,363.24</b>	<b>100.00%</b>	<b>1,721,841.35</b>	<b>430,521,322.62</b>	<b>100.00%</b>	<b>798,830.91</b>

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
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**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**7. Interest receivables**

Categories	At 1 January 2011	Increase	Decrease	At 30 June 2011
Interest receivables within 1 year	3,637,500.00		3,637,500.00	0.00
<b>Total</b>	<u>3,637,500.00</u>		<u>3,637,500.00</u>	<u>0.00</u>

**8. Reverse repurchase agreements**

Category	30-JUN-2011	1-JAN-2011
Reverse repurchase agreements – Chaohua Technology	0.00	24,000,000.00
<b>Total</b>	<u>0.00</u>	

**9. Inventories**

*(1) By categories*

Category	Book value at the end of the period	Provision for diminution of inventory value at the end of the period	Carrying value at the end of the period	Book value at the beginning of the period	Provision for diminution of inventory value at the beginning of the period	Carrying value at the beginning of the period
Raw materials	544,428,850.94	24,586,800.50	519,842,050.44	356,124,291.33	22,507,850.13	333,616,441.20
Work-in-progress	432,403,009.67	32,514,133.79	399,888,875.88	352,565,368.03	30,533,123.41	322,032,244.62
Finished goods	688,708,646.51	53,086,955.28	635,621,691.23	549,034,932.66	46,623,008.23	502,411,924.43
Revolving materials	4,863,070.65	1,330,404.53	3,532,666.12	5,222,212.87	1,327,016.14	3,895,196.73
<b>Total</b>	<u>1,670,403,577.77</u>	<u>111,518,294.10</u>	<u>1,558,885,283.67</u>	<u>1,262,946,804.89</u>	<u>100,990,997.91</u>	<u>1,161,955,806.98</u>

*(2) Provision for diminution of inventory value*

Category	At 1 January 2011	Provision for the year	Additions on consolidation	Reversal during the period	Reduction Written off	Total reduction	At 30 June 2011
Raw materials	22,507,850.13	5,082,241.37		2,353,588.42	649,702.58	3,003,291.00	24,586,800.50
Work-in-progress	30,533,123.41	2,588,687.27		549,757.10	57,919.79	607,676.89	32,514,133.79
Finished goods	46,623,008.23	7,600,821.53		1,074,022.26	62,852.22	1,136,874.48	53,086,955.28
Revolving materials	1,327,016.14	3,388.39					1,330,404.53
<b>Total</b>	<u>100,990,997.91</u>	<u>15,275,138.56</u>		<u>3,977,367.78</u>	<u>770,474.59</u>	<u>4,747,842.37</u>	<u>111,518,294.10</u>





**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
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**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**10. Non-current assets due within one year**

Name	30-JUN-2011	1-JAN-2011
Kuitun Huanzhou Cotton Company Limited	23,847,212.13	23,847,212.13
Xuzhou Tianhongshidai Textile Company Limited	19,354,075.74	19,354,075.74
Shandong Guanxian Zhongxin Cotton Industry Company Limited	7,558,713.68	7,558,713.68
Beijing Jinyu Mansion	6,762,162.66	6,762,162.66
China Trust Company Limited		4,891,799.74
Shanghai Zhishang Medical Equipment Company Limited		1,396,000.00
Total	<u>57,522,164.21</u>	<u>63,809,963.95</u>

**11. Other current assets**

Categories	30-JUN-2011	1-JAN-2011
Financial products	29,500,000.00	19,070,000.00
Total	<u>29,500,000.00</u>	<u>19,070,000.00</u>

*Note:* On 30 June 2011, other current assets were the RMB wealth management products with no fixed term, ultra-short-term held by the subsidiary of the Company – Hubei Xinchufeng Automobile Company Limited.

**12. Loans and Advances**

Category	30 JUN 2011	1 JAN 2011
Loans and advances	<u>450,000,000.00</u>	<u>0.00</u>

**13. Available-for-sale financial assets**

Category	30-JUN-2011	1-JAN-2011
Available for sale equity instruments	802,169,347.83	954,209,347.83
Of which: Trust Financial Products	198,929,347.83	244,169,347.83
Securities Investment	603,240,000.00	665,040,000.00
Other financial products		45,000,000.00
Total	<u>802,169,347.83</u>	<u>954,209,347.83</u>

**14. Long-term receivables**

Items	30-JUN-2011	1-JAN-2011
Shanghai Zhishang Medical Equipment Company Limited	6,090,000.00	7,694,000.00
Xuzhou Tianhongshidai Textile Company Limited	35,473,880.28	41,823,880.28
Kuitun Huanzhou Cotton Industry Company Limited	4,221,987.55	8,021,987.55
Shandong Guanxian Zhongxin Cotton Company Limited	5,589,197.40	4,500,000.00
Total	<u>51,375,065.23</u>	<u>62,039,867.83</u>

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
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**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**15. Long-term equity investments**

Name of Investee	Initial investment cost	At 1 January 2011	Increase	Decrease	At 30 June 2011	Proportion of ownership held by the Group	Provision for impairment loss	Cash dividends
(1) <b>Cost method:</b>								
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	725,193.50	725,193.50			725,193.50	25%		
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%		
Qingdao Jinyi Pressing and casting Company Limited	1,057,000.00	1,057,000.00			1,057,000.00	27%		
Qingdao Qingfeng Forging Company	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%		
Jianghai Securities Ltd.	28,673,400.00	28,673,400.00			28,673,400.00	2.10%		
North Asia (Group) Ltd.	3,390,947.82	3,390,947.82			3,390,947.82		3,390,947.82	
Others	1,356,883.87	1,356,883.87			1,356,883.87		1,356,883.87	
(2) <b>Equity method</b>								
Jingwei Machinery (Group) Company Limited	8,000,000.00	8,000,000.00	2,208,472.35		10,208,472.35	20%		
China Texmatech Company Limited	30,000,000.00	59,467,090.94	3,643,515.05		63,110,605.99	25%		
Hongda Research Company Limited	20,000,000.00	11,866,671.36	616,000.00		12,482,671.36	40%		
Anhui Huamao Jingwei New Type Textile Co., Ltd	12,500,000.00	12,893,412.28	1,196,844.16		14,090,256.44	25%		
Beijing Heng Tian Wealth Investment Management Company Limited	10,000,000.00		10,252,114.03		10,252,114.03	20%		
Shenzhen Huarong Equity Investment Fund Management Company Limited	4,900,000.00		4,900,000.00		4,900,000.00	49%		
Total		<u>327,011,581.82</u>	<u>22,816,945.59</u>		<u>349,828,527.41</u>		<u>22,421,703.11</u>	

In January 2011, the Company invested RMB10,000,000.00 in Beijing Heng Tian Wealth Investment Management Company Limited, holding 20% of its equity interest.

In June 2011, subsidiary of the Company – Zhongrong International Trust Co., Ltd. invested RMB4,900,000.00 in Shenzhen Huarong Equity Investment Fund Management Company Limited, holding 49% of its equity interest.

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
 (All amounts are stated in RMB Yuan unless otherwise stated)

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**15. Long-term equity investments (continued)**

*(3) Impairment loss details for long-term equity investments*

Name of Investee	Provision for impairment loss at 1 January 2011	Provision for impairment at 30 June 2011
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	<u>22,421,703.11</u>	<u>22,421,703.11</u>

**16. Fixed Assets**

*(1) List by details*

Item	At 1 January 2011	Increase	Decrease	At 30 June 2011
Cost	2,916,109,684.53	128,613,183.12	31,239,404.63	3,013,483,463.02
Buildings and plants	1,144,164,636.01	20,110,246.77	8,282,809.49	1,155,992,073.29
Machineries and equipments	1,643,712,915.34	90,913,384.03	11,581,213.77	1,723,045,085.60
Motor vehicles	128,232,133.18	17,589,552.32	11,375,381.37	134,446,304.13
Accumulated depreciation	1,445,973,462.88	109,531,371.64	18,041,647.67	1,537,463,186.75
Buildings and plants	339,041,198.47	22,631,495.12	3,415,411.05	358,257,282.54
Machineries and equipments	1,037,257,026.86	79,982,536.08	7,667,058.97	1,109,572,503.97
Motor vehicles	69,675,237.55	6,917,340.44	6,959,177.75	69,633,400.24
Provision for impairment	26,673,107.35		116,594.42	26,556,512.93
Buildings and plants	1,477,014.33			1,477,014.33
Machineries and equipments	25,125,143.69		116,594.42	25,008,549.27
Motor vehicles	70,949.33			70,949.33
Net book value	1,443,463,114.30			1,449,463,763.34
Buildings and plants	803,646,423.21			796,257,776.42
Machineries and equipments	581,330,744.79			588,464,032.36
Motor vehicles	58,485,946.30			64,741,954.56

The amount transferred from construction in progress to fixed assets was RMB13,449,832.07.

The increase in scope of consolidation made the fixed assets amount to RMB58,889,329.37 and the accumulated depreciation was RMB41,930,312.85.

