中国恒天
CHTC

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

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

ANNUAL REPORT

2011

IMPORTANT NOTES

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

Baker Tilly China (the PRC Certified Public Accountants) and Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) have audited the financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 in accordance with the PRC Corporate Accounting Standards and Hong Kong Financial Reporting Standards, respectively, and have given unqualified audit opinions on both financial statements.

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

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

Contents

Chapter I Company Profile

1.	Statutory name of the Company	:	經緯紡織機械股份有限公司
	Name of the Company in English	:	Jingwei Textile Machinery Company Limited
	Abbreviation of Company's Chinese name	:	經緯紡織
	Abbreviation of Company's English name	:	JWTM
2.	Legal representative of the Company	:	Ye Maoxin
3.	Company Secretary to the Board of Directors	:	Ye Xuehua
	Telephone	:	8610 84534078-8188
	E-mail address	:	yxh@jwgf.com
	Stock representative	:	Qiu Lin
	Telephone	:	8610 84534078-8501
	E-mail address	:	ql@jwgf.com
	Correspondence address	:	Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Postal Code	:	100125
	Facsimile no.	:	8610 84534135
4.	Registered address of the Company	:	8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the PRC
	Postal Code	:	100176
	Business address of the Company	:	Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC
	Postal Code	:	100125
	Worldwide website	:	http://www.jwgf.com
	E-mail address	:	jwgf@jwgf.com
5.	Newspapers for corporate information disclosure in the PRC	:	Securities Times
	Websites on which the Company's annual report is posted	:	http://www.cninfo.com.cn http://www.hkex.com.hk http://www.jwgf.com
	Place where the annual report is available	:	Secretariat to the Board
6.	Stock Exchanges on which shares of the Company are listed and stock codes		
	A Shares		
	Place of listing	:	Shenzhen Stock Exchange
	Stock abbreviation	:	Jingwei Textile
	Stock code	:	000666
	H Shares		
	Place of listing	:	The Stock Exchange of Hong Kong Limited ("Stock Exchange")
	Stock abbreviation	:	Jingwei Textile
	Stock code	:	0350
7.	Other relevant information of the Company		
	(1) Incorporation and registration		
	Date and place of incorporation of the Company	:	15 August 1995 at Taiyuan, Shanxi, the PRC
	Dates and places of changes to registration particulars	:	29 March 1996 at Taiyuan, Shanxi, the PRC 5 September 1996 at Taiyuan, Shanxi, the PRC 4 December 1996 at Taiyuan, Shanxi, the PRC 31 October 2000 at Taiyuan, Shanxi, the PRC 8 October 2003 at Beijing, the PRC 9 April 2007 at Beijing, the PRC
	Business licence registration number of enterprise legal person	:	110000450005710
	Tax registration certificate number	:	GSJZ110192110052522
	Organization code	:	11005252-2
	(2) Auditors		
	PRC	:	Baker Tilly China 2/F., Building B, Huatong Mansion, No. 19 Chegongzhuang West Road Yi, Haidian District, Beijing, the PRC
	Hong Kong	:	Baker Tilly Hong Kong Limited 2nd Floor, 625 King's Road, North Print, Hong Kong
	(3) Hong Kong legal advisers	:	Gallant Y. T. Ho & Co. 5th Floor, Jardine House 1 Connaught Place Central, Hong Kong
	(4) Registrar and transfer office for H shares	:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Chapter II Summary of Accounting and Business Data

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

1. Key accounting data

Unit: RMB

	2011	2010	Increase/ Decrease of current year over previous year (%)	2009
Total operating income (RMB)	10,250,648,402	7,287,232,569	40.67	3,571,472,295
Operating profit (RMB)	1,520,467,634	599,570,210	153.59	–160,062,244
Total profit (RMB)	1,541,806,521	668,591,411	130.61	–85,236,920
Net profit attributable to shareholders of the listed company (RMB)	490,793,393	244,716,850	100.56	–78,890,776
Net profit attributable to shareholders of the listed company after extraordinary gains/losses (RMB)	485,085,172	120,765,582	301.68	–269,524,337
Net cash flow generated from operating activities (RMB)	1,651,547,028	1,046,757,376	57.78	321,786,375

	End of 2011	End of 2010	Increase/ Decrease of current year-end over previous year-end (%)	End of 2009
Total assets (RMB)	12,969,828,726	11,340,459,043	14.37	6,817,098,156
Total liabilities (RMB)	7,238,524,787	7,021,943,791	3.08	3,894,206,851
Equity attributable to the shareholders of the listed company (RMB)	3,398,388,341	3,064,121,270	10.91	2,756,917,887
Total share capital (share)	603,800,000	603,800,000		603,800,000

2. Key financial indicators

Unit: RMB

	2011	2010	Increase/ Decrease of current year over previous year(%)	2009
Basic earnings per share (RMB/share)	0.81	0.41	97.56	–0.13
Diluted earnings per share (RMB/share)	0.81	0.41	97.56	–0.13
Basic earnings per share after extraordinary gains/losses (RMB/share)	0.80	0.20	300.00	–0.45
Weighted average return on net assets (%)	15.09	8.46	increase by 6.63 percentage points	–2.81
Weighted average return on net assets after extraordinary gains/losses (%)	14.91	4.18	increase by 10.73 percentage points	–9.78
Net cash flow per share generated by operating activities (RMB/share)	2.74	1.73	58.38	0.53

	End of 2011	End of 2010	Increase/ Decrease of current year-end over previous year-end (%)	End of 2009
Net asset per share attributable to shareholders of the listed company (RMB/share)	5.63	5.07	10.83	4.57
Gearing ratio (%)	55.81	61.92	decrease by 6.11 percentage points	57.12

3. **Extraordinary gains/losses**

Unit: RMB

Breakdown of extraordinary gains/losses	**Amount of 2011**	**Amount of 2010**	**Amount of 2009**
(1) Profit or loss from disposal of non-current assets (including the elimination portion of assets impairment provision)	4,905,453.69	83,109,874.79	76,326,513.98
(2) Tax refund or exemption from unauthorized approval or non-official approved document or contingency	1,173,570.00		
(3) Governmental subsidies included in current profit or loss, which is closely related to the business of the Company, excluding the fixed amount or fixed proportion governmental subsidies granted according to certain standards and requirements of the national policy	16,760,245.56	60,483,494.60	53,690,194.57
(4) Capital occupation income from non-financial enterprise credited to current income statement			1,786,743.26
(5) Debt restructuring gains/losses	–405,099.64	1,430,885.64	760,246.66
(6) Restructuring expense, i.e. employee placement, integration costs etc	–12,930,746.84		
(7) Profit or loss on changes in fair value arising from held-for-trading financial assets and held-for-trading financial liabilities (excluding the valid hedging business relating to the Company's business), as well as investment gains from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets	–95,168.47	3,963,877.12	2,568,038.30
(8) Written back of the provision for impairment of accounts receivable under the independent test	–2,531,302.34		
(9) Gains/losses from external trusted loan			4,670,533.99
(10) Other non-operating income and expense except above	–480,579.13	4,137,428.65	7,511,236.93
(11) Other extraordinary gains/losses			5,4230,000.00
(12) Net income and expenses arising from donation			–983,700.00
Effect on taxation	425,982.30	16,637,253.24	1,429,822.61
Effect on minority interest	262,169.57	12,537,039.48	8,496,424.27
Total	5,708,220.96	123,951,268.08	190,633,560.81

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

Consolidated Statement of Comprehensive Income

	2011 *RMB'000*	**2010** *RMB'000*	**2009** *RMB'000*	**2008** *RMB'000*	**2007** *RMB'000*
For the year ended 31 December					
Turnover	10,201,720	6,987,647	3,498,019	3,645,693	5,370,325
Profit/(loss) before taxation	1,541,806	533,325	(82,439)	53,522	202,119
Tax expense	(377,839)	(124,192)	(29,224)	(25,750)	(26,513)
Profit/(loss) after tax for the year from continuing operations	1,163,967	409,133	(111,663)	27,772	175,606
Profit after tax for the year from discontinued operation		101,360			
Profit/(loss) for the year	1,163,967	510,493	(111,663)	27,772	175,606
Profit/(loss) attributable to:					
Owners of the Company	490,793	244,717	(78,891)	25,855	162,206
Non-controlling interests	673,174	265,776	(32,772)	1,917	13,400
	1,163,967	510,493	(111,663)	27,772	175,606
Earnings/(loss) per share (RMB)	0.81	0.41	–0.13	0.04	0.27
Net assets per share (RMB)	5.63	5.07	4.57	4.72	4.68
Return on net assets (%)	14.44	8.41	–2.86	0.91	5.74

Assets and Liabilities

	2011 *RMB'000*	**2010** *RMB'000*	**2009** *RMB'000*	**2008** *RMB'000*	**2007** *RMB'000*
At 31 December					
Total Assets	12,969,829	11,340,460	6,817,098	6,027,046	6,387,817
Total Liabilities	(7,238,524)	(7,021,944)	(3,894,207)	(2,955,164)	(3,329,803)
Shareholders' Equity	5,731,305	4,318,516	2,922,891	3,071,882	3,058,014

Chapter III Movements in Share Capital and Information on Shareholders

Section 1 Changes in number of Shares

Unit : share

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

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

Unit: share

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

Section 1 Changes in the number of shares (continued)

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

Name of holder of the restricted floating shares	Number of shares held subject to terms of lock-up *(share)*	Date on which shares become tradable	Number of new tradable shares *(share)*	Terms of lock-up
China Textile Machinery (Group) Company Limited	195,640,000	8 August 2010	58,692,000	Sale price should not be lower than RMB7 per share
		8 August 2011	136,948,000	Nil

Note: On 8 August 2010 and 8 August 2011, China Textile Machinery (Group) Company Limited was granted the right to list the non-floating shares held by it. As at the date of despatch of this annual report, such right has not been exercised.