*(2) Fixed assets leased out under operating leases*

Fixed assets	Net book value
Buildings and plants	27,261,737.63
Machineries and equipments	22,727,807.93
Motor vehicles	1,723,141.30
Total	<u>51,712,686.86</u>

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
 (All amounts are stated in RMB Yuan unless otherwise stated)

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**17. Construction in progress**

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

Item	At 30 June 2011		At 1 January 2011		Carrying value
	Book value	Provision for impairment	Book value	Provision for impairment	
New plant in Tianjin industry zone	150,387,310.22		100,617,326.70		100,617,326.70
Jingwei new plant project in Xianyang	26,293,818.00		26,293,818.00		26,293,818.00
Constant-day vehicle for car assembly plant engineering	21,050,873.44		20,649,505.92		20,649,505.92
Hengtian chassis plant engineering	21,873,209.00		18,950,799.00		18,950,799.00
Jingwei new plant construction in Yichan	14,778,500.00		17,578,500.00		17,578,500.00
Hengtian vehicle plant external pipe network ancillary project	8,296,156.00				
Construction Project of Wuxi Hongda Textile Machinery and Special Parts	7,242,051.67		41,647,613.84		
Others	51,820,139.79		51,820,139.79		41,647,613.84
<b>Total</b>	<b>301,742,058.12</b>		<b>225,737,563.46</b>		<b>225,737,563.46</b>

*(2) Movements on significant construction in progress*

Item	Budget	Amount		Others reduction	Progress	Funding	At 30 June 2011
		at 1 January 2011	Additions				
New plant in Tianjin industry zone	263,360,000.00	100,617,326.70	49,769,983.52		95.00%	Self-raised funds	150,387,310.22
Constant-day vehicle for car assembly plant engineering	23,850,000.00	20,649,505.92	401,367.52		99.00%	Self-raised funds	21,050,873.44
Hengtian chassis plant engineering	18,720,000.00	18,950,799.00	2,922,410.00		99.00%	Self-raised funds	21,873,209.00
Jingwei new plant construction in Yichan	100,000,000.00	17,578,500.00		2,800,000.00	99.00%	Self-raised funds	14,778,500.00
Construction Project of Wuxi Hongda Textile Machinery and Special Parts	7,000,000.00		7,242,051.67		100.00%	Self-raised funds	7,242,051.67
<b>Total</b>	<b>412,930,000.00</b>	<b>157,796,131.62</b>	<b>60,335,812.71</b>	<b>2,800,000.00</b>			<b>215,331,944.33</b>

**Notes to the Financial Statements**  
**For the half year ended 30 June 2011**  
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**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**18. Intangible assets**

Item	1-JAN-2011	Increase	Decrease	30-JUN-2011
Cost	556,361,320.13	6,940,591.72	2,921,800.00	560,380,111.85
Land use right	502,876,526.49	6,052,645.60		508,929,172.09
Computer Software	28,424,845.32	887,946.12	2,921,800.00	26,390,991.44
Patents	19,420,767.32			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	83,407,644.10	8,966,164.74	2,468,466.58	89,905,342.26
Land use right	57,578,537.68	6,088,551.94		63,667,089.62
Computer software	14,327,989.38	1,518,173.26	2,468,466.58	13,377,696.06
Patents	6,996,792.84	1,245,953.92		8,242,746.76
Non-patented technology	3,369,468.00			3,369,468.00
Others	1,134,856.20	113,485.62		1,248,341.82
Book value	472,953,676.03			470,474,769.59
Land use right	445,297,988.81			445,262,082.47
Computer software	14,096,855.94			13,013,295.38
Patents	12,423,974.48			11,178,020.56
Non-patented technology				
Others	1,134,856.80			1,021,371.18

**19. Goodwill**

Name of investee	Source	1-JAN-2011	Increase	Decrease	30-JUN-2011	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	
Jinzhong Jingwei Chemical Fibre Machinery Company Limited	Combinations not under common control		2,852,276.74		2,852,276.74	
Total		843,156,675.16	2,852,276.74		846,008,951.90	

**20. Long-term amortization expenses**

Item	1-JAN-2011	Increase	Decrease	Other Reductions	30-JUN-2011
Improvement of operating lease expenses of fixed assets	9,225,429.21	263,037.33	1,898,084.58	113,732.20	7,476,649.76

**Notes to the Financial Statements**

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

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**21. Deferred income tax assets**

	The deductible or taxable temporary differences as at 30 June 2011	Deferred tax assets and Deferred tax liabilities as at 30 June 2011	The deductible or taxable temporary differences as at 1 January 2011	Deferred tax assets and Deferred tax liabilities as at 1 January 2011
<b>Deferred tax assets:</b>				
Bad debt provision	1,865,987.28	279,898.09	3,092,244.67	463,836.69
Provision for diminution of inventory value	8,232,157.12	1,234,823.57	10,676,113.20	1,601,416.98
Provision for impairment loss of long-term equity investment			8,390,947.82	1,597,736.96
Provision for impairment loss of fixed assets			3,271,959.47	490,793.92
Deductible loss	10,645,723.40	1,596,858.51	39,369,912.67	5,905,486.90
Wages Payable	259,543,721.40	64,885,930.35	259,543,721.38	64,885,930.35
Offset of unrealized profits of inventory	9,640,991.48	674,130.42	9,640,991.48	674,130.42
Others				
<b>Total</b>	<b>289,928,580.68</b>	<b>68,671,640.94</b>	<b>333,985,890.69</b>	<b>75,619,332.22</b>
<b>Deferred tax liabilities:</b>				
Changes recorded into capital reserve in fair value for available-for-sale financial assets	142,689,347.83	35,672,336.96	204,489,347.83	51,122,336.96
Changes in fair value for held-for-trading financial assets	-11,427,415.44	-2,856,853.86	1,993,171.60	498,292.90
<b>Total</b>	<b>131,261,932.40</b>	<b>32,815,483.10</b>	<b>206,482,519.43</b>	<b>51,620,629.86</b>
Net amount after offsetting each other		35,856,157.84		23,998,702.36

**22. Provision for impairment**

Item	1-JAN-2011	Provision for the period	Increase through business combination	Total	Reductions	Written-off	Other decrease	Total	30-JUN-2011
Bad debt provision	101,716,126.56	2,507,149.50	953,122.28	3,460,271.78	4,131,454.66	260,163.80	1,904,430.23	6,296,048.69	98,880,349.65
Provision for diminution of inventory value	100,990,997.91	15,275,138.56	-	15,275,138.56	3,977,367.78	770,474.59		4,747,842.37	111,518,294.10
Provision for impairment loss of long-term equity investment	22,421,703.11								22,421,703.11
Provision for impairment loss of fixed assets	26,673,107.35					116,594.42		116,594.42	26,556,512.93
<b>Total</b>	<b>251,801,934.93</b>	<b>17,782,288.06</b>	<b>953,122.28</b>	<b>18,735,410.34</b>	<b>8,108,822.44</b>	<b>1,147,232.81</b>	<b>1,904,430.23</b>	<b>11,160,485.48</b>	<b>259,376,859.79</b>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Corporate Accounting Standards)  
(All amounts are stated in RMB Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****23. Short-term borrowings**

Category	30-JUN-2011	1-JAN-2011
Credit loans	1,447,435,412.91	692,261,624.52
Pledged loans	60,080,000.00	109,034,406.10
Including: Loans caused by outstanding discounted bills	60,080,000.00	109,034,406.10
Guarantee	3,000,000.00	128,000,000.00
Total	<u>1,510,515,412.91</u>	<u>929,296,030.62</u>

**24. Bills payable**

Category	30-JUN-2011	1-JAN-2011
Bank bills under acceptance	233,743,157.21	219,899,129.91
Commercial bills under acceptance	5,185,700.77	5,272,414.70
Total	<u>238,928,857.98</u>	<u>225,171,544.61</u>

**25. Accounts payable***(1) By aging*

Aging	Amount at the end of the period	Proportion at the end of the period	Amount at the beginning of the period	Proportion at the beginning of the period
Less than 1 year	2,489,991,432.18	97.00%	2,125,752,584.68	97.94%
1-2 years	50,148,507.95	1.96%	29,305,111.50	1.35%
2-3 years	19,729,552.94	0.77%	9,015,573.02	0.42%
Over 3 years	7,005,916.57	0.27%	6,233,626.48	0.29%
Total	<u>2,566,875,409.64</u>	<u>100.00%</u>	<u>2,170,306,895.68</u>	<u>100.00%</u>

**26. Advances receipts**

Aging	Amount at the end of the period	Proportion at the end of the period	Amount at the beginning of the period	Proportion at the beginning of the period
Less than 1 year	1,089,156,527.55	95.43%	835,299,012.65	92.81%
1-2 years	14,999,633.89	1.31%	20,221,641.54	2.25%
2-3 years	4,652,161.92	0.41%	9,581,640.04	1.06%
Over 3 years	32,506,581.67	2.85%	34,923,838.66	3.88%
Total	<u>1,141,314,905.03</u>	<u>100.00%</u>	<u>900,026,132.89</u>	<u>100.00%</u>

**Notes to the Financial Statements**

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

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**27. Employee wages payable**

	1-JAN-2011	Increase	Decrease	30-JUN-2011
I. Salaries, bonus, allowance and subsidies	300,558,350.71	791,329,313.41	524,228,401.96	567,659,262.16
II. Staff welfare	–	15,437,483.18	13,510,905.06	1,926,578.12
III. Social insurance	17,669,651.50	69,160,320.96	64,838,891.18	21,991,081.28
Including: 1. Medical insurance	1,063,621.17	18,452,737.92	17,490,814.46	2,025,544.63
2. Basic pension contribution	14,971,684.68	42,923,281.54	39,767,226.20	18,127,740.02
3. Annuity payments				
4. Unemployment insurance	1,196,634.07	4,237,185.53	4,742,190.54	691,629.06
5. Work injury insurance	259,608.74	1,971,346.55	1,573,466.63	657,488.66
6. Maternity insurance	178,102.84	1,575,769.42	1,265,193.35	488,678.91
IV. Housing funds	8,971,295.53	17,234,397.23	15,069,656.92	11,136,035.84
V. Union running costs	7,487,222.25	19,163,713.81	14,372,500.75	12,278,435.31
VI. Employee education costs	10,036,360.70	7,676,299.87	6,862,800.85	10,849,859.72
VII. Non-monetary benefits	–	52,890.00	52,890.00	
VIII. Compensation to employees for termination of employment relationship	12,271,100.57	1,988,085.58	2,159,509.06	12,099,677.09
IX. Others	1,619,385.22	3,060,930.08	1,995,706.13	2,684,609.17
In which: Share-based payment settled by cash				
<b>Total</b>	<b>358,613,366.48</b>	<b>925,103,434.12</b>	<b>643,091,261.91</b>	<b>640,625,538.69</b>