Section 2 Issuance of shares and listing

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

Section 3 Information on Shareholders

1. Shareholding of substantial shareholders

As at 31 December 2011, the Company's top ten registered shareholder and top ten holders of shares without selling restrictions are as follows:

Unit: share

Total number of shareholders at the end of 2011:	41,473 shareholders including one legal-person promoter shareholder, 41,433 holders of domestically listed domestic shares held by the public (A Shares), 39 holders of overseas listed foreign shares (H Shares)		**Total number of shareholders at the end of a month prior to the publishing of annual report**	42,794 shareholders including one legal-person promoter shareholder, 42, 754 holders of domestically listed domestic shares held by the public (A Shares), 39 holders of overseas listed foreign shares (H Shares)	
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 shares subject to terms of lock-up**	**Number of shares under pledge or lock-up**
China Textile Machinery (Group) Company Limited *(Note i(1))*	State-owned legal person	33.83	204,255,248	195,640,000	204,255,248
HKSCC Nominees Limited *(Note i(2))*	Overseas legal person	29.80	179,947,399	0	0
Bank of Communications – Boshi Emerging Growth Securities Investment Fund	Funds, wealth management products and others	1.82	10,964,186	0	0
Bank of Communications – HuaAn Innovation Securities Investment Fund	Funds, wealth management products and others	0.54	3,260,200	0	0
China Construction Bank – Lord Abbett Value Advantage Securities Investment Fund	Funds, wealth management products and others	0.36	2,178,113	0	0
Ping An Life Insurance Company of China, Ltd. – Dividend – Bancassurance	Funds, wealth management products and others	0.23	1,414,261	0	0
Beijing Zhong Sheng Mei Hua Commerce & Trading Company Limited	Domestic ordinary legal person	0.22	1,348,000	0	0
Chen Gong	Domestic natural person	0.18	1,107,939	0	0
Ping An Life Insurance Company of China, Ltd. – Proprietary Funds	Funds, wealth management products and others	0.17	1,007,510	0	0
Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Fund	Funds, wealth management products and others	0.17	1,007,402	0	0

Section 3 Information on Shareholders (continued)

Shareholdings of the top ten shareholders of shares not being subject to term of lock–up		
Name of shareholder	**Number of unrestricted floating shares held**	**Class of shares**
HKSCC Nominees Limited	179,947,399	Overseas listed foreign shares
Bank of Communications – Boshi Emerging Growth Securities Investment Fund	10,964,186	Domestically listed ordinary shares
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed ordinary shares
Bank of Communications – HuaAn Innovation Securities Investment Fund	3,260,200	Domestically listed ordinary shares
China Construction Bank-Lord Abbett Value Advantage Securities Investment Fund	2,178,113	Domestically listed ordinary shares
Ping An Life Insurance Company of China, Ltd.– Dividend – Bancassurance	1,414,261	Domestically listed ordinary shares
Beijing Zhong Sheng Mei Hua Commerce & Trading Company Limited	1,348,000	Domestically listed ordinary shares
Chen Gong	1,107,939	Domestically listed ordinary shares
Ping An Life Insurance Company of China, Ltd. – Proprietary Funds	1,007,510	Domestically listed ordinary shares
Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Fund	1,007,402	Domestically listed ordinary shares
Connected relationship or concert-party relationship among the above shareholders	Among the top ten registered shareholders of the Company, China Textile Machinery (Group) Company Limited is not connected with any of the other nine shareholders, nor is it a party acting in concert with any of them as defined in Administrative Measures for Information Disclosure of the Movement in Shareholdings of Listed Companies. It is not known whether other holders of shares without selling restrictions as aforesaid are connected with one another or whether any of these shareholders falls within the meaning of parties acting in concert as defined in Administrative Measures for Information Disclosure of the Movement in Shareholdings of Listed Companies.	

Section 3 Information on Shareholders (continued)

1. Shareholdings of substantial shareholders (continued)

Notes:

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

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

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

204,255,248 shares of the Company held by China Textile Machinery (Group) Company Limited was frozen by High People's Court of Beijing Municipality in September 2007, while the freezing was not released to date and shall be released on 9 September 2012. (For more details regarding the freezing of the equity interest, please see the relevant announcement of the Company No. 2007-26 dated 8 October 2007).

204,255,248 shares of the Company held by China Textile Machinery (Group) Company Limited were judicially frozen in March 2008 by Beijing Second Intermediate Court (for a duration of 24 months), and were continually frozen judicially in March 2010 (for a duration of 24 months). (For more details regarding the freezing of the equity interest, please see the relevant announcement of the Company No. 2011-36 dated 10 October 2011).

204,255,248 shares of the Company held by China Textile Machinery (Group) Company Limited were judicially frozen in June 2010 by Shanghai High Court (for a duration of 24 months). (For more details regarding the freezing of the equity interest, please see the relevant announcement of the Company No. 2011-36 dated 10 October 2011).

204,255,248 shares of the Company held by China Textile Machinery (Group) Company Limited were judicially frozen by Shanghai No. 1 Intermediate People's Court in December 2011, pending a term of 24 months. (For more details regarding the freezing of the equity interest, please see the relevant announcement of the Company No. 2011-45 dated 28 December 2011).

China Hengtian Group Company Limited (formerly known as China Hengtian Group Company) is the beneficial controller of the Company. China Textile Machinery (Group) Company Limited is a controlled subsidiary of China Hengtian Group Company Limited. The legal representative of China Hengtian Group Company Limited is Liu Haitao and it was established in September 1998 with a registered capital of RMB2,958,228.70. It is principally engaged in the design, production and sale of full set of textile machinery and part components and other machinery equipment.

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

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

100%

China Hengtian Group Company Limited

87.57%

China Textile Machinery (Group) Company Limited

33.83%

The Company

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

Section 3 Information on Shareholders (continued)

1. Shareholdings of substantial shareholders (continued)

ii. As at 31 December 2011, so far as the Directors, Supervisors and senior management of the Company were aware, the following person/entity (other than Directors, Supervisors or senior management of the Company) who had interests in the shares of the Company, which were required to be recorded in the register kept in accordance with section 336 of Part XV of the Securities and Futures Ordinance were as follows:

Long positions in the H shares of the Company:

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

Note: Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21 October 2003 as shown on the website of the Stock Exchange. However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000 shares, which, if correct, represents approximately 5.66%, instead of 5.00% (as stated in such notice) of the total issued H shares of the Company as at 31 December 2011. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company since 21 October 2003. The Company is also unable to ascertain the actual number of H Shares held by Zhang Sheng Hang from the register of members of the Company as none of the H Shares was registered in the name of Zhang Sheng Hang as at 31 December 2011.

Long positions in the A shares of the Company:

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

Save as disclosed above, in accordance with the register required to be kept under Section 336 of Part XV of the Securities and Futures Ordinance, the Company had not received any notice regarding the interests or short positions in the shares and underlying shares of the Company as at 31 December 2011.

Chapter IV Directors, Supervisors, Senior Management and Staff

Section I Directors, supervisors and senior management

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

Executive directors

Mr. Ye Maoxin, aged 49, a post-graduate, and a Senior Engineer, is Chairman of the Company. Mr. Ye held the positions of the Deputy Chief, Chief and Assistant to Factory Manager of Technical Section of Jingwei Textile Machinery Plant and Manager of Department of Chemical Fibre and Machinery, Deputy General Manager, Standing Deputy General Manager, Director, General Manager, Vice Chairman and Standing Vice Chairman of the Company, respectively since 1990. He has been Chairman of the Company since August 2010. Mr. Ye currently also holds various positions, including the Chairman of Company's subsidiary, Hong Kong Huaming Company Limited, the Chairman of Hubei Xinchufeng Automobile Co., Ltd. and Hi-Tech Truck Co, Ltd., Vice Chairman of the equity holding company Anhui Huamao Jingwei New Type Textile Company Limited, Chief Supervisor of China Textile Machinery and Technology Import and Export Corporation, Director and Deputy General Manager of China Textile Machinery (Group) Company Limited, Deputy President of China Hengtian Group Company Limited, and Chairman of China Hi-Tech Holdings Company Limited and Vice Chairman of Fong's Industries Company Limited.

Mr. Li Xiaohong, aged 45, master degree qualification, doctor of management, senior engineer, senior economist and Vice Chairman of the Company. Since 1995, Mr. Li held positions from officer of the Human Resources Department of China National Textile Machinery Corporation, assistant to the head officer of the party community working division of China Textile Machinery (Group) Company Limited, Deputy Factory Manager of Handan Textile Machinery Factory and General Manager of Handan Hongda Cotton Spinning Company Limited, Deputy Head of the Economic Operation Department of China National Textile Machinery Corporation (Group) Company Limited, Officer-in-charge of the Working Unit of the Party Group (黨群工作部), Officer-in-charge of the Strategic Development Division and Officer-in-charge of the Asset Operation Division of China Hengtian Group Company Limited. He has been Vice Chairman of the issuer since August 2010. Mr. Li currently also serves as deputy president of China Hengtian Group Company Limited and China Textile Machinery (Group) Company Limited, Chairman of Hi-Tech Heavy Industry Co., Ltd, Director of Kama Co., Ltd and Chief Supervisor of CHTC Power Co., Ltd.

Mr. Yan Fuquan, aged 48, a post-graduate, PhD student and Senior Accountant, is the Executive Director of the Company. From 1992, Mr. Yan assumed various offices, including deputy officer of the Chief Accountant Office, Head of Finance Department, Chief Accountant, the factory manager of Hengyang Textile Machinery Factory and supervisor of the Company. He has been the Director of the Company since April 2006. Mr. Yan currently also serves as Director, Chief Accountant of China Textile Machinery (Group) Company Limited and Chief Accountant of China Hengtian Group Company Limited.

Mr. Shi Tinghong, aged 49, a post-graduate, Engineer, Senior Economist and Senior Information Manager, is the Executive Director of the Company. From 1992 onward, Mr. Shi assumed offices such as the Head of Production Department, Head of Corporate Management, deputy factory manager and factory manager of Handan Textile Machinery Factory, the general manager of Hongda Chemical Fibre Technological Equipment Company Limited, a director of Strategic Management Department and the assistant to general manager of China Textile Machinery (Group) Company Limited. He has been Director of the Company since June 2005. Mr. Shi currently also serves as Secretary to the Board and Director of Strategic Management Department of China Textile Machinery (Group) Company Limited, Secretary to the Board and Director of Strategic Management Department of China Hengtian Group Company Limited and Chief Supervisor of Shenyang Zhongheng New Materials Co., Ltd.

Mr. Yao Yuming, aged 50, a post-graduate and Senior Accountant, is the Executive Director, and General Manager. From 1990 onwards, Mr. Yao assumed offices of Deputy Director of the Finance Office, Assistant to the Factory Manager and Director of the Factory's Finance Office of Jingwei Textile Machinery Factory, Financial Controller and Standing Deputy Manager of the Company. Mr. Yao has been Director of the Company since August 1995, and has been General Manager of the Company since August 2007. Mr. Yao currently also serves as Chairman of various subsidiaries of the Company, namely Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited, Beijing Jingpeng Investment Management Company Limited, Shanghai Chuangan Trading Company Limited, Anshan Jingwei Haihong Agriculteral Machinery Limited and Shanghai Huayuan Hyperthermia Technology Co., Ltd., Vice-Chairman of Zhongrong International Trust Co., Ltd., Director of Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Type Textile Machinery Company Limited, Wuxi Jingwei Textile Technology Testing Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited, Shanxi Jingwei Heli Machinery Manufacturing Company Limited, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited, Shanghai Weixin Electrical and Machinery Company Limited, Xianyang Jingwei Machinery Manufacturing Company Limited, Xianyang Jingwei Textile Machinery Company Limited, Hubei Xinchufeng Automobile Co., Ltd, Hi-Tech Truck Co, Ltd. and Huangshi Jiangwei Textile Machinery Company Limited, Director and General Manager of Hong Kong Huaming Company Limited, Director of the equity holding companies including, Hongda Research Company Limited, Hongda Investment Company Limited and China Textile Machinery and Technology Import and Export Corporation and Beijing Hengtian Wealth Investment Management Limited, Chief Supervisor of Anhui Huamao Jingwei New Type Textile Company Limited.

Section I Directors, supervisors and senior management (continued)

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

Independent Non-Executive Directors

Mr. Xu Wenying, aged 60, university qualification, senior engineer at professional level, expert with special subsidy by the State Council, state registered consulting engineer and independent director of the Company. From 1975 onwards, Mr. Xu assumed offices of workshop director, technical section chief, deputy factory manager and chief engineer in Inner Mongolia Chemical Fibre Factory, deputy section chief of the technical transformation section of the planning department of the Ministry of Textile Industry, Honarary Chairman of China Cotton Textile Industry Association, president of China National Textile and Apparel Council, officer of Textile Products Technological Improvement Consultation Services Centre, etc. He has been independent director of the Company since August 2010. Mr. Xu currently also serves as independent director of Shandong Weiqiao Textile Company Limited, Jiangsu Lianfa Textile Company Limited and Huafu Top Dyed Melange Yarn Co., Ltd.

Mr. Liu Huangsong, aged 43, PhD holder, researcher, tutor of PhD course, and independent director of the Company. From December 2007 onwards, Ms. An has been deputy researcher of the Department of Financial Markets of the Institute of Finance and Banking of the Chinese Academy of Social Sciences, guest researcher of the Center of Financial Products and senior researcher of Financial Laboratory. Since September 2009, she has been committee of the Bond Market Professional Committee of the National Association of Financial Market Institutional Investors. She served in the Ministry of Finance from August 1997 to December 2006 and in Financial Market Department of the Industrial and Commercial Bank of China from December 2006 to August 2008. She has been independent director of the Company since August 2010.

Ms. An Guojun, aged 39, PhD in economics, post-doctoral studies in finance, senior economist, deputy researcher, accountant and independent director of the Company. From 1997 onwards, Ms. An assumed offices of Deputy Director of the Department of Infrastructure of the Ministry of Finance (currently, the Department of Economic Construction), Director of National Debt and Finance of the Ministry of Finance, Senior Economist of the Department of Exchequer of the Ministry of Finance and Senior Manager of the Financial Market Department of the Industrial and Commercial Bank of China. She has been independent director of the Company since August 2010. Ms. An currently also serves as committee member of the Professional Committee of Bond Market of the Dealer Association of Inter-bank Market of China.

Li Min, aged 45, is a holder of MBA and is a senior accountant and a non-practising CPA in the PRC. From January 2004 to June 2009, Mr. Li assumed offices of the deputy financial manager and senior accountant in China Tie Tong Telecommunications Group Corporation, and also acted as Chairman of the Supervisory Committee of China Tie Tong Constructions Limited*（中國鐵通工程建設有限公司）Mr. Li has been the independent non-executive director of the Company since June 2011. Mr. Li is also the Vice President and Chief Financial Officer of Boyou Investment Management Limited*（博宥投資管理有限公司）.

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

Section I Directors, supervisors and senior management (continued)

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

Supervisors

Mr. Tu Kelin, aged 61, a holder of MBA and Senior Political Worker, is Chairman of the Supervisory Committee of the Company. From 1985 onwards, Mr. Tu assumed offices of the deputy director and director of tools department of Zhengzhou Textile Machinery Factory, factory manager of Henan Textile Machinery Factory and Assistant to the General Manager and Head of Human Resources Department of China Textile Machinery (Group) Company Limited and Supervisor of the Company. He has been the Chairman of the Supervisory Committee of the Company since August 2007.

Ms. Peng Zeqing, aged 59, a university graduate and Senior Political Worker, is Vice Chairman of Supervisory Committee of the Company. From 1990 onwards, Ms. Peng assumed offices of the deputy factory manager, Secretary of the Party Committee of Yichang Textile Machinery Factory, and the Chairman and Secretary of the Party Committee of Yichang Textile Machinery Company Limited and supervisor of the Company. She has been Vice Chairman of the Supervisory Committee of the Company since June 2005. Ms. Peng currently also serves as Director of Yichang Jingwei Textile Machinery Company Limited, a subsidiary of the Company and Supervisor of an equity holding company, Hongda Research Company Limited.

Mr. Liu Hong, aged 41, master degree, accountant, and supervisor of the Company. From 1990 onwards, Mr. Liu assumed offices of chief accountant of Lanzhou Huanghe Enterprise Co., Ltd., deputy finance director of the Finance and Securities Institute of Renmin University of China, Deputy General Manager of Beijing Zhonglihong Certified Public Accountants Company Limited, Chief Accountant of China Information Technology Designing & Consulting Institute, Deputy Head Officer of asset operation division and Deputy General Manager of textile machinery business department of China Hengtian Group Company Limited. Mr. Liu has been a supervisor of the Company since August 2010. Mr. Liu currently also serves as Chief Financial Officer of Hi-Tech Holdings Company Limited.

Mr. Hu, aged 48, holder of postgraduate degree, is a senior political officer (高級政工師), and staff representative supervisor of the Company. Mr. Hu joined Jingwei Textile Machinery Plant in June 1984, and had previously assumed offices of Deputy Head and Head of the Personnel Department, Head of Human Resources Department, Head of office of Party Committee, the deputy secretary of the Disciplinary Inspection Commission, etc. of the Yuci Branch of the Company since December 2004. He has been the secretary of the Disciplinary Inspection Commission since December 2010 and the Chairman of the Labour Association of the Yuci Branch of the Company since June 2011. He has been the staff representative supervisor of the Company since 17 October 2011.

Ms. An Yongzhi, aged 41, university qualification senior accountant and staff representative supervisor of the Company. From 1991 onwards, Ms. An assumed offices of accountant of Jingwei Textile Machinery Plant, accountant-in-chief of the finance department, the audit officer and the department head of the risk management department of the Company. She has been the staff representative supervisor of the Company since August 2010. Ms. An currently serves as the head of the Audit Department of the Company, Chief Supervisor of the Company's subsidiaries, Changde Textile Machinery Company Limited, Zhengzhou Hongda New Textile Machinery Company Limited and Wuxi Jingwei Textile Technology Testing Company Limited, and supervisor of Shanghai Weixin Electrical and Machinery Company Limited and Beijing Jingwei Textile Machinery New Technology Company Limited.

Section I Directors, supervisors and senior management (continued)

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

Deputy General Managers

Mr. Lin Jianwang, aged 56, a post-graduate, and Professor Grade Senior Engineer, expert with special subsidy by the State Council, is Standing Deputy General Manager of the Company. From 1986 onwards, Mr. Lin assumed offices of Deputy Head of the Research Institute of Qingdao Textile Machinery Factory and Chief Engineer of Qingdao Textile Machinery Factory, Director and General Manager of Beijing Jingwei Textile Machinery New Technology Company Limited and Deputy General Manager of the Company. Since June 2008, he has been Standing Deputy General Manager of the Company. Mr. Lin is currently Chairman of the Company's subsidiary, namely, Wuxi Jingwei Textile Technology Testing Company Limited, Director of Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Xianyang Jingwei Machinery Manufacturing Company Limited, Xianyang Jingwei Textile Machinery Company Limited, Huangshi Jiangwei Textile Machinery Company Limited, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited and Jinzhong Jingwei Fibre Machinery Company Limited, Director and General Manager of Beijing Jingwei Textile Machinery New Technology Company Limited, and Vice Chairman of the Company's equity holding company, namely, Hongda Research Company Limited.

Mr. Shi Jianping, aged 50, a post-graduate, Senior Engineer and Deputy General Manger of the Company. From 1995 onwards, Mr. Shi assumed offices of Deputy Factory Manager of Qingdao Textile Machinery Cooling Branch Factory, General Manager of Precision Metal Plate Factory, General Manager and Chairman of Qingdao Hongda Textile Machinery Company Limited, Factory Manager and Secretary of Party Committee of Qingdao Textile Machinery Plant, Assistant to General Manager and Supervisor of the Company. He has been a Deputy General Manager of the Company since June 2005. Mr. Shi is currently Chairman of the Company's subsidiary, the Zhengzhou Hongda New Textile Machinery Company Limited, and Wuxi Jingwei Textile Technology Sales Company Limited, Director of Qingdao Hongda Textile Machinery Company Limited, and Beijing Jingwei Textile Machinery New Technology Company Limited, and Supervisor of the Company's equity holding company China Textile Machinery and Technology Import and Export Corporation.

Mr. Liu Xianming, aged 49, a post-graduate, a master degree holder in Economics, Senior Engineer and Deputy General Manger of the Company. From 1995 onwards, Mr. Liu assumed offices of Director of Technology Renovation Office, Deputy Factory Manager, Factory Manager and Secretary of Party Committee of Shenyang Textile Machinery Plant, Chairman and Secretary of Party Committee of Shenyang Hongda Textile Machinery Company Limited, Director, Assistant to General Manager and Vice Chairman of the Supervisory Committee of the Company. He has been a Deputy General Manager of the Company since June 2005. He is currently Chairman of the Company's subsidiary Huangshi Jingwei Textile Machinery Company Limited, Director of Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited and Shanxi Jingwei Textile Machinery and Special Parts Company Limited, Vice Chairman of Hubei Xinchufeng Automobile Co., Ltd., Director and General Manager of Hi-Tech Truck Co, Ltd., and Director of the equity holding company Hongda Research Company Limited.

Mr. Wang Weizhi, aged 54, a university graduate, Senior Political Worker and Deputy General Manger of the Company. From 1983 onwards, Mr. Wang assumed offices of Deputy Secretary of Communist Youth Party Committee, Secretary of Communist Youth Party Committee, Head of Branch Plant, Deputy Secretary of Party Committee, Deputy General Manager, General Manager and Secretary of China Textile Machinery (Group) Company Limited, and Secretary of Party Committee and Disciplinary Committee and Director of the Company. He has been a Deputy General Manager of the Company since June 2002. Mr. Wang is currently a Director of the Company's subsidiary, Beijing Jingwei Textile Machinery New Technology Company Limited.