**28. Taxes payable**

Tax items	30-JUN-2011	1-JAN-2011
1. Enterprise income tax	104,046,934.81	134,972,208.07
2. VAT	2,003,969.88	19,348,034.81
3. Business tax	41,403,442.76	55,983,330.62
4. Land use tax	16,422,405.66	11,510,190.81
5. Property Tax	3,742,999.85	3,726,330.04
6. City maintenance and construction tax	5,790,372.51	5,977,140.77
7. Education surcharge	5,807,158.57	5,683,906.70
8. Individual income tax	6,413.31	1,671,061.23
9. Others	5,332,329.22	4,870,023.95
<b>Total</b>	<b>184,556,026.57</b>	<b>243,742,227.00</b>

**29. Interest payable**

Item	30-JUN-2011	1-JAN-2011	Reason of non-payment
Small collection of notes of interest	1,840,520.55	370,520.55	immaturity
<b>Total</b>	<b>1,840,520.55</b>		



**Notes to the Financial Statements**(Prepared in accordance with the PRC Corporate Accounting Standards)  
(All amounts are stated in RMB Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. Dividend payables**

Investor	30-JUN-2011	1-JAN-2011	Reason of non-payment over one year
CTMC	13,694,800.00		
Change Textile Machinery Plant	1,150,783.00	1,150,783.00	unpaid
Others	29,569,151.50	998,332.58	unpaid
Total	<u>44,414,734.50</u>	<u>2,149,115.58</u>	

**31. Other payables***By category*

Aging	30-JUN-2011		1-JAN-2011	
	Ending balance	Ending Proportion	Opening balance	Opening Proportion
Less than 1 year	342,444,699.84	78.33%	796,395,474.56	86.05%
1-2 years	34,314,367.49	7.85%	33,100,464.14	3.58%
2-3 years	30,156,895.70	6.90%	32,077,424.83	3.47%
Over 3 years	30,238,883.94	6.92%	63,855,201.60	6.90%
Total	<u>437,154,846.97</u>	<u>100.00%</u>	<u>925,428,565.13</u>	<u>100.00%</u>

**32. Non-current liabilities due within one year***(1) List by details*

Category	30-JUN-2011	1-JAN-2011
Long-term borrowing due within one year	216,740,000.00	520,836,799.74
Long-term payables due within one year	30,011,252.27	32,076,340.21
Others within one year	87,098.28	87,098.28
Total	<u>246,838,350.55</u>	<u>553,000,238.23</u>

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

Category	30-JUN-2011	1-JAN-2011
Credit loans	216,740,000.00	500,000,000.00
Pledged loans		15,945,000.00
Factoring financing borrowing		4,891,799.74
Total	<u>216,740,000.00</u>	<u>520,836,799.74</u>

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

Lender	Start date	Maturity	Rate	30 June 2011	
				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
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	2012-06-08	4.86%	RMB	16,740,000.00

**Notes to the Financial Statements**

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

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**32. Non-current liabilities due within one year (continued)**

*(4) Long-term payables due within one year*

Categories	30-JUN-2011	1-JAN-2011
Retirement and supplemental benefit obligation	1,096,375.89	3,161,463.83
CMB Finance Lease Ltd	28,914,876.38	28,914,876.38
Total	<u>30,011,252.27</u>	<u>32,076,340.21</u>

**33. Long-term borrowings**

*(1) list by categories*

Categories	30-JUN-2011	1-JAN-2011
Credit loans	160,000,000.00	210,000,000.00
Pledged loans		8,370,000.00
Factoring financing borrowing		
Total	<u>160,000,000.00</u>	<u>218,370,000.00</u>

*(2) Long-term borrowing by lender*

Lender	Start date	Maturity	Rate	30 June 2011	
				Currency	Original currency amount
China Merchants Bank of Jianguo Road Branch	2011-01-21	2012-12-30	5.56%	RMB	50,000,000.00
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

**34. Bonds payable**

Bond name	30-JUN-2011	1-JAN-2011
Small-to-Medium Enterprises collective notes	60,000,000.00	60,000,000.00

**35. Long-term payables**

Nature	30-JUN-2011	1-JAN-2011
Retirement and supplemental benefit obligation	37,312,308.00	37,167,734.90
China Merchants Bank Finance Lease Company Limited	73,374,300.80	87,620,288.07
Suizhou City Investment Group Company Limited	29,994,000.00	29,994,000.00
Zhongzhi Enterprise Group Company Limited	93,184,055.37	93,184,055.37
Financial loan	1,173,622.45	
Total	<u>235,038,286.62</u>	<u>247,966,078.34</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Corporate Accounting Standards)  
(All amounts are stated in RMB Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****36. Special payables**

	1-JAN-2011	Additions	Reductions	30-JUN-2011
VAT rebate	69,173,370.10	10,360,874.87		79,534,244.97
Central state capital budget	60,000,000.00			60,000,000.00
Qualify guarantee for customers		3,588,480.00		3,588,480.00
Interest-free loan		2,000,000.00		2,000,000.00
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	
	<u>129,843,370.10</u>	<u>15,949,354.87</u>	<u>670,000.00</u>	<u>145,122,724.97</u>
Total	<u>129,843,370.10</u>	<u>15,949,354.87</u>	<u>670,000.00</u>	<u>145,122,724.97</u>

**37. Other non-current liabilities**

	30-JUN-2011	1-JAN-2011
<b>Assets-related government grant</b>		
– Investment grant on the project of textile machine and weaving machine expansion	20,388,646.55	21,182,195.69
– Land purchase money refund	9,830,255.04	9,830,255.04
– Development and industrialization investment grant for efficient intelligent coarse spinner series products	7,000,000.00	7,000,000.00
– Investment grant on the project of High point twisting machine	5,870,500.00	4,672,500.00
– Investment grant on the project of textile machinery special precise super-speed bearing and spindle	3,915,000.00	3,915,000.00
– Project of New type textile machine significant technology equipment special project	2,988,651.48	2,988,651.48
– Leading enterprise of agricultural Industrialization infrastructure subsidies	1,406,400.00	1,462,500.00
– Investment grant on the project of new type super speed warp knitting machine industrialization	1,454,131.64	1,454,131.64
– Precision winding, digital control network and the equipment industrialization project	1,330,000.00	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)	750,000.00	900,000.00
– Transformation fund of corn combine harvester patented technology	362,700.00	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		
– Investment grant on new product planJWF1530 ring spinning machine project		
– Winding machine electronic control system results conversion technology award	808,000.00	
– State technology supporting scheme-subtopic R&D project	2,800,000.00	
– Technological innovation fund for small and medium technological enterprise	670,000.00	
<b>Earnings-related government grant</b>		
– Discount of notes collection	829,479.45	829,479.45
– Financial subsidy of textile machine and weaving machine expansion project	255,357.71	
Development fund project for industry of local characteristics	800,000.00	
– Others		282,292.31
	<u>62,459,121.87</u>	<u>57,659,705.61</u>
Total	<u>62,459,121.87</u>	<u>57,659,705.61</u>

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

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**38. Share capital**

Item	As at 1 January 2011	New issue	Changes(+/-)		Others	Total As at 30 June 2011
			Bounce share	Reserve transfer to shares		
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	<u>603,800,000.00</u>					<u>603,800,000.00</u>

**39. Capital reserves**

	As at 1 January 2011	Additions	Reductions	As at 30 June 2011
Share Premium	1,248,791,996.47			1,248,791,996.47
Other capital reserves	58,217,807.26		16,686,000.00	41,531,807.26
Including: Fair value variation on available-for-sale financial assets	58,016,369.21		16,686,000.00	41,330,369.21
Share of results under equity method in other comprehensive income	201,438.05			201,438.05
Total	<u>1,307,009,803.73</u>		<u>16,686,000.00</u>	<u>1,290,323,803.73</u>

The changes in fair value of available-for-sale financial assets held by Zhongrong International Trust Company Limited has resulted in a decrease of other capital reserves by RMB16,686,000.00.