Section I Directors, supervisors and senior management (continued)

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

Deputy General Manager and Secretary to the Board

Mr. Ye Xuehua, aged 47, a post-graduate, a master degree holder in Management, Senior Engineer and Deputy General Manager and Secretary to the Board of the Company. Mr. Ye has been Secretary to the Board since March 2000 and has been a Deputy General Manager of the Company since August 2010. He is currently also Chief Supervisor of the Company's subsidiaries, namely, Shanghai Weixin Electrical and Machinery Company Limited and Beijing Jingwei Textile New Technology Company Limited.

Financial Controller

Mr. Mao Faqing, aged 42, a post-graduate, Ph.D in Economics, Senior Accountant, PRC registered accountant, PRC registered tax advisor, is the Financial Controller of the Company. From 1995 onwards, Mr. Mao assumed offices of the accountant of the Finance Department, Deputy Supervisor of Finance Office, Head of the Finance Department and Deputy Financial Controller of the Company. He has been Financial Controller of the Company since April 2008. Mr. Mao is currently also a director of the Company's subsidiaries, namely, Hong Kong Huaming Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Type Textile Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited and Beijing Jingpeng Investment Management Company Limited, Supervisor of Shanghai Weixin Electrical and Machinery Company Limited and Zhongrong International Trust Co., Ltd., Financial Controller of Beijing Jingwei Textile Machinery New Technology Company Limited and Supervisor of the equity holding company Hongda Investment Company Limited and Beijing Hengtian Wealth Investment Management Limited.

Chief Economist

Ms. Wang Xiqiao, aged 53, a university qualification, senior accountant, chief economist of the Company. From 1992 onwards, Ms. Wang assumed offices of deputy division head of the finance division of Jingwei Textile Machinery Plant, deputy director and director of the finance department, assistant chief accountant, management director of the Company. She has been the chief economist of the Company since August 2010. Ms. Wang is currently also a director of the Company's subsidiaries Zhengzhou Hongda New Textile Machinery Company Limited, Jingwei Textile Machinery Yuci Material Co. Limited and Changde Textile Machinery Company Limited, chief supervisor of Qingdao Hongda Textile Machinery Company Limited, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited and Hi-Tech Truck Co, Ltd., supervisor of Shanxi Jingwei Heli Machinery Manufacturing Company Limited and Hubei Xinchufeng Automobile Co., Ltd.

Section I Directors, supervisors and senior management (continued)

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

Name	Position	Gender	Age	Beginning date of term of office	Ending date of term of office	Number of shares held at beginning of the year	Number of shares held at the end of the year	Reason for change	Total remuneration received from the Company during the reporting period (RMB'0000) (before tax)	Whether remuneration was received from the shareholder of the Company or other associated unit
Ye Maoxin	Chairman	Male	49	15 August 2010	15 August 2013	8,580	8,580	–	–	Yes
Li Xiaohong	Vice Chairman	Male	45	15 August 2010	15 August 2013	–	–	–	–	Yes
Yan Fuquan	Director	Male	48	15 August 2010	15 August 2013	–	–	–	–	Yes
Shi Tinghong	Director	Male	49	15 August 2010	15 August 2013	–	–	–	–	Yes
Yao Yuming	Director General Manager	Male	50	15 August 2010	15 August 2013	10,304	10,304	–	120.47	No
Xu Wenying	Independent Non-executive Director	Male	60	15 August 2010	15 August 2013	–	–	–	5.0	No
Liu Huangsong	Independent Non-executive Director	Male	43	3 June 2010	15 August 2013	–	–	–	5.0	No
An Guojun	Independent Non-executive Director	Female	39	15 August 2010	15 August 2013	–	–	–	5.0	No
Li Min	Independent Non-executive Director	Male	45	14 June 2011	15 August 2013				1.0	No
Tu Kelin	Chairman of Supervisory Committee	Male	61	15 August 2010	15 August 2013	–	–	–	–	Yes
Peng Zeqing	Vice Chairman of Supervisory Committee	Female	59	15 August 2010	15 August 2013	–	–	–	58.39	No
Liu Hong	Supervisor	Male	41	15 August 2010	15 August 2013	–	–	–	–	Yes
Hu Guangfei	Supervisor	Male	48	17 October 2011	15 August 2013	–	–	–	16.32	No
An Yongzhi	Supervisor	Female	41	15 August 2010	15 August 2013				29.95	No
Li Xisheng	Supervisor	Male	53	15 August 2010	17 October 2011					No
Lin Jianwang	Standing Deputy General Manager	Male	56	15 August 2010	15 August 2013	–	–	–	69.25	No
Shi Jianping	Deputy General Manager	Male	50	15 August 2010	15 August 2013	–	–	–	58.66	No
Liu Xianming	Deputy General Manager	Male	49	15 August 2010	15 August 2013	2,520	2,520	–	60.10	No
Wang Weizhi	Deputy General Manager	Male	54	15 August 2010	15 August 2013	–	–	–	23.59	No
Ye Xuehua	Deputy General Manager Company Secretary	Male	47	15 August 2010	15 August 2013	–	–	–	51.42	No
Mao Faqing	Financial Controller	Male	42	15 August 2010	15 August 2013	–	–	–	60.04	No
Wang Xiqiao	Chief Economist	Female	53	15 August 2010	15 August 2013	–	–	–	58.33	No
Total	–	–	–	–	–	21,404	21,404	–	622.52	–

Save as disclosed above, as at 31 December 2011, none of the Directors, Supervisors, senior management and their respective spouses or children under the age of 18 had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), nor had any of them been granted any rights or short positions to subscribe for any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance) which was required to be recorded in the register established and maintained in accordance with section 352 of the Securities and Futures Ordinance or required to be notified to the Company and the Stock Exchange in accordance with Model Code for Securities Transactions by Directors of the Listed Issuers. During the reporting period, none of the Directors, Supervisors or senior management had any material interests in the contacts executed by the Company or its subsidiaries.

Section I Directors, supervisors and senior management (continued)

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

On 16 June 2004, the general meeting of the Company approved the establishment of the Personnel Nomination and Remuneration Committee of the Board of Directors of the Company, and the Personnel Nomination and Remuneration Committee of the Board of Directors of the Company determined remuneration package of the Directors, Supervisors and senior management based on the major scope of work, job duty, importance of their respective positions and salary level of relevant positions compared with similar positions in other relevant enterprises. During 2011, the Company did not have share incentive scheme.

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

(1) Resigned Directors, Supervisors

Name	Original Position	Reason of resignation	Date
Li Xisheng	Supervisor	Change in office	17 October 2011

(2) Election of Director, Supervisor and senior management

Name	Position	Date
Li Min	Independent Non-executive Director	14 June 2011
Hu Guangfei	Supervisor	17 October 2011

Section II Staff

As at 31 December 2011, the total number of staff of the Group was 14,253, among which 13,719, 516, 1,157 and 859 were at the entry, senior, middle and junior levels respectively, and 5,529 received tertiary educations or above. Amongst the staff in the Group, 1,364 were engaged in technical, scientific research and development, 1,116 in sales and marketing, 2,501 in operation and management, 8,370 in production and 368 in other areas. For the year ended 31 December 2011, the total remuneration for the staff of the Group amounted to RMB1,710.862 million (RMB859,370,000 for the corresponding period of last year). The remuneration is determined with reference to the standard of the position and performance of the staff. In addition, the number of retired staff of the Group was 4,066 for the year ended 31 December 2011.

Chapter V Structure of Corporate Governance

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

I. Current Structure of Corporate Governance

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

During the reporting period, the Company continued to intensify its activities on corporate governance. Strategic Committee of the Board was newly established, and the internal control system of the Company was further improved and refined. The Company organised trainings for the chairmen and general managers of some of the major subsidiaries and newly acquired subsidiaries with respect to the corporate governance and listing rules, promoting the improvements on the level of the standardized operations of the subsidiaries. Currently, the actual status of corporate governance is in compliance with the requirements set out by regulatory bodies including the CSRC. The Company will continue to refine its structure of corporate governance and enhance the level of corporate governance so as to protect the legal interests of the listed company and all shareholders, in particular the medium and minority shareholders.

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

II. Performance of Independent Non-executive Directors

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

The Independent Non-executive Directors of the Company have conscientiously performed their duties in accordance with relevant laws, rules and regulations and the Articles of Association. They have participated in the work of the Board and in the discussions in respect of significant matters. They also gave advice on regulating the operation and business activities of the Company based on their professional knowledge and experience. The Independent Non-executive Directors offered their independent opinion as to whether the connected transactions were fair and equitable. They also participated in the work of Audit Committee to review the financial matters of Company. The Independent Non-executive Directors had no objection to such subject matters in the Company in 2011. The Independent Non-executive Directors protected the overall interests of the Company as well as the legal interests of the shareholders as a whole and made positive contribution to the development of the Company.

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

Name of Independent Non-executive Directors	Number of board meetings held during the year (number)	Attendance in person (number)	Attendance by proxy (number)	Attendance by various communication means (number)	Absence (number)
Xu Wenying	13	13	0	0	0
An Guojun	13	13	0	0	0
Liu Huangsong	13	13	0	0	0
Li Min	7	7	0	0	0

III. Independent Operation of the Company

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

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

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

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

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

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

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

3. Regarding the management of subsidiaries, the Company set up a series of management regulations according to the internal control guidelines, strengthened the supervision, control and guidance of the production and operating activities of our subsidiaries, and we obtained the financial reports and operating situations of the subsidiaries through the directors, supervisors and senior management that we appointed to them. Subsidiaries were controlled by professional lines, and reasonable division was made between the Company and subsidiaries with respect to duties and authorities. All external borrowing, external investment, external guarantee, disposal of material assets and material matters of the subsidiaries were subject to the prior approval of the Company.

4. Regarding external guarantee, in accordance with the relevant stipulations of the "Company Law", "Notice on the standardization of funds transactions between listed companies and connected parties and certain problems regarding the external guarantee of listed companies" (Zheng Jian Fa [2003] No. 56) and the "Articles of Association" of the Company, the Company formulated the Guarantee Management System and stringently implemented it. The Company did not have any violation regarding guarantee in 2011. The Company had strict, adequate and effective internal control over external guarantee.

5. Regarding substantial investment, the Company strictly abided by the relevant law and regulation and the stipulations of the "Articles of Association", and formulated the investment Management System, so the respective authorities of the shareholders' meeting, board of directors, chairman and managerial staff were safeguarded so that they could effectively serve their functions in the investment decision making process, and that the authorities and responsibilities were clear, the efficient running of the Company was ensured.

6. In respect of information disclosure, the Company has set up systems such as the information disclosure management system, investor relationship management system and material information internal reporting system, accountability system for material error in the disclosures within annual reports in accordance with the Listing Rules of Shenzhen Stock Exchange and the Rules Governing the Listing of Securities of the Stock Exchange and other relevant regulations set out in legal provisions so as to fulfil the responsibility regarding information disclosure, ensure the truthfulness, accuracy and completeness of information disclosure, enhance the accountability of the person in charge for the disclosures in annual reports and improve the quality and transparency of such disclosures in annual reports. In 2011, the Company also established "Registration and Management System for People with Access to the Insider Information", further strengthening the insider information control.

During the year, the Company further advised the controlling shareholders and related person of laws and regulations so as to deepen their familiarity and understanding on the legal structure and basic principles of regulated operation of listed companies to prevent non-compliance. Also, the Company organised directors, supervisors and senior management of the Company to participate in the regular trainings held by the regulatory bodies, to further consolidate and raise their concept in credibility and standardized operation of the Company.

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

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

The Board of Directors of the Company carried out self-examination of the internal control of the Company for 2011, no material defects in the design and execution of the internal control of the Company was found. The Board of Directors of the Company considered that the internal control system of the Company was healthy and had been executed effectively. The Board of Directors of the Company and all members of the Board severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the relevant contents of the internal control report.

The full text of the "Report on Self-evaluation of Internal Control System for the Year 2011" of the Company was published on the website of cninfo (http://www.cninfo.com.cn), the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.jwgf.com) for shareholders' reference. The Independent Non-executive Directors of the Company issued opinions regarding the self-evaluation report of the Company's internal control:

The internal control system of the Company was basically complete, the systems of the internal control covered internal environment, risk assessment, control of activities, information and communication and internal supervision and other aspects and are in compliance with the requirements of the State's relevant laws, administrative regulations and departmental rules. The internal control system is legal, reasonable, effective and practical. The Company has sufficient control over legal person governance, connected transactions, external guarantee, capital activities, procurement business, significant investments, information disclosure and other significant activities, effectively guaranteeing the normal operation of all business activities. We were of the opinion that the "Report on Self-evaluation of Internal Control System for the Year 2011" truthfully and objectively reflected the actual status of the internal control of the Company.

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

VI. Establishment of Financial Reporting Internal Control of the Company

The financial reporting internal control of the Company is based on the requirements of the Basic Norms of Corporate Internal Control and its implementation guidelines, Evaluation Guidelines for Corporate Internal Control and listing regulatory standards jointly issued by five ministries (including Ministry of Finance of the People's Republic of China). Based on its internal control system and evaluation methods, the Company conducted an evaluation of the effectiveness in the design and operation of the internal control as at 31 December 2011 on the back of its daily supervision and special supervision of the internal control. No significant defects relating to the financial reporting internal control have been discovered during the year.

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

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

VIII. Business Competition

The specific products that some subsidiaries of China Hengtian Group Company Limited, the beneficial controller of the Company produced or were in the phase of research and development are the same with those of the Company, which constitutes competition or potential competition in the same industry with the Company:

1. The Company currently competes or may compete in the industry with CHTC Heavy Industry Company Limited ("CHTC Heavy Industry"), a subsidiary of China Hengtian Group Company Limited with respect to specific textile machinery products.

   CHTC Heavy Industry Company Limited ("CHTC Heavy Industry") is a subsidiary of China Hengtian Group Company Limited. Profile fiber sorting machines manufactured and sold by Zhengzhou Textile Machinery Auto-Control Equipment Company Limited, a subsidiary of CHTC Heavy Industry are the same with the product of the Company, which constitutes competition in the same industry with the Company. In 2010, the sales revenue of this product accounted for 0.79% and 1.22% of all sales revenue of textile machinery for the Company and CHTC Heavy Industry, respectively.

   High-speed rapier looms of CHTC Heavy Industry under research and development are the same with those of the Company, but has not yet formed basic production capacity, which may compete in the industry with the Company.

2. The Company currently competes in the industry with China Hengtian Group Company Limited's subsidiaries, CHTC Heavy Industry and Kama Co., Ltd with respect to commercial vehicles business

   There were overlapping in the production qualification for some products of commercial vehicles between the Company's subsidiary, Hubei Xinchufeng Automobile Co., Ltd. and Kama Co., Ltd as well as CHTC Heavy Industry, which may compete in the industry with the Company.

   The Company obtained Undertakings of China Hengtian Group Company Limited in relation to resolving and avoiding competition in the industry with Jingwei Textile Machinery Company Limited (Please see Item 7 of Chapter 8 for this annual report: Performance of commitments).

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

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

Because of the changes in Directors of the new session, the Audit Committee once had less than three members (only two members in 2011). Neither of these members possesses the professional qualification or experience as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Listing Rules"), though one of them has experiences in financial management. The Audit Committee constituted as mentioned, accordingly, is not in strict compliance with Rule 3.21 of the Listing Rules. For further details, please refer to the Company's announcement dated 16 August 2010 on this matter. The Board has taken steps to identify an independent non-executive Director with the appropriate qualification requirements under the Rule 3.10(2), and Mr. Li Min was elected and approved in 2010 general meeting.

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

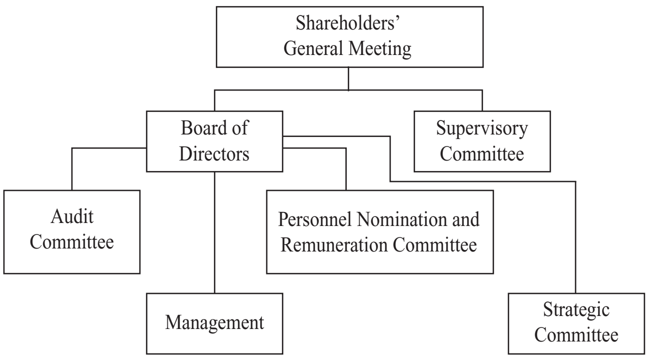
During the reporting period, except as disclosed in the above provision, the Company has fully complied with the Code Provisions of Codes on Corporate Governance in Appendix 14 to the Listing Rules of the Stock Exchange.

I. Corporate Governance

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

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

The Structure of Corporate Governance of the Company:



II. Board

The sixth Board of the Company comprises 9 Directors, of which 5 are Executive Directors and 4 are Independent Non-Executive Directors.

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

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

The positions of Chairman and General Manager (Chief Executive Officer) of the Company are taken up by different persons and there is a clear division of work between the two roles. The Chairman presides at the Board meetings and reviews the implementation of the Board's resolutions. General Manager, supported by the Board and other senior management of the Company, is responsible for the management and coordination of the Group's business, and for making daily decisions in accordance with the strategy formulated by the Board. During 2011, the Chairman of the Company was Mr. Ye Maoxin, and the General Manager (Chief Executive Officer) of the Company is Mr. Yao Yuming.

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

II. Board (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Board (continued)

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

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

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

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

As at the end of 2011, one Director held management positions in the Company, accounting for 1/9 of the total number of Directors. This arrangement enabled the Board to review and supervise the procedure of management of the Company.

During the reporting period, the sixth Board of the Company has four Independent Non-executive Directors, representing 4/9 of the total number of Directors. Independent Non-executive Directors are familiar with the duties and obligations of being the independent non-executive directors and directors of listed companies. During the reporting period, Independent Non-executive Directors, with a prudent, responsible and serious attitude, participated in the Board's meetings, fully leveraged on their experiences and expertise in perfecting the corporate governance and formulation of major decisions, and have provided objective opinions on the Company's significant events and connected transactions. Independent Non-executive Directors have promoted the scientific approach in the Board's decisions and the decision-making process and safeguarded the interests of the Company and shareholders as a whole.

In 2011, the Company held 13 Board meetings to discuss about the Company's overall strategic and investment proposals as well as the operation and financial performance of the Company. The Board meeting achieved efficient and timely discussions and prudent decisions. Independent non-executive Directors of the Company had no objection to the Company's decisions. Attendance percentage of the meetings was 100% (including attendance by other Directors as proxy) and the details are as follows:

Name of Director	Position	Total number of meetings	Attendance in person	Attendance via communication means	Attendance by proxy	Absence	Not attending in person for two consecutive meetings?
Ye Maoxin	Chairman	13	13	0	0	0	No
Li Xiaohong	Vice Chairman	13	13	0	0	0	No
Yan Fuquan	Director	13	13	0	0	0	No
Shi Tinghong	Director	13	13	0	0	0	No
Yao Yuming	Director, General Manager	13	13	0	0	0	No
Xu Wenying	Independent non-executive Director	13	13	0	0	0	No
Liu Huangsong	Independent non-executive Director	13	13	0	0	0	No
An Guojun	Independent non-executive	13	13	0	0	0	No
Li Min	Independent non-executive Director	7	7	0	0	0	No

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

II. Board (continued)

All Directors of the Company did not attend in person for two consecutive Board meetings:

Number of Board meetings convened during the year		13
Of which:	Number of on-site meetings	13
	Number of meetings convened via communication means	0
	Number of on-site meetings with communication means	0

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

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

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

Specialized Board Committees

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

Audit Committee

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

As at 31 December 2011, the members of the Audit Committee under the sixth Board of the Company are Mr. Liu Huangsong (Chairman of the Committee), Mr. Li Min and Ms. An Guojun. Three of the members are Independent Non-executive Directors.

Two meetings of the Audit Committee were held in 2011. All the matters passed by the Audit Committee have been properly recorded and filed according to the relevant rules. The Chairman of the Audit Committee reported to the Board on all the important matters.

The attendance of members of Audit Committee during 2011 is as follows:

Name of the committee member	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Liu Huangsong (Chairman of the sixth Committee)	2	2	100%
An Guojun	2	2	100%
Li Min	1	1	100%

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

II. Board (continued)

The work of Audit Committee for the year include: reviewed the completeness of the 2010 Annual Report, 2011 Interim Report and the relevant accounts of the Company, and reviewed the material opinions on financial reporting as set out in financial statements and reports. It also reviewed the Company's internal financial reporting procedures, financial and accounting policies and practices, and conducted relevant discussions with Executive Directors, General Manager and external Auditors. The Committee examined the independence of external Auditors and considered and approved its terms of employment and remuneration. It also discussed the nature, scope and relevant reporting obligations of Auditors and provided written reports and recommendations to the Board in a timely manner.

The Audit Committee has reviewed the result of the Group for the year ended 31 December 2011.

Personnel Nomination and Remuneration Committee

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

As at 31 December 2011, the sixth Personnel Nomination and Remuneration Committee comprise three Independent Non-executive Directors and two Executive Directors, including Mr. Xu Wenying (Chairman of the Committee), Mr Ye Maoxin, Mr. Yao Yumin, Mr. Liu Huangsong and Ms. An Guojun. The relevant requirements were complied with.