**40. Surplus reserves**

Item	30-JUN-2011	1-JAN-2011
Statutory surplus reserve	424,844,279.00	424,844,279.00
Discretionary surplus reserve	177,763,046.16	177,763,046.16
Total	<u>602,607,325.16</u>	<u>602,607,325.16</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Corporate Accounting Standards)  
(All amounts are stated in RMB Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****41. Provision for ordinary risks**

<b>Item</b>	<b>30-JUN-2011</b>	<b>1-JAN-2011</b>
General risk preparation	789,493.21	789,493.21
Trust compensation reserve	6,925,343.41	6,925,343.41
Total	<u>7,714,836.62</u>	<u>7,714,836.62</u>

**42. Unappropriated Profit**

	<b>30-JUN-2011</b>	<b>30-JUN-2010</b>
At the end of 2010	546,021,613.11	337,092,967.43
After adjustment at beginning of 2011	546,021,613.11	337,092,967.43
Add: Net profit of the period attributable to owners of the parent	305,542,394.06	244,716,850.09
Less: Appropriation to statutory surplus reserve		28,073,367.79
Profit available for distribution to shareholders	42,266,000.00	
Number of general risk reserve		789,493.21
Number of trustee compensation reserve		6,925,343.41
At at 30 June 2011	809,298,007.17	546,021,613.11

**43. Operating income**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Principal operating activities	3,448,429,099.58	2,167,704,362.22
Textile machinery	3,306,773,974.99	2,158,783,748.40
Property development		972,138.00
Non-textile machinery	141,655,124.59	7,948,475.82
Other operating activities	439,664,734.72	288,779,999.09
Operating leases	4,381,552.95	9,234,964.92
Sales of raw materials, parts and components	338,931,487.44	271,856,956.17
Others	96,351,694.33	7,688,078.00
Total	<u>3,888,093,834.30</u>	<u>2,456,484,361.31</u>

**44. Operating costs**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Principal operating activities	2,946,809,989.64	1,930,240,812.38
Textile machinery	2,814,106,350.53	1,923,312,982.89
Property development		327,356.60
Non-textile machinery	132,703,639.11	6,600,472.89
Other operating activities	318,566,186.19	233,256,819.58
Operating leases	2,236,766.04	5,313,865.74
Sales of raw materials, parts and components	300,839,365.30	227,818,653.84
Others	15,490,054.85	124,300.00
Total	<u>3,265,376,175.83</u>	<u>2,163,497,631.96</u>

**Notes to the Financial Statements**

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

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**45. Net Interest income**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Interest income	23,024,858.26	
Including: income of financial institutions	8,331,645.81	
Loan interest income	14,693,212.45	
Interest income from financial assets purchased under resale agreements		
Interest expenses	-504,000.00	
Net interest income	<u>22,520,858.26</u>	

**46. Service charges and commission income**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Net income of trust fees	<u>1,395,933,901.11</u>	
Total	<u>1,395,933,901.11</u>	

**47. Sales taxes and levies**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Business tax	76,703,123.14	1,153,258.07
City construction tax	12,910,728.24	2,358,171.25
Education surcharge tax	7,672,916.40	1,282,732.20
Others	1,860,804.65	943,985.08
Total	<u>99,147,572.43</u>	<u>5,738,146.60</u>

**48. Selling and distribution expenses**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Employee benefits	25,165,388.47	15,630,183.67
Transportation expenses	8,788,149.76	9,712,745.11
Travelling expenses	8,890,356.22	7,113,909.02
Consigned expenses		81,800.00
Sales services expenses	3,827,904.79	2,291,580.44
Operating expenses	6,538,098.93	4,883,100.34
Exhibition expenses	3,083,377.44	2,201,017.61
Labor expenses	4,439,967.51	2,217,626.24
Advertisement expenses	837,519.40	2,047,519.15
Unloading expenses	1,363,384.65	1,516,866.60
Office expenses	1,656,669.18	1,219,656.20
Repair and maintenance expenses	384,586.09	773,020.11
Depreciation expenses	1,214,085.43	589,632.84
Others	8,541,808.69	5,410,106.85
Total	<u>74,731,296.56</u>	<u>55,688,764.18</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Corporate Accounting Standards)  
(All amounts are stated in RMB Yuan unless otherwise stated)**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****49. Administrative expenses**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Employee benefits	654,103,970.72	73,332,714.44
Research and development expenses	63,569,602.17	34,994,831.17
Professional fees	80,566,980.03	3,552,137.13
Depreciation	20,568,285.34	13,981,660.81
Taxes	20,023,091.78	10,464,276.32
Travelling expenses	18,633,930.95	5,045,891.26
Repair and maintenance expenses	21,528,649.17	11,209,847.49
Business entertainment expenses	16,996,688.11	5,788,544.69
Agency expenses	4,785,457.23	2,152,214.89
Rent	21,300,747.00	5,219,677.84
Office expenses	12,769,961.07	6,141,639.93
Amortization of intangible assets	6,904,085.36	5,830,450.18
Meeting expenses	5,917,212.94	889,559.96
Utilities	5,514,704.81	4,877,234.72
Transportation expenses	4,836,182.45	4,743,370.02
Long-term deferred expenses	2,290,668.93	56,835.24
Heating expenses	1,241,666.31	2,414,106.99
Insurance expenses	996,218.70	1,395,766.77
Security Fire expenses	1,290,724.66	900,817.25
Amortization of consumables	1,440,091.62	871,912.53
Environment expenses	1,290,612.76	855,372.26
Labor protection expenses	1,400,436.68	626,249.22
Others	19,974,556.76	7,581,543.76
Total	<u>987,944,525.55</u>	<u>202,926,654.87</u>

**50. Financial expenses**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Interest expense	47,550,739.00	31,757,063.95
Less: interest income	9,833,786.21	12,380,926.64
Less: Exchange difference	107,451.18	559,992.46
Others	2,719,283.40	1,375,889.31
Total	<u>40,328,785.01</u>	<u>20,192,034.16</u>

**51. Gains from changes in fair values**

<b>Source of gains from changes in fair values</b>	<b>Current period</b>	<b>Corresponding period of previous year</b>
Held-for-trading financial assets	<u>-14,029,236.58</u>	
Total	<u>-14,029,236.58</u>	

**Notes to the Financial Statements**

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

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**52. Investment income**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Long-term equity investment income under cost method		
Long-term equity investment income under equity method	7,916,945.59	2,932,914.72
Gains on disposal of long-term equity investment		-136,587.53
Gains on disposal of held-for-trading financial assets	19,933,156.61	911,520.31
Dividends from available-for-sale financial assets	17,454,935.90	
Others		1,616,452.00
Total	<u>45,305,038.10</u>	<u>5,324,299.50</u>

**53. Assets impairment**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Bad debt	-1,624,305.16	-1,992,030.42
Written-down of inventories	11,297,770.78	-1,905,422.05
Total	<u>9,673,465.62</u>	<u>-3,897,452.47</u>

**54. Non-operating income**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Gains on disposal of non-current assets	2,091,521.58	4,898,391.24
Profit on debt restructuring	229,471.13	
Government grants	4,807,877.63	13,049,873.51
Others	633,316.26	2,762,387.91
Total	<u>7,762,186.60</u>	<u>20,710,652.66</u>

**55. Non-operating expenses**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Losses on disposal of non-current assets	2,036,872.26	1,726,251.45
Loss from debt restructuring	202,347.00	42,007.98
Donation expenses	1,113,164.40	
Asset retirement and damage		
Compensation and penalty	48,792.11	
Others	402,113.72	686,145.17
Total	<u>3,803,289.49</u>	<u>2,454,404.60</u>

**56. Income tax expenses**

	<b>Current period</b>	<b>Corresponding period of previous year</b>
Current tax expense	198,241,217.98	4,048,594.19
Deferred tax expense	3,243,100.46	1,418,013.12
Total	<u>201,484,318.44</u>	<u>5,466,607.31</u>



**Notes to the Financial Statements**

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

**VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**57. Earnings per share**

	Current period	Corresponding period of previous year
Earnings per share	<u>0.51</u>	<u>0.05</u>

Earnings per share is calculated based on the net profit of the current period attributable to the ordinary shareholders and the 603,800,000 shares as at the end of the period.

The Company does not have potential ordinary shares, hence there is no need to disclose diluted earnings per share.

**58. Supplementary information of the consolidated cash flow statement**

	Current period	Corresponding period of previous year
(1) Reconciliation of net profit to cash flow from operating activities		
Net profit/loss	663,097,152.86	30,452,522.27
Add: Asset for impairment loss	9,673,465.62	-3,897,452.47
Depreciation of fixed assets	67,601,058.79	50,678,179.28
Amortisation of intangible assets	6,904,085.36	5,830,450.18
Amortisation of long-term deferred expenses	2,290,668.93	81,580.12
Gains on disposal of fixed assets, intangible assets and other long-term assets (less: gain)	-54,649.32	-3,052,463.25
Loss on disposal of scrapped fixed assets (less: gain) loss from changes in fair value (less: gain)	14,029,236.58	
Financial expenses	47,550,739.00	20,192,034.16
Investment losses (less: gain)	-45,305,038.10	-5,324,299.50
Decrease in deferred tax assets (less: increase)	-3,243,100.46	1,418,013.12
Decrease in inventories (less: increase)	-407,456,772.88	-221,428,176.43
Decrease in operating receivables (less: increase)	-237,699,487.18	46,421,387.67
Increase in operating payables (less: decrease)	682,459,032.78	10,773,214.95
Net cash flows from operating activities	799,846,391.98	-67,855,009.91
(2) Net increase in cash and cash equivalents		
Closing balance of cash and cash equivalents	2,296,233,901.33	1,437,174,228.45
Less: Opening balance of cash	2,350,591,630.16	1,207,372,241.74
Net increase in cash and cash equivalents	-54,357,728.83	229,801,986.71

**59. Cash and cash equivalents**

	30-JUN-2011	1-JAN-2011
Cash	2,296,233,901.33	2,350,591,630.16
Including: Cash on hand	801,598.84	435,896.21
Cash in bank	2,176,742,981.58	2,278,031,464.63
Other monetary funds that can be readily withdrawn on demand	118,689,320.91	72,124,269.32
Cash and cash equivalent balances	2,296,233,901.33	2,350,591,630.16
Restricted cash and cash equivalents of parent company and subsidiaries in the Group	93,390,331.66	65,022,420.98