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

In line with the new amendments to the Listing Rules, the Board approved to adopt new terms of reference in March 2012. For the terms of reference of the Personnel Nomination and Remuneration Committee, please refer to the "Implementation Rules and Regulations of the Personnel Nomination and Remuneration Committee of the Board of Directors" published on the website of cninfo (http://www.cninfo.com.cn), the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.jwgf.com) for shareholders' reference.

In 2011, the Personnel Nomination and Remuneration Committee has convened one meeting and all members attended. All issues approved in the meetings of the Committee are recorded and filed in accordance with the relevant rules. The Chairman of the Committee will report all important issues discussed to the Board.

Strategic Committee

The Committee has specific written terms of reference, with clearly defined duties and responsibilities. On 14 March 2011, the sixth meeting of the Sixth Board of Directors considered and approved the establishment of the Strategic Committee of the Board of the Company. Its members comprise Mr. Ye Maoxin (Chairman of the Committee), Mr. Yao Yumin, Mr. Shi Tinghong, Mr. Xu Wenying and Mr. Li Min.

The main duties of the Strategic Committee are:

(1) to research and make recommendations on the Company's long-term development strategic planning;

(2) to research and make recommendations on the significant investment and financing proposals subject to approval by the Board as required by the Articles of Association;

(3) to research and make recommendations on the significant capital operations and assets operation projects subject to approval by the Board as required by the Articles of Association ;

(4) to research and make recommendations on other significant events that may affect the development of the Company;

(5) to review the technology and product planning of the Company;

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

II. Board (continued)

(6) to be responsible for the selection and engagement of the members of the expert committee and their appraisal;

(7) to provide technological advice to the product and project decision-making and operation and management decision-making of the Company;

(8) to organise the technical appraisal of the development of the products;

(9) to organise the qualification review and management of the technical staff of the Company;

(10) to organise the work performance evaluation for the products research and development department of the Company;

(11) to inspect the implementation of the above matters;

(12) other matters as authorized by the Board.

III. Mechanism of supervision

Supervisory Committee

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

In 2011, the Supervisory Committee of the Company held 4 meetings and all the Supervisors attended the meetings and the Board meetings and have performed the duties of Supervisory Committee in a diligent manner. The Supervisory Committee reviewed matters including the financial information related to the Company's 2010 annual report and 2011 first quarterly, interim and third quarterly reports; the Committee has monitored the management of the Board and senior management of the Company and provided recommendations thereon to the management.

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

Name	Position	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Tu Kelin	Chairman of Supervisory Committee	4	4	100%
Peng Zeqing	Vice Chairman of Supervisory Committee	4	4	100%
Liu Hong	Supervisor	4	4	100%
Li Xisheng	Supervisor	3	3	100%
An Yongzhi	Supervisor	4	4	100%
Hu Guangfei	Supervisor	1	1	100%

Internal Control and Internal Audit

The Board is responsible for making a balanced, clear and comprehensive assessment on the performance and prospect of the Group. The Board is also responsible for making arrangement for the preparation of accounts of the Company (including accounts for the year ended on 31 December 2011) on a going concern basis that reasonably and fairly reflect the financial conditions of the Group, as well as arranging for the announcement of price-sensitive information and financial disclosure. The management provides to the Board all relevant information and records which enables the Board to make the above evaluations and to prepare the accounts and financial disclosure. The external auditors of the Company confirm that they are responsible for preparing a report in respect of the financial statements for the year under review within the Report of the Auditors.

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

III. Mechanism of supervision (continued)

Internal Control and Internal Audit (continued)

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

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

The Company has always placed a lot of emphasis on internal control and has established corresponding internal management mechanism and procedures in aspects of operations, finance, administration and human resources. To consistently standardize corporate governance, the Board of the Company has reviewed the effectiveness of the internal control system of the Group for the year 2011 and the review covered its financial controls, operational monitoring, compliance controls and risk management functions. Especially, the Board has considered the resources in respect of accounting and financial reporting, the sufficiency of the qualification and experience of the staff and adequacy of staff training and the related budget.

Fee to External Auditors and Term of Service

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

It was approved by shareholders of the Company at the 2010 annual general meeting of the Company held in June 2011 to re-appoint Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) and Baker Tilly China (the PRC Certified Public Accountants, hereinafter referred to as "Baker Tilly China") as the international and PRC auditors respectively for the year ended 31 December 2011.

The aggregate remuneration to Baker Tilly Hong Kong Limited and Baker Tilly China (as the international and PRC auditors of the Company respectively) for the year 2011 was RMB 3,000,000.

Financial Controller

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

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

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

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

III. Mechanism of supervision (continued)

Interests in shares of the Substantial Shareholders

Save as disclosed in Chapter III "Movements in share capital and information on shareholders", to the best knowledge of the Directors, Supervisors and senior management of the Company, as at 31 December 2011, no person (other than the Directors, Supervisors and senior management of the Company) holds any interests or short positions in the shares or underlying shares of the Company which shall be notified to the Company and the Stock Exchange pursuant to in Divisions 2 and 3 of Part XV of Securities and Futures Ordinance or any interests or short positions recorded in the register required to be maintained pursuant to section 336 of Securities and Futures Ordinance.

Shareholders, investors' relationship and other stakeholders

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

General Meeting

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

Substantial shareholder

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

Information disclosure and management of investors' relationship

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

Evaluation and Incentive of Senior Management

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

IV. Summary

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

Chapter VI General Meetings of Shareholders

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

Meeting	Date on which meeting was held	Media on which resolutions were published	Date of announcement
The Annual General Meeting, Class Meeting for Holders of A Shares and Class Meeting for Holders of H Shares of 2010	14 June 2011	Websites of cninfo and the Stock Exchange	14 June 2011
		Securities Times and website of the Company	15 June 2011
The First Extraordinary General Meeting of 2011	11 October 2011	Websites of cninfo and the Stock Exchange	11 October 2011
		Securities Times and website of the Company	12 October 2011

Chapter VII Directors' Report

Section I Operation Review of the Company during the Reporting Period

1. Management Discussion & Analysis

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

2011 was not only a crucial year in the reform and development of the Company, but also a year of stellar results in production and operation of the Company. With the direction of "deepening its structural adjustment, accelerating its mechanisms innovation and promoting its intensive operations", the Company made historic breakthrough in its development. Firstly, the operating results grew significantly with total operating income and total operating profit for the first time exceeding RMB10.0 billion and RMB1.5 billion respectively, marking the development of the Company moved to a new level; Secondly, the operations layout were increasingly stable with obviously enhanced profitability in principal business, co-ordinated development in vehicles, medical equipment and financial businesses and gradual formation of new profit modes and means of development, which laid a foundation for the sustainable development of the Company; Thirdly, the employee's income increased significantly, which made contributions in fulfilling our social responsibility and ensured the overall harmonious and steady development.

For the year ended 31 December 2011 and as stated in the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the Group's revenue amounted to RMB10,201.720 million and profit attributable to equity holders of the Company amounted to RMB490.793 million, representing an increase of 46% and 100.56% from respectively those of last year. As at 31 December 2011, the Group's carrying bank balance was RMB3,988.190 million, borrowings due within one year was RMB1,984.022 million, of which borrowings in the U.S. dollars amounted to US$32.126 million, borrowings in the Swiss Franc CHF8.953 million, Euro borrowings EUR2.981 million (equivalent to RMB287.001 million on an aggregated basis), and the remaining balances were borrowings in Renminbi. The interest rates were in the range of 4.3% to 9% per annum. The Group had long-term borrowings of RMB60.0 million. The gearing ratio (long-term borrowings divided by net asset value) was 1.05 %.

As at 31 December 2011, the Group did not have cash and bank balances pledged to secure short-term bank loan granted to the Group (2010: Nil).

As at 31 December 2011, none of the short-term investments of the Group were pledged as security for bank borrowings (2010: Nil).

For the year ended 31 December 2011 and as stated in the financial report prepared in accordance with PRC Corporate Accounting Standards, operating revenue of the Group amounted to RMB7,272.370 million, representing an increase of 14.59% from that of last year. Interest and handling fee income was RMB2,978.279 million. Operating profit was RMB1,520.468 million, representing an increase of 153.59 % from that of last year. Net profit attributable to shareholders of the parent company was RMB490.793 million, representing an increase of 100.56% over that of the previous year.

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

1. Management Discussion & Analysis (continued)

Among the above items:

Operating revenue of the Company was RMB5,172.805 million, representing an increase of 16.51% over that of the previous year; its operating profit was RMB112.455 million, representing an increase of 631.22% over that of the previous year. Net profit of the Company was RMB116.239 million, representing an increase of 838.85% over that of the previous year.

Major controlled subsidiaries:	Interest and handling fee income of Zhongrong International Trust Co., Ltd. was RMB2,978.279 million, while operating profit was RMB1,407.759 million.
	Operating revenue of Qingdao Hongda Textile Machinery Company Limited was RMB1,874.708 million while operating profit was RMB58.920 million.
	Operating revenue of Changde Textile Machinery Company Limited was RMB555.837 million, while operating profit was RMB33.261 million.
	Operating revenue of Tianjin Hongda Textile Machinery Company Limited was RMB395.024 million, while operating profit was RMB11.445 million.
	Operating revenue of Beijing Jingwei Textile Machinery New Technology Company Limited was RMB305.410 million, while operating profit was RMB21.327 million.
	Operating revenue and operating profit of Yichang Jingwei Textile Machinery Company Limited amounted to RMB235.979 million and RMB24.717 million, respectively.
	Operating revenue of Wuxi Hongda Textile Machinery Special Parts Company Limited was RMB220.088 million, while operating profit was RMB18.202 million.

The major activities of the Group in 2011 were as follows:

(1) Making breakthrough in technological innovations and accelerating the application of technological achievements on its products

In 2011, the Company continued to refine the system of product research and development as well as technological innovations, increased technological investment, made efforts to foster self-innovation capabilities and supported the technological innovations and projects relating to the mass production of new products by setting up technological innovation special funds, which effectively spurred the application of technological achievements on its products and the capabilities to introduce new products to the market. Throughout the year, 29 new products of textile machinery were developed with the number of innovation with self-own intellectual properties reaching 368. Six products, including JWF1418A automatic doffing fly frames won the Science and Technology Advancement Award of the "Honour of Textile"（紡織之光）, which significantly enhanced the competitiveness of our products. While making greater efforts on technological innovations, the Company sped up the process of commercialization of its products, strengthened the appraisal of revenue indicator of new products for mass production, and ensured the introduction of products to the market and seized business opportunities from everything ranging from technology, marketing to services.

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

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

(2) Increasing results of textile marketing and expanding market share

2011 witnessed significant changes had taken place in the textile machinery market. The Company and each of its enterprises closely watched the fluctuations of the market and took proactive measures to cope with such fluctuations. When the demand was robust, we went all-out to organise production, supplied to the market to the fullest extent, and ensured the timely delivery of the merchandise and provided convenient and considerate after-sales services to the customers; when the market is in downturn, we continually adjusted our production and operation, actively coordinated the link between production and sales and avoided the inventory backlog arising from the delayed receiving of products by customers. With continued efforts, the full-year revenue from principal operations and the order amount created a new high. A breakthrough was made in the sales of major machinery. Great changes took place in the products export pattern, with the previous situation of export of only yarn-spinning facility altered and bigger increase in the proportions of the export of textile machinery, warp knitting machines, doubling frames and other products. The Company stepped up the promotion of its new products with the growing sales proportion of some new products and higher sales price, achieving good economic benefits. The market share of major products maintained steady increase with expanding market share.

(3) Increasingly stable operation patterns and growing comprehensive strength

In 2011, while realizing the steady growth in its principal operation of textile machinery, the Company made progress in its vehicles, medical equipment and financial businesses. The pattern of the joint development of three types of businesses was gradually consolidated with the increasing comprehensive strength and risk tolerance capability of the Company. The results achieved by the financial business hit another new high, full-year operating income, profit and other indicators for the Zhongrong International Trust Co., Ltd. reached the best ever level, and net capital standard compliance work was completed one month earlier, which guaranteed the development and growth of Zhongrong International Trust Co., Ltd.. In the meantime, under the backdrop of the State's macro control, Zhongrong International Trust Co., Ltd. continued to innovate trust products, enhanced its proactive management capability, made the capital investments more balanced and assets allocation more reasonable, which ensured the steady increase in its profitability.

(4) Strengthening intensive operations and demonstrating scale effect

The Company adhered to the direction of the intensive operations development, fully leveraged on its overall advantages, tried to promote the transformation in its means of growth and further enhanced its core competitiveness and sustainable development capability. Through relentless efforts, the efficiency of the centralized capital was emerging, which proactively propelled the strategic adjustment and business expansion of the Company. In the meantime, in order to effectively consolidate sales resources and optimise sales pattern, the Company launched the consolidation of the cotton spinning facilities sales network, and conduced bold exploration and practice in unified personnel management, unified sales of product and unified resources, which provided strong support for the implementation of intensive operation strategy of textile machinery business and the realization of the maximum efficiency. In addition, the Company will consolidate its management of procurement business to transform to the management of supply chain and value chain. Making effective use of the Company's advantages in resources, we continued to expand the scope of centralized procurement to provide value added services to the enterprise, effectively reducing the cost of the products.

(5) Improving level of management and consolidating basis of development

The operation and management of the Company was more refined. Via the management reporting information platform, the Company expanded the scope of information coverage from mainly producing data to tracing the dynamic information relating to production, sales and inventory and coordinated and resolved the issues in the production and operation of the enterprise in a timely manner, which ensured the smooth proceeding of the enterprise's operation activities.

Lean management made progress. In 2011, each of our enterprises made greater efforts to optimising its management flow and improving its details of management. Through continued improvement and optimisation, the enterprise management was more refined and standardized, effectively propelling the scientific development of the enterprise.

The organizational structure of production was optimised. Through innovating its mode of organisation of production, optimising production flow and increasing labour efficiency, the Company realized the balanced and efficient production, met the market needs, and provided a solid support for securing the market, bringing the scale effect into play and reducing the production cost.

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

1. Management Discussion & Analysis (continued)

(6) More standardized financial management and improving quality of economic operations

On the one hand, through the establishment of contract analysis system, the Company refined the contract analysis, got stringent on the review of the contract and effectively promoted the improvement on the quality of the entering into and execution of the contracts; on the other hand, we strengthened the structural cost analysis of the products, conducted activities of "increasing gross profit margin and realizing cost reduction and efficiency increase", realigned various positive factors, tried to explore the internal potentials.

(7) Launching internal control and deepening risks prevention

The internal control is a key work that is implemented in the listed companies by five ministries, including Ministry of Finance. Pursuant to the requirements of implementation guidelines on internal control, each enterprise of the Company comprehensively sorted out its internal management flow, conducted the appraisal of the effectiveness of the system and its implementation, and actively rectified the defects found, which provided strong support to the Company's long-term and sustainable development. In the meantime, the Company strengthened building up its risk management system, standardized its management procedures, and intensified the risk control of each process. The risk control work, in particular that of the non-textile machinery enterprises have been strengthened, and Zhongrong International Trust Co., Ltd. stepped up its follow-up supervision of the projects, strictly prevented the risks of payment and operation, and effectively protected the safety of its own capital and trust capital.

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

2. Principal activities of the Company and its operation

(1) Analysis of principal activities by industry

Unit: RMB'000

Principal activities by industry						
By industry	Operating revenue	Operating cost	Gross profit margin (%)	Increase or decrease of operating revenue compared with last year (%)	Increase or decrease of operating cost compared with last year (%)	Increase or decrease of gross profit margin compared with last year (%)
Textile machinery	6,940,576	5,899,302	15.00	16.85	13.49	2.52
Financial trust	3,064,013	1,067	99.97	225.73	224.63	0.00
Non-textile machinery	246,059	216,403	12.05	49.90	49.69	0.13
Real estate				-100.00	-100.00	
Total	10,250,648	6,116,771	40.33	40.67	11.16	15.84

Reasons for the significant increase or decrease of gross profit margin compared with last year:

Because the operating revenue of the financial trust and the principal activity of textile machinery for the year increased significantly from that of last year, and costs and fees are reflected in fees due to the special accounting of financial industry, the gross profit margin of the products posted a bigger growth.

During the reporting period, the profit composition, principal activities and their structure, reasons for significant changes in the profitability of principal activities compared with the preceding reporting period:

During the reporting period, the profitability of the Group's principal activities increased significantly as compared with the preceding period, mainly due to the significant increase of income from trust and handling fee of the Company's subsidiary, Zhongrong International Trust Co., Ltd. for the year with significantly stronger profitability.

(2) Principal activities by region:

Unit: RMB'000

Region	Total operating revenue	Increase or decrease of total operating revenue compared with last year (%)
PRC	9,746,037	43.58
Asia	466,608	-6.53
Europe	4,501	2,712.91
Africa	24,374	14,322.49
Others	9,129	
Total	10,250,648	40.67

(3) Major customers and suppliers

For the year ended 31 December 2011, the total sales by the Group to the 5 largest customers amounted to RMB831.586 million, representing11.43% of operating revenue for the year.

For the year ended 31 December 2011, the total purchase by the Group from the 5 largest suppliers amounted to RMB986.304 million, representing15.57% of the total purchases for the year.

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

3. **Change in the assets composition during the Reporting Period**

Unit: RMB'000

Items	End of the reporting period	Beginning of the reporting period	Increase/decrease	Reason for difference
Currency funds	3,988,190.01	2,415,614.05	65.10%	Note 1
Financial assets held for trading	253,226.49	84,349.92	200.21%	Note 2
Prepayment	339,903.80	429,722.49	–20.90%	Note 3
Interests receivable		3,637.50		Note 4
Dividend receivable	2,880.00			Note 5
Financial assets purchased under agreements to resell		24,000.00		Note 6
Inventories	1,515,923.99	1,161,955.81	30.46%	Note 7
Other current assets	1,225.75	19,070.00	–93.57%	Note 8
Financial assets available for sale	589,545.33	954,209.35	–38.22%	Note 9
Long-term receivables	14,693.41	62,039.87	–76.32%	Note 10
Long-term equity investments	180,711.96	304,589.88	–40.67%	Note 11
Construction in progress	315,096.74	225,737.56	39.59%	Note 12
Construction materials	12,086.40	1,204.82	903.17%	Note 13
Deferred income tax asset	182,942.79	23,998.70	662.30%	Note 14
Long-term amortization expenses	18,618.55	9,225.43	101.82%	Note 15
Short-term borrowings	1,715,651.45	929,296.03	84.62%	Note 16
Bill payable	399,241.47	225,171.54	77.31%	Note 17
Employee benefits payables	670,416.77	358,613.37	86.95%	Note 18
Dividend payable	4,057.20	2,149.12	88.78%	Note 19
Other payables	414,136.93	925,428.57	–55.25%	Note 20
Non-current liabilities due within one year	401,424.30	553,000.24	–27.41%	Note 21
Long-term borrowings	60,000.00	218,370.00	–72.52%	Note 22
Bonds payable		60,000.00		Note 23
Long-term payables	125,863.66	247,966.08	–49.24%	Note 24
General risk preparation	26,512.66	7,714.84	243.66%	Note 25
Unappropriated profit	907,076.45	546,021.61	66.12%	Note 26
Minority Interests	2,332,915.60	1,254,393.98	85.98%	Note 27
Interest income	96,264.64	19,371.65	396.94%	Note 28
Handling fees and commission income	2,882,013.99	921,280.42	212.83%	Note 28
Interest expenses	1,066.63	328.56	224.63%	Note 28
Business taxes and levies	201,594.41	83,524.13	141.36%	Note 29
Administrative expenses	2,022,031.68	993,848.98	103.45%	Note 30
Finance costs	73,769.63	43,800.05	68.42%	Note 31
Gain from changes in fair values	–137,726.69	27,119.25	–607.86%	Note 32
Investment gains	21,690.02	116,896.90	–81.44%	Note 33
Non-operating income	33,076.22	92,747.92	–64.34%	Note 34
Non-operating expense	11,737.33	23,726.72	–50.53%	Note 35
Income tax expenses	377,838.97	158,099.04	138.99%	Note 36
Profits and losses attributable to minority interests	673,174.16	265,775.52	153.29%	Note 37

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

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

Note 1: The increase in currency funds as compared to the beginning of the year was mainly due to better sales, the increase in net operating cash inflow arising from the increase in sales revenue and the increase in short-term borrowings for the year.

Note 2: The increase in financial assets held for trading as compared to the beginning of the period was mainly due to the increase in internal securities investment of Zhongrong International Trust Co., Ltd. for the year.

Note 3: The increase in prepayment as compared to the beginning of the year was due to the decrease in prepayments for goods.

Note 4: Interests receivable at the beginning of the period represents interest income from financial assets purchased for sale, which received this period; financial assets purchased for sale was sold in this period.

Note 5: The increase in dividend receivable as compared to the beginning of the year was due to the increase in dividend receivable from Hengtian Real Estate Co., Ltd. during the year.

Note 6: The decrease in financial assets purchased under agreements to resell as compared to the beginning of the year was due to the sales of such assets due during the reporting period.

Note 7: The increase in inventories as compared to the beginning of the period was due to increase in sale of textile machinery in the period and thus that of storage.