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

**VII. RELATED PARTIES AND TRANSACTIONS**

**(1) Amount due from/to related parties**

Item	Relationship	30-JUN-2011	1-JAN-2011
Accounts receivable	Associates	74,868,448.14	114,317,931.83
	Companies controlled by the same parent company	140,641.73	140,641.73
	Ultimate holding company	63,998.00	63,998.00
	Companies controlled the actual controller	34,546,886.95	17,565,659.90
	Companies in which key personnel of subsidiaries has influence	838,848.63	897,913.81
	Total	<u>110,458,823.45</u>	<u>132,986,145.27</u>
Bills receivable	Associates	14,260,000.00	70,528,020.00
	Companies controlled by the actual controller	7,450,000.00	
	Companies controlled by the same parent company	200,000.00	1,320,000.00
	Companies in which key personnel of subsidiaries has significant influence	4,152,000.00	14,891,103.20
	Total	<u>26,062,000.00</u>	<u>86,739,123.20</u>
Advances to suppliers	Associates	1,366,631.00	6,323,645.31
	Companies controlled by the same parent company	97,000.00	98,263.00
	Companies in which key personnel of subsidiaries has significant influence	43,357,077.30	43,637,569.58
	Companies controlled by the actual controller	28,262,253.26	18,354,220.71
	Total	<u>73,082,961.56</u>	<u>68,413,698.60</u>
Other receivables	Associates	94,468,561.91	114,468,561.91
	Total	<u>94,468,561.91</u>	<u>114,468,561.91</u>
Accounts payable	Holding Companies	6,301,379.63	6,301,379.63
	Associates	31,990,726.13	42,864,727.42
	Companies controlled by the same parent company	1,334,920.41	3,130,771.92
	Companies controlled by the actual controller	179,752,539.24	217,852,240.01
	Companies in which key personnel of subsidiaries has significant influence	249,445,065.87	174,649,146.83
	Total	<u>468,824,631.28</u>	<u>444,798,265.81</u>
Bills payable	Companies controlled by the same parent company		
	Associates	300,000.00	14,250,000.00
	Companies in which key personnel of subsidiaries has significant influence	650,000.00	23,883,655.00
	Companies controlled by the actual controller	30,000.00	12,547,583.40
	Total	<u>980,000.00</u>	<u>50,681,238.40</u>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Corporate Accounting Standards)  
(All amounts are stated in RMB Yuan unless otherwise stated)**VII. RELATED PARTIES AND TRANSACTIONS (continued)****(1) Amount due from/to related parties (continued)**

Item	Relationship	30-JUN-2011	1-JAN-2011
Advance from customers	Associates	21,549,595.55	691,096.81
	Companies controlled by the same parent company	399.30	367,581.11
	Companies controlled by the actual controller	256,697.24	293,785.40
	Companies in which key personnel of subsidiaries has significant influence		302,146.85
	Holding Companies	1,000,087.16	1,000,087.16
	<b>Total</b>	<b>22,806,779.25</b>	<b>2,654,697.33</b>
Other payables	Holding Companies	20,231,020.72	20,231,020.72
	Associates	57,294.57	136,605.76
	Companies controlled by the same parent company	34,218,309.95	32,373,942.26
	Companies controlled by the actual controller	60,000,000.00	60,000,000.00
	<b>Total</b>	<b>114,506,625.24</b>	<b>112,741,568.74</b>
Dividend payables	Holding Companies	13,694,800.00	
	Companies controlled by the same parent company	1,150,783.00	1,150,783.00
	Companies in which key personnel of subsidiaries has significant influence	205,886.00	205,886.00
	<b>Total</b>	<b>15,051,469.00</b>	<b>1,356,669.00</b>

**(2) Related Parties Transactions**

For the six months period ended on 30 June 2011, the Group has the following material transactions with its related companies:

**(1) Transactions with fellow subsidiaries**

	Six months ended 30 June	
	2011	2010
	RMB '000	RMB '000
Sales of goods and services		
Sale of finished goods	22,276	85,640
Sale of raw materials, parts and components	32,161	71,537
Processing fee received	11	1,092
Other supporting services income received	196	5,156
Rental income received	1,704	2,374
<b>Total</b>	<b>56,348</b>	<b>165,798</b>
Purchases of goods and services		
Purchase of finished goods	212,211	130,171
Purchase of raw materials, parts and components	1,113	64,132
Purchase of tools and mold		4,851
Purchase of castings		
Purchase of package		250
Purchase of power	40	18
Processing fee paid	649	
Transportation services expense paid	1,899	22,953
Repairs and maintenance services expense paid	2,410	1,614
Other supporting services expense paid	2,932	4,629
Rental expense paid	154	2,974
Staff accommodation rental expense paid		346
<b>Total</b>	<b>221,408</b>	<b>231,940</b>

**Notes to the Financial Statements**(Prepared in accordance with the PRC Corporate Accounting Standards)  
(All amounts are stated in RMB Yuan unless otherwise stated)**VII. RELATED PARTIES AND TRANSACTIONS (continued)****(2) Related Parties Transactions (continued)****(2) Transactions with associated companies**

Sales of goods and services		
Sale of finished goods	207,716	87,041
Sale of materials, parts and components	120,817	149
Processing fee received	1,244	
Support service fee received	1,780	
	<u>331,557</u>	<u>87,190</u>
Total		
Purchases of goods and services		
Purchase of materials, parts and components	137,922	1,382
Purchase of tools and mold	3,712	
Processing fee paid	28,285	
Purchase of package	182	
Payment for transportation services	509	
Payment for repair and maintenance service	5,734	
Payment for other support service	364	
	<u>176,708</u>	<u>1,382</u>
Total		

**(3) Transactions with companies in which certain key management personnel of the subsidiaries of the Company had influence in**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods and services		
Sale of finished goods	2,309	
Sale of materials, parts and components	3,428	2,547
	<u>5,737</u>	<u>2,547</u>
Total		
Purchase of goods and services		
Purchase of finished goods	80,915	50,224
Purchase of materials, parts and components	221,067	204,859
Purchase of castings	52,067	78,285
Purchase of power	1,502	341
Purchase of package	26,831	33,062
Processing fee paid	4,091	2,437
Other supporting services fee paid	2,859	5,350
Rental expense	575	
	<u>389,908</u>	<u>374,559</u>
Total		



## Notes to the Financial Statements

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

## VIII. SEGMENT REPORT

As at 30 June 2011	Segment: Textile machinery Amount	Segment: Provision of trust and fiduciary services Amount	Segment: Property development Amount	Others Amount	Elimination Amount	Total Amount
<b>Items</b>						
1. External sales	3,675,449,876.02	1,487,154,330.36		144,448,387.29		5,307,052,593.67
2. Inter-segment sales	1,204,536.28				-1,204,536.28	
3. Associates and joint ventures investment income	7,916,945.59					7,916,945.59
4. Impairment loss in respect of assets	9,273,465.62			400,000.00		9,673,465.62
5. Depreciation and amortisation	59,695,302.08	12,676,301.66		5,874,308.26		78,245,912.00
6. Loss before tax	132,159,899.53	735,138,748.86		-2,717,177.09		864,581,471.30
7. Income tax	12,987,545.22	188,496,773.22				201,484,318.44
8. Net profit(loss)	119,172,354.31	546,641,975.64		-2,717,177.09		663,097,152.86
9. Total assets	9,195,377,933.20	3,176,111,862.77		463,637,984.12	-27704536	12,807,423,244.09
10. Total Liabilities	6,723,062,590.94	836,510,757.65		175,315,924.26	-27704536	7,707,184,736.85
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	115,044,120.17					115,044,120.17
(3) Increase amount of non-current assets other than long-term equity investments	211,203,229.43	7,044,776.47		21,357,502.34		239,605,508.24
As at 30 June 2010	Segment: Textile machinery Amount of the previous period	Segment: Provision of trust and fiduciary services Amount of the previous period	Segment: Property development Amount of the previous period	Others Amount of the previous period	Elimination Amount of the previous period	Total Amount of the previous period
<b>Items</b>						
1. External sales	2,445,576,900.10		1,807,138.00	9,100,323.21		2,456,484,361.31
2. Inter-segment sales						
3. Associates and joint ventures investment income	2,932,914.72					2,932,914.72
4. Impairment loss in respect of assets	3,897,452.47					3,897,452.47
5. Depreciation and amortisation	49,110,618.56		649,242.41	918,318.31		50,678,179.28
6. Loss before tax	33,093,142.05		3,691,084.32	-865,096.80		35,919,129.57
7. Income tax	4,313,344.91		1,153,262.40			5,466,607.31
8. Net profit(loss)	28,779,797.14		2,537,821.92	-865,096.80		30,452,522.26
9. Total assets	7,319,126,326.96		600,256,414.36	314,908,481.68		8,234,291,223.00
10. Total Liabilities	4,613,026,153.15		439,302,261.45	56,659,740.97		5,108,988,155.57
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	114,926,154.10					114,926,154.10
(3) Increase amount of non-current assets other than long-term equity investments	155,513,177.87		2,414,525.00	144,148,820.99		302,076,526.86

**Notes to the Financial Statements**

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

**IX. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**
**1. Accounts receivable**
**(1) by categories**

	Amount as at		Provision for		Amount as at		Provision for	
	30 Jun 2011	Proportion	30 Jun 2011	Proportion	1 Jan 2011	Proportion	1 Jan 2011	Proportion
Individually significant and the accounts receivable bad debt provision								
Portfolio: Aging analysis on a portfolio of accounts receivable	390,826,709.49	99.26%	16,243,922.50	4.16%	319,370,118.30	98.70%	16,986,236.17	5.32%
Individually insignificant but the individual accounts receivable provision	2,926,989.14	0.74%	2,754,515.99	94.11%	4,219,448.88	1.30%	2,680,317.89	63.52%
<b>Total</b>	<b>393,753,698.63</b>	<b>100.00%</b>	<b>18,998,438.49</b>		<b>323,589,567.18</b>	<b>100.00%</b>	<b>19,666,554.06</b>	

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

Aging	Amount as at		Provision for		Amount as at		Provision for	
	30 Jun 2011	Proportion	30 Jun 2011	Proportion	1 Jan 2011	Proportion	1 Jan 2011	Proportion
Less than 1 year	371,394,735.17	95.03%	0.00	0.00%	299,219,800.72	93.69%	0.00%	
1-2 years	3,909,055.35	1.00%	781,811.07	20.00%	3,768,303.55	1.18%	753,660.71	20.00%
2-3 years	121,615.08	0.03%	60,807.54	50.00%	298,877.13	0.09%	149,438.56	50.00%
Over 3 years	15,401,303.89	3.94%	15,401,303.89	100.00%	16,083,136.90	5.04%	16,083,136.90	100.00%
<b>Total</b>	<b>390,826,709.49</b>	<b>100.00%</b>	<b>16,243,922.50</b>		<b>319,370,118.30</b>	<b>100.00%</b>	<b>16,986,236.17</b>	

**(3) Individually insignificant but individual providing provision for bad debts of accounts receivable at 30 Jun 2011 as follows**

The contents of accounts receivable	Amount as at 30 June 2011	Provision for bad debt as at 30 June 2011	Proportion
China Texmatech Company Limited	1,746,467.00	1,746,467.00	100.00%
Retention money	1,180,522.14	1,008,048.99	85.39%
<b>Total</b>	<b>2,926,989.14</b>	<b>2,754,515.99</b>	

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

**IX. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (continued)**

**2. Other receivables**

**(1) By categories**

	Amount as at		Provision for		Amount as at		Provision for	
	30 Jun 2011	Proportion	30 Jun 2011	Proportion	1 Jan 2011	Proportion	1 Jan 2011	Proportion
Individually significant and the individual other receivable bad debt provision	150,368,561.91	29.70%			190,368,561.91	35.63%		
Aging analysis on a portfolio of other receivable	351,877,223.76	69.51%	50,000.00	0.01%	342,914,806.21	64.17%	50,000.00	0.01%
Individually insignificant but the individual other receivable bad debt provision	3,983,337.34	0.79%	15,000.00	0.38%	1,064,083.22	0.20%	15,000.00	1.41%
<b>Total</b>	<b>506,229,123.01</b>	<b>100.00%</b>	<b>65,000.00</b>		<b>534,347,451.34</b>	<b>100.00%</b>	<b>65,000.00</b>	

**(2) By aging**

Aging	Amount as at		Provision for		Amount as at		Provision for	
	30 Jun 2011	Proportion	30 Jun 2011	Proportion	1 Jan 2011	Proportion	1 Jan 2011	Proportion
Less than 1 year	351,827,223.76	99.99%			342,864,806.21	99.99%		
Over 3 years	50,000.00	0.01%	50,000.00	100.00%	50,000.00	0.01%	50,000.00	100.00%
<b>Total</b>	<b>351,877,223.76</b>	<b>100.00%</b>	<b>50,000.00</b>		<b>342,914,806.21</b>	<b>100.00%</b>	<b>50,000.00</b>	

**3. Long-term equity investment**

list by details

Name of Investee	Cost	As at 1		Increase	Decrease	As at 30	Proportion of	Impairment	Cash dividends
		January 2011	June 2011						
1. Equity method									
China Texmatech Company Limited	30,000,000.00	59,467,090.94	3,643,515.05		63,110,605.99	25.00			
Hongda Research Company Limited	20,000,000.00	11,866,671.36	616,000.00		12,482,671.36	40.00			
Jingwei Machinery (Group) Company Limited	8,000,000.00	8,000,000.00	2,208,472.35		10,208,472.35	20.00			
Beijing Heng Tian Wealth Investment Management Company Limited	10,000,000.00		10,252,114.03		10,252,114.03	20.00			
2. Cost method									
Hongda investment Company Limited	24,866,602.17	24,866,602.17			24,866,602.17	9.38	19,724,878.84		
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			
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			

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

**IX. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (continued)**

**3. Long-term equity investment (continued)**

list by details (continued)

Name of Investee	Cost	As at 1		Increase	Decrease	As at 30 June 2011	Proportion of ownership (%)	Impairment	Cash dividends
		January 2011							
2. Cost method (continued)									
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		
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	57,468,930.00	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	35,860,000.00	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	17,851,007.41				17,851,007.41	45.00		
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	108,000,000.00			1,299,016,921.62	36.00		
Jinzhong Jingwei Chemical Fibre Machinery Company Limited	18,810,000.00		18,810,000.00			18,810,000.00	51.00		
<b>Total</b>		<b>2,412,792,506.15</b>	<b>143,530,101.43</b>			<b>2,556,322,607.58</b>		<b>19,724,878.84</b>	



**Notes to the Financial Statements**(Prepared in accordance with the PRC Corporate Accounting Standards)  
(All amounts are stated in RMB Yuan unless otherwise stated)**IX. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (continued)****4. Operating income and Operating costs***(1) Operating income/costs*

Item	Current period	Corresponding period of previous year
Principal operating income	1,906,643,412.06	1,250,666,148.51
Other operating income	662,581,130.87	396,541,616.39
Total	<u>2,569,224,542.93</u>	<u>1,647,207,764.90</u>
Principal operating costs	1,777,335,328.67	1,199,035,250.70
Other operating costs	631,933,917.40	363,355,632.81
Total	<u>2,409,269,246.07</u>	<u>1,562,390,883.51</u>

*(2) Classified by product and industry*

Industry name	Current period		Corresponding period of previous year	
	Operating income	Operating costs	Operating income	Operating costs
Textile machinery	2,569,224,542.93	2,409,269,246.07	1,647,207,764.90	1,562,390,883.51
Total	<u>2,569,224,542.93</u>	<u>2,409,269,246.07</u>	<u>1,647,207,764.90</u>	<u>1,562,390,883.51</u>

**5. Investment income***Disclosure of investment income by item is as follows:*

Source of investment income	Current period	Corresponding period of previous year
Investment income under cost method		
Investment income under equity method	6,720,101.43	2,599,425.51
Gain on disposal of long-term equity investment		
Gain on disposal of held-for-trading financial assets	20,688.24	238,249.51
Others		
Total	<u>6,740,789.67</u>	<u>2,837,675.02</u>

**Notes to the Financial Statements**

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

**IX. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (continued)**

**6. Supplementary information of the consolidated cash flow statement**

Category	Current period	Corresponding period of previous year
(1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	22,070,864.98	2,345,664.41
Add: Asset impairment loss	-569,845.38	-2,232,281.95
Depreciation of non-current assets	13,815,179.20	15,741,382.67
Amortisation of intangible assets	1,806,313.74	2,306,469.48
Loss on long-term assets (less: gain)	-298,387.32	-1,853,304.87
Loss on changes in fair value (less: gain)	80,472.22	
Financial expenses	35,463,765.64	10,236,155.61
Investment losses (less: gain)	-6,740,789.67	-2,837,675.02
Decrease in deferred tax assets (less: increase)		
Decrease in inventories (less: increase)	-53,130,139.42	-26,946,104.87
Decrease in operating receivables (less: increase)	-67,224,992.84	-323,085,568.73
Increase in operating payables (less: decrease)	122,688,517.69	60,658,612.48
	<u>67,960,958.84</u>	<u>-265,666,650.79</u>
(2) Net changes in cash and cash equivalents:		
Closing balance of cash	761,366,105.94	831,142,080.05
Less: Opening balance of cash	1,091,932,650.31	1,024,391,879.25
	<u>-330,566,544.37</u>	<u>-193,249,799.20</u>

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

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

	Notes	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>Turnover</b>		5,206,319	2,439,561
Cost of sales		<u>-3,347,301</u>	<u>-2,163,797</u>
<b>Gross profit</b>		1,859,018	275,764
Other income	5	135,804	44,890
Gain on fair value changes of investment held-for-trading		-14,029	912
Distribution expenses		-74,731	-55,689
Administrative expenses		<u>-1,001,847</u>	<u>-201,134</u>
Operation profit		902,415	64,743
Finance cost	6	-47,551	-31,757
Share of Profit/(loss) of jointly controlled entities and associates		<u>7,917</u>	<u>2,933</u>
<b>Profit before taxation</b>	7	864,581	35,919
Income tax expenses	8	<u>-201,484</u>	<u>-5,467</u>
Profit for the period		<u>663,097</u>	<u>30,452</u>
<b>Profit for the period Attributable to:</b>			
Equity holders of the Company		305,542	29,190
Minority interests		<u>357,555</u>	<u>1,262</u>
		<u>663,097</u>	<u>30,452</u>
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)	9		
– basic and diluted		<u>RMB0.51</u>	<u>RMB0.05</u>

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

	<i>Notes</i>	<b>30 June 2011</b> <i>RMB '000</i> (Unaudited)	<b>31 December 2010</b> <i>RMB '000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	1,786,036	1,679,631
Prepaid lease payments		435,997	436,147
Intangible assets	12	24,191	26,521
Goodwill		846,009	843,157
Interests in associated companies		115,044	92,227
Available-for-sale financial assets		1,014,532	1,166,572
Deferred tax		35,856	23,999
Other non-current assets		501,376	62,040
		<u>4,759,041</u>	<u>4,330,294</u>
<b>Current assets</b>			
Inventories	13	1,558,885	1,161,956
Trade and other receivables	14	3,286,285	2,975,709
Prepaid lease payments		10,286	10,286
Amounts due from holding company		64	64
Amounts due from fellow subsidiaries		70,697	37,479
Amounts due from associated companies		184,964	305,638
Financial assets measured at fair value, the change of which is accounted for in the profit or loss		547,578	103,420
Pledged bank deposits		93,390	65,022
Cash and cash equivalents	15	2,296,234	2,350,592
		<u>8,048,383</u>	<u>7,010,166</u>
<b>Current liabilities</b>			
Trade and other payables	16	4,812,479	4,280,894
Amounts due to holding company		41,227	27,532
Amounts due to fellow subsidiaries		276,744	327,717
Amounts due to associated companies		53,898	57,942
Taxation payable		104,047	134,972
Borrowings – amount due within one year		1,727,255	1,450,133
Obligation under finance leases		28,915	28,915
		<u>7,044,565</u>	<u>6,308,105</u>
<b>Net current assets</b>		<u>1,003,818</u>	<u>702,061</u>
<b>Total assets less current liabilities</b>		<u>5,762,859</u>	<u>5,032,355</u>
<b>Non-current liabilities</b>			
Borrowings – amount due after one year		160,000	278,370
Finances leases liabilities		73,374	87,620
Other non-current liabilities		429,246	347,849
		<u>662,620</u>	<u>713,839</u>
		<u>5,100,239</u>	<u>4,318,516</u>
<b>Capital and reserves</b>			
Share capital	17	603,800	603,800
Reserves		2,706,822	2,460,319
Equity attributable to equity holders of the Company		3,310,622	3,064,119
Non-controlling interests		1,789,617	1,254,397
		<u>5,100,239</u>	<u>4,318,516</u>

**Consolidated Statement of Changes in Equity**  
(For the six months ended 30 June 2011)

	Share capital	Share premium	Statutory surplus reserve	Discretionary surplus reserve	Regulatory reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Attributable to equity holders of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 of the year	-	-	-	-	-	-	-	244,717	244,717	265,776	510,493
Other comprehensive income of the year	-	-	-	-	-	58,217	(146)	-	58,071	103,141	161,212
Total comprehensive income of the year	-	-	-	-	-	58,217	(146)	244,717	302,788	368,917	671,705
Transfer to reserve	-	-	28,072	-	7,715	-	-	(35,787)	-	-	-
Non-controlling interests resulted from business combination	-	-	-	-	-	-	-	-	-	760,902	760,902
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	66,720	66,720
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(106,452)	(106,452)
Changes in equity that would not result in the loss of control of subsidiaries	-	4,414	-	-	-	-	-	-	4,414	936	5,350
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(2,600)	(2,600)
At 31 December 2010 (Audited)	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
At 1 January 2011	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
Profit of the year	-	-	-	-	-	-	-	305,542	305,542	357,555	663,097
Other comprehensive income of the year	-	-	-	-	-	-	-90	-	-90	-	-90
Total comprehensive income of the year	-	-	-	-	-	-	-90	305,542	305,452	357,555	663,007
Non-controlling interests resulted from business combination	-	-	-	-	-	-	-	-	-	15,332	15,332
Capital injection from non-controlling interest	-	-	-	-	-	-	-	-	-	192,000	192,000
Changes in equity that would not result in the loss of control of subsidiaries	-	-	-	-	-	-16,683	-	-	-16,683	-29,667	-46,350
Dividends paid	-	-	-	-	-	-	-	-42,266	-42,266	-	-42,266
At 30 June 2011 (Unaudited)	603,800	1,248,790	424,844	177,764	7,715	41,534	-3,123	809,298	3,310,622	1,789,617	5,100,239

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>799,846</u>	<u>-67,855</u>
Cash flows from investing activities		
cash flow disposal of equity and financial investment, net	-975,071	-97,418
purchases of property, plant and equipment	-126,527	-41,127
disposal of property, plant and equipment	<u>1,311</u>	<u>3,446</u>
Net cash flows from investing activities	<u>-1,100,287</u>	<u>-135,099</u>
Cash flows from financing activities		
dividends paid and interest paid	-11,780	-19,954
cash of borrowings	1,932,824	789,769
repayment of borrowings due	<u>-1,674,684</u>	<u>-376,975</u>
Net cash flows from financing activities	<u>246,360</u>	<u>432,748</u>
Net decrease in cash and cash equivalents	-54,081	229,794
Cash and cash equivalents at 1 January	2,350,592	1,207,372
Effect of foreign exchange rate changes	<u>-277</u>	<u>8</u>
Cash and cash equivalents at 30 June	<u>2,296,234</u>	<u>1,437,174</u>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalent	2,296,234	1,437,174
Time deposits with maturity of more than three months	<u>-</u>	<u>43,890</u>
	<u>2,296,234</u>	<u>1,393,284</u>



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

**1 GENERAL INFORMATION**

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

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

**2 PRINCIPAL ACCOUNTING POLICIES**

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

A number of new or revised HKFRSs are effective for the financial year beginning on 1 January 2011. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as of 30 June 2011 as were applied in the preparation of the Group's financial statements for the year 2010.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in an annual report, and should be read in conjunction with the Company's 2010 Annual Report.

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

*Impact of new and revised HKFRSs*

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

IFRSs (revised)	Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3 (as amended in 2008))
IFRS 1 (revised)	Limited Exemption from Comparative Disclosures for First-Time Adopters
IAS 24 (amended)	Related Party Disclosures
IAS 32 (revised)	Classification of Rights Issues
IAS 34 (revised)	Interim Financial Reporting
IFRIC – Int 14 (revised)	Prepayments of a Minimum Funding Requirement
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments

*Impact of HKFRSs issued but not yet effective*

IFRS 7 (amended)	Financial Instruments: Disclosures – Transfer of Financial Assets <sup>1</sup>
IFRS 9	Financial Instruments <sup>4</sup>
IFRS 10	Consolidated Financial Statements <sup>4</sup>
IFRS 11	Joint Arrangements <sup>4</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>4</sup>
IFRS 13	Fair Value Measurement <sup>4</sup>
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income <sup>3</sup>
IAS 12 (amended)	Income Tax-Deferred Tax: Recovery of Underlying Assets <sup>2</sup>
IAS 19 (2011)	Employee Benefits <sup>4</sup>
IAS 27 (2011)	Separate Financial Statements <sup>4</sup>
IAS 28 (2011)	Investments in Associates and Jointly Controlled Entity <sup>4</sup>

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

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

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

**3. BASIS OF PREPARATION**

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

**4. SEGMENT REPORTING**

Information of these business segments are presented below:

	<b>Manufacture and sales of textile machinery and related materials, parts and component RMB'000</b>	<b>Provision of trust and fiduciary services RMB'000</b>	<b>Manufacture and sales of other non- textile products RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>For the six months ended 30 June 2011 (Unaudited)</b>					
<b>TURNOVER</b>					
External sales	3,645,548	1,418,959	141,812	–	5,206,319
Inter-segmental sales	<u>1,205</u>	<u>–</u>	<u>–</u>	<u>(1,205)</u>	<u>–</u>
Total from continuing operations	<u><u>3,646,753</u></u>	<u><u>1,418,959</u></u>	<u><u>141,812</u></u>	<u><u>(1,205)</u></u>	<u><u>5,206,319</u></u>
Inter-segmental sales are charged at prevailing market rates.					
<b>RESULTS</b>					
Segment results (continuing operations)	<u><u>161,895</u></u>	<u><u>749,063</u></u>	<u><u>(2,044)</u></u>	<u><u>–</u></u>	908,914
Interests income					9,834
Finance costs					(48,055)
Gain on fair value changes of financial assets at fair value through profit or loss					(14,029)
Share of profits of associates					<u>7,917</u>
Profit before taxation (continuing operations)					864,581
Income tax expenses					<u>(201,484)</u>
Profit for the period (continuing operations)					<u><u>663,097</u></u>



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

**4. SEGMENT REPORTING (continued)**

	<b>Manufacture and sales of textile machinery and related materials, parts and component RMB'000</b>	<b>Provision of trust and fiduciary services RMB'000</b>	<b>Manufacture and sales of other non- textile products RMB'000</b>	<b>Elimination RMB'000</b>	<b>Total RMB'000</b>
<b>For the six months ended 30 June 2010</b>					
<b>TURNOVER</b>					
External sales	2,438,589		972	–	2,439,561
Inter-segmental sales		–	–		–
Total from continuing operations	<u>2,438,589</u>		<u>972</u>		<u>2,439,561</u>
Inter-segmental sales are charged at prevailing market rates.					
<b>RESULTS</b>					
Segment results (continuing operations)	<u>57,430</u>		<u>(5,058)</u>	–	52,372
Interests income					12,381
Finance costs					(31,757)
Gain on fair value changes of financial assets at fair value through profit or loss					
Share of profits of associated companies					<u>2,933</u>
Profit before taxation (continuing operations)					35,929
Income tax expense					<u>(5,477)</u>
Profit for the period (continuing operations)					<u>30,452</u>

**5. OTHER INCOME**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from banks	9,834	12,381
Interest income due from related parties		
Government subsidies	4,808	13,050
Investment gains	37,388	-137
Net exchange gains		560
Dividends income from available-for-sale investments		
Net gains on disposal of property, plant and equipment		3,172
Others	<u>83,774</u>	<u>15,864</u>
Total	<u>135,804</u>	<u>44,890</u>

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

**6. FINANCE COST**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Interest expenses:		
Interest expense arising from bank loans due within five years	47,551	31,757

**7. PROFIT BEFORE TAXATION**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Profit before taxation after charging of the following items		
Amortisation of intangible assets	2,878	1,564
Amortisation of land use rights	6,088	4,377
Depreciation of property, plant and equipment	67,601	57,538
Auditor's remuneration	2,240	728
Provision (write back) for doubtful debts	-1,624	-1,992
Provision (write back) for inventories	-11,298	-1,905
Operating lease expense-land and buildings	21,301	5,520
Research and development costs	63,570	34,995
Staff costs, including directors' and supervisors' emoluments	788,528	245,881

**8. INCOME TAX EXPENSES**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Current tax		
PRC Enterprise Income Tax	198,241	4,049
Deferred tax		
Charge for the year	3,243	1,418
Total	201,484	5,467

**9. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit for the period attributable to the owners of the Group of the reporting period of RMB305,542,000 (January to June 2010: RMB29,190,000) and 603,800,000 (January to June 2010: 603,800,000) shares in issue during the reporting period.

No diluted earnings per share is presented since the Group has no potential dilutive shares during the year.

**10. DIVIDEND**

No dividend was proposed by the Company for the six months ended 30 June 2011 (January to June 2010: nil).



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

**11 PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings</b> <i>RMB'000</i>	<b>Machinery and equipment</b> <i>RMB'000</i>	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Construction in progress</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 1 January 2011					
Net amount at the beginning of the period	812,872.00	581,332.00	58,485.00	226,942.00	1,679,631.00
Additions	919.00	178,941.00	17,589.00	160,051.00	357,500.00
Assigned assets after construction	19,191.00	8,217.00			27,408.00
Depreciation	-22,631.00	-168,775.00	-6,917.00		-198,323.00
Disposals and other reductions	-4,867.00	-11,249.00	-4,416.00	-4,832.00	-25,364.00
As at 30 June 2011					
Net amount at the end of the period	767,102.00	572,032.00	64,741.00	382,161.00	1,786,036.00
As at 1 January 2010					
Net amount at the beginning of the period	642,842.00	590,641.00	46,945.00	116,066.00	1,396,494.00
Additions		15,482.00	7,241.00	101,558.00	124,281.00
Assigned assets after construction	1,043.00	15,030.00		-16,073.00	
Depreciation	-12,125.00	-39,952.00	-5,461.00		-57,538.00
Disposals and other reductions	-7,211.00	-6,278.00	-2,092.00		-15,581.00
As at 30 June 2010					
Net amount at the end of the period	624,549.00	574,923.00	46,633.00	201,619.00	1,447,724.00

**12. INTANGIBLE ASSETS**

	<b>Patents and licences</b> <i>RMB'000</i>	<b>Software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 1 January 2011			
Net amount at the beginning of the period	12,423.00	14,096.00	26,519.00
Additions		435.00	435.00
Amortisation	-1,245.00	-1,518.00	-2,763.00
As at 30 June 2011			
Net amount at the end of the period	11,178.00	13,013.00	24,191.00
As at 1 January 2010			
Net amount at the beginning of the period	3,902.00	6,212.00	10,114.00
Additions	6,300.00	48.00	6,348.00
Amortisation	-372.00	-1,079.00	-1,451.00
As at 30 June 2010			
Net amount at the end of the period	<u>9,830.00</u>	<u>5,181.00</u>	<u>15,011.00</u>

**13. INVENTORIES**

	<b>30 June 2011</b> <i>RMB'000</i>	<b>31 December 2010</b> <i>RMB'000</i>
Raw materials	523,375.00	337,512.00
Work in progress	399,889.00	322,032.00
Finished goods	635,621.00	502,412.00
Total	<u>1,558,885.00</u>	<u>1,161,956.00</u>

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

**14. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Trade receivable	500,416.00	372,431.00
Less: Provision for doubtful debts	-83,533.00	-83,455.00
	416,883.00	288,976.00
Bills receivable	2,283,482.00	2,027,891.00
Prepayments, deposits and other receivables	585,920.00	658,842.00
	<u>3,286,285.00</u>	<u>2,975,709.00</u>

**15. BANK BALANCES AND CASH**

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
HKD	3,276.00	4,412.00
USD	19,549.00	17,488.00
Euro	3,099.00	3,185.00
Others	1,200.00	1,093.00
	<u>32,124.00</u>	<u>36,188.00</u>

**16. TRADE AND OTHER PAYABLES**

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Trade payables	2,347,495.00	1,900,158.00
Bills payable	238,599.00	198,374.00
Accrued charges and other payables	2,226,385.00	1,682,362.00
Contingent consideration relating to the acquisition of Zhongrong International Trust Co., Ltd.	—	500,000.00
	<u>4,812,479.00</u>	<u>4,280,894.00</u>

**17. SHARE CAPITAL**

	<b>Number of shares</b>		<b>Amount</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>RMB '000</i>		<i>RMB '000</i>	
Registered, issued and fully paid				
restricted	195,656,053.00	195,656,053.00	195,656.00	195,656.00
others	227,343,947.00	227,343,947.00	227,344.00	227,344.00
H shares, RMB 1.00 each	180,800,000.00	180,800,000.00	180,800.00	180,800.00
	603,800,000.00	603,800,000.00	603,800.00	603,800.00



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

**18. CONTINGENT LIABILITIES**

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Guarantees for bank loans of third party	150,000.00	150,000.00
Guarantees for mortgage and bank loans to customers		178,249.00
Total	<u>150,000.00</u>	<u>328,249.00</u>

**19. RELATED PARTIES TRANSACTIONS**

For the six months ended on 30 June 2011, the Group has the following material transactions with its related companies:

**(1) Transactions with fellow subsidiaries**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB '000</i>	<i>RMB '000</i>
Sale of goods and services		
Sale of finished goods	22,276	85,640
Sale of raw materials, parts and components	32,161	71,537
Processing fee received	11	1,092
Other supporting services income received	196	5,156
Rental income received	1,704	2,374
Total	<u>56,348</u>	<u>165,798</u>
Purchase of goods and services		
Purchase of finished goods	212,211	130,171
Purchase of raw materials, parts and components	1,113	64,132
Purchase of tools and mold		4,851
Purchase of castings		
Purchase of package		250
Purchase of power	40	18
Processing fee paid	649	
Transportation services expense paid	1,899	22,953
Repairs and maintenance services expense paid	2,410	1,614
Other supporting services expense paid	2,932	4,629
Rental expense paid	154	2,974
Staff accommodation rental expense paid		346
Total	<u>221,408</u>	<u>231,940</u>

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

**19. RELATED PARTIES TRANSACTIONS (continued)**

**(2) Transactions with associated companies**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods and services		
Sale of finished goods	207,716	87,041
Sale of materials, parts and components	120,817	149
Processing fee received	1,244	
Support service fee received	1,780	
	<hr/>	<hr/>
Total	<u>331,557</u>	<u>87,190</u>
Purchase of goods and services		
Purchase of materials, parts and components	137,922	1,382
Purchase of tools and mold	3,712	
Processing fee paid	28,285	
Purchase of package	182	
Payment for transportation services	509	
Payment for repair and maintenance service	5,734	
Payment for other support service	364	
	<hr/>	<hr/>
Total	<u>176,708</u>	<u>1,382</u>

**(3) Transactions with companies in which certain key management personnel of the subsidiaries of the Company had influence in**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods and services		
Sale of finished goods	2,309	
Sale of materials, parts and components	3,428	2,547
	<hr/>	<hr/>
Total	<u>5,737</u>	<u>2,547</u>
Purchase of goods and services		
Purchase of finished goods	80,915	50,224
Purchase of materials, parts and components	221,067	204,859
Purchase of castings	52,067	78,285
Purchase of power	1,502	341
Purchase of package	26,831	33,062
Processing fee paid	4,091	2,437
Other supporting services fee paid	2,859	5,350
Rental expense	575	
	<hr/>	<hr/>
Total	<u>389,908</u>	<u>374,559</u>



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

19. RELATED PARTIES TRANSACTIONS (continued)

(4) Transactions with other state-owned entities

	Six months ended 30 June	
	2011	2010
	RMB '000	RMB '000
Sale of goods and services		
Sale of finished goods	221,916	68,171
Sale of materials, parts and components	1,136	575
	<hr/>	<hr/>
Total	223,052	68,746
	<hr/>	<hr/>
Purchase of goods and services		
Purchase of finished goods	1,262	3,779
Purchase of materials, parts and components	101,875	56,483
Purchase of power	33,048	13,126
Processing fee paid		8,344
Purchase of tools and molds	169	8
Purchase of castings		
	<hr/>	<hr/>
Total	136,354	81,740
	<hr/> <hr/>	<hr/> <hr/>

20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	Six months ended 30 June	
	2011	2010
	RMB '000	RMB '000
Salaries and other short-term benefits for employees	2,396.00	1,787.00
Post-employment benefits	165.00	154.00
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Total	2,561.00	1,941.00
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## **Chapter VIII Documents Available for Inspection**

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

1. The interim report for the year 2011 which bears the original signature of the Chairman of the Board of Directors;
2. The financial reports which bear the original signatures and seal of by the officer in charge of the Company, the officer in charge of the Company's accounting matter and the person in charge of accounting department;
3. All documents which were publicly disclosed in the newspapers specified by the China Securities Regulatory Commission during the reporting period; and
4. Articles of Association of the Company.

**Jingwei Textile Machinery Company Limited**  
*Board of Directors*

24 August 2011