Note 8: Other current assets at the beginning of the period represents capital preserving financial management products, which was due and recovered in the period, and the balance at the end of the period represents enterprise income tax prepaid.

Note 9: The decrease in financial assets available for sale as compared to the beginning of the period was because the financial assets purchased in last period were recovered during the period as well as the loss on fair value changes of financial assets at the end of the period.

Note 10: The decrease in long-term receivables as compared to the beginning of the period was mainly due to goods amounts made to installments received in the period.

Note 11: The decrease in long-term equity investments as compared to the beginning of the period was mainly due to the sales of equity interests in Hengtian Real Estate Co., Ltd. held for the year.

Note 12: The increase in construction in progress as compared to last year was mainly due to the increase in costs of textile construction projects in the period.

Note 13: The increase in construction materials as compared to the beginning of the period was mainly due to the prepayment for textile equipment by the Group.

Note 14: The increase in deferred income tax asset as compared to the beginning of the period was mainly due to increase in deductible temporary difference in the period, which, according to the standards, resulted in increase in correspondent deferred income tax asset recognized.

Note 15: The increase in long-term amortization expenses as compared to the beginning of the period was mainly due to the increase in the modification charge for fixed assets leased under operating leases.

Note 16: The increase in short-term borrowings as compared to the beginning of the period was mainly due to better sales, the increased procurement and the increase in short-term borrowings to supplement working capital.

Note 17: The increase in bills payable as compared to the beginning of the period was mainly due to better sales, the increased procurement and the increase in the external notes payable issued.

Note 18: The increase in employee benefits payables as compared to the beginning of the period was mainly because the increase in employee salary payable in the period.

Note 19: The increase in dividend payable as compared to the beginning of the period was mainly due to the unpaid dividends distributed for the period.

Note 20: The decrease in other payables as compared to the beginning of the year was due to payment of equity acquisition consideration to Zhongrong International Trust Co., Ltd. during the period.

Note 21: The decrease in non-current liabilities due within one year was due to the decrease in Long-term borrowings due within one year.

Note 22: The decrease in long-term borrowings as compared to the beginning of the period was because the borrowings repaid during the period.

Note 23: The decrease in bonds payable as compared to the beginning of the year was due to the reclassification of bonds payable to noncurrent liabilities due within one year.

Note 24: The decrease in long-term payables as compared to the beginning of the year was due to the reclassification of the equity acquisition amount payable to Zhongrong International Trust Co., Ltd. to other non-current liabilities due within one year for the year.

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

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

Note 25: The increase in general risk preparation increased as compared to the beginning of the year was due to the increase in general risk preparation provided arising from the increase in net profits of Zhongrong International Trust Co., Ltd.for the year and the increase in corresponding provision for trust compensation.

Note 26: The increase in unappropriated profit as compared to the beginning of the year was mainly due to the significant increase of net profit during the reporting period and the increase in the amount of net profits transferred to unappropriated profit accordingly.

Note 27: The increase in minority interests as compared to the beginning of the year was due to the increase of minority interests with the rise in net profits, and the increase in minority interests resulting from shareholders of Zhongrong International Trust Co., Ltd.increased capital contribution.

Note 28: The increase in interest income, handling fees and commission income and interest expenses as compared with last period was due to the correspondent consolidation of gain and loss from the date of acquisition of Zhongrong International Trust Co., Ltd. to the end of the year and consolidation of its gain and loss for the year resulted from such acquisition in the middle of last period.

Note 29: The increase in business taxes and surcharge as compared to the same period last year was mainly due to the correspondent consolidation of gain and loss from the date of acquisition of Zhongrong International Trust Co., Ltd. to the end of the year and consolidation of its gain and loss for the year resulted from such acquisition in the middle of last period.

Note 30: The increase in administrative expenses as compared to the same period last year was mainly due to the increase of salary costs according to better economic benefits for the period, as well as the correspondent consolidation of gain and loss from the date of acquisition of Zhongrong International Trust Co., Ltd. to the end of the year and consolidation of its gain and loss for the year resulted from such acquisition in the middle of last period.

Note 31: The increase in finance costs as compared to the same period last year was due to the increase of principal of borrowings during the period and increased interest rate, which resulted in a rise in interest expenses.

Note 32: The decrease in gain from changes in fair values compared with the same period last year mainly was due to the decrease in the gains from changes in fair value arising from the lowering of fair value of stocks acquired by Zhongrong International Trust Co., Ltd. during the period.

Note 33: The decrease in investment gains as compared to the same period last year was mainly due to more extraordinary items arising from the disposal of certain real estate business during last year.

Note 34: The decrease in non-operating income as compared to the same period last year was due to the decrease of government subsidies income received during the year.

Note 35: The decrease in non-operating expense as compared to the last period was mainly due to the decrease of losses arising from the disposal of fixed assets.

Note 36: The increase in income tax expenses as compared to the last period was mainly due to the increase of sales results of the Group during the year as compared with that of last period.

Note 37: The increase in profits and losses attributable to minority interests as compared to the preceding period was mainly due to the increase of net profit during the period, which resulted in an increase of minority interests correspondingly.

4. Composition of the Company's cash flow

Net cash flow from operating activities of the Group amounted to RMB1,651.547 million, representing an increase of RMB604.790 million, from net cash flow of RMB1,046.757 million for 2010. It was mainly due to the significant increase in the interests and handling fee received by Zhongrong International Trust Co., Ltd., the Company's subsidiary.

Net cash flow from investing activities was RMB-806.316 million, representing a decrease of RMB216.124 million from RMB-590.192 million of net cash flow for 2010. It was mainly due to the payment of equity transfer amount to Zhongzhi Enterprise Group Co., Ltd. during the period.

Net cash flow from financing activities was RMB613.184 million. In comparison with 2010, there was a decrease of RMB74.32 million of net cash flow from RMB687.510 million. It was mainly due to the absorption of investment from minority shareholders for capital increase by Company's subsidiary, Zhongrong International Trust Co., Ltd.

Unit: RMB'000

Items	**2011**	**2010**
Net cash flow from operating activities	1,651,547	1,046,757
Net cash flow from investing activities	-806,316	-590,192
Net cash flow from financing activities	613,184	687,510
Effect of foreign exchange rate on cash	-1,157	-856
Net increase in cash and cash equivalents	1,457,259	1,143,219

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

5. Items measured at fair value

Unit: RMB

Item	Opening balance	Gain or loss due to change in fair value during the period	Cumulative change in fair value included in equity	Impairment provided during the period	Closing balance
Financial assets:					
Of which: 1.financial assets at fair value through current profit or loss	84,349,920.20	–137,726,693.69			253,226,491.88
Of which: derivative financial assets					
2. Financial assets available-for-sale	954,209,347.83		–171,370,512.63		589,545,330.98
Sub-total of financial assets	1,038,559,268.03	–137,726,693.69	–171,370,512.63		842,771,822.86
Financial liabilities					
Others					
Total	1,038,559,268.03	–137,726,693.69	–171,370,512.63		842,771,822.86

6. Financial assets and financial liabilities in foreign currency

Unit: RMB'000

Item	Opening balance	Gain or loss due to change in fair value during the period	Cumulative change in fair value included in equity	Impairment provided during the period	Closing balance
Financial assets:					
Of which: 1. financial assets at fair value through current profit or loss					
Of which: derivative financial assets					
2.Loans and receivables	53,360.21				46,135.49
3.Financial assets available-for-sale					
4. Held-to-maturity investment					
Sub-total of financial assets	53,360.21				46,135.49
Financial liabilities	283,754.20				296,615.22

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

7. **Important information relating to the Company's operation**

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

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

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

As at 31 December 2011, the Group's major controlled subsidiaries were as follows:

Unit: RMB'000

Name of enterprise	Principal activities	Registered capital	Equity interest held by the Group (%)	Total assets	Net assets	Net profit
Zhongrong International Trust Co., Ltd.	Funds trust, movable property trust and real estate trust	1,475,000	36.60	4,211,856	3,321,103	1,053,164
Qingdao Hongda Textile Machinery Company Limited	Manufacture, sales, installation, repairing and leasing of special equipment for textile industry, textile machinery and related components	114,000	97.663	1,404,028	320,857	52,897
Changde Textile Machinery Company Limited	Manufacture and sales of textile machinery and other machinery and parts and components, metallurgy powder	42,349.90	95.00	516,801	193,525	32,475
Tianjin Hongda Textile Machinery Company Limited	Manufacture of special equipment for textile industry, switch and control equipment, copier, agricultural machinery, automobile components and mechanic processing	78,500	100.00	634,667	127,443	12,398
Beijing Jingwei Textile Machinery New Technology Company Limited	Technological development and sale of textile machinery and computer hardware and software, sale of special textile equipment, agricultural machinery, instruments and meters as well as automobile components	100,000	100.00	419,859	188,684	22,603
Yichang Jingwei Textile Machinery Company Limited	Develop and manufacture textile machineries and its special ports and components	20,000	100.00	248,785	34,866	22,875
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Manufacture of new style textile machinery, other textile machinery and special parts and components as well as machinery and components for general use; sales of in-house products	20,000	35.00	274,266	84,247	16,344

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

9. Fixed assets

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

10. Retirement benefit scheme

The Group has appointed actuaries to carry out actuarial calculation regarding welfare for the retired and the widowed staff since 2007 and has recognised the respective liabilities.

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

11. Donations

Donations made by the Group during the year amounted to RMB2,150,000 (2010: RMB493,000,000).

Section II Prospects for the future development of the Company

1. Development trend of the textile machinery industry

Sales of textile machinery across the global market maintained a rising trend over the last 20 years, and the global textile machinery sales will sustain high growth in the next five year with a good prospect for the development of the industry.

During the "Twelfth Five-Year Plan" period, the textile machinery industry will continue to be guided by the market demand, centre around the structural adjustment, be driven by enhancing the self-innovation ability so as to promote the healthy development and industry upgrade of the textile machinery industry.

In the transformation from "rugged pattern" to "intensive pattern" in the development mode of China' economic development, the theme over the next period of time will be giving more importance to environmental issues, the transformation in the means of growth and elimination of obsolete production capacity, dyeing enterprises became the key for pollution prevention, the improvements on the textile equipment is critical to the energy conservation and emission reductions and the stringent EU certification system on the export spurred the textile machinery develop into a direction of efficiency, energy conservation and emission reduction.

2. Market competition faced by the Company

In terms of region, Asia-Pacific and European markets are major textile machinery markets in the world, and China's market is the largest market for textile machinery; In China, major markets and producers of textile machinery concentrate on Jiangsu, Zhejiang and Shandong provinces. However, because Xinjiang is close to the cotton production base, its market grows rapidly. Over a period of time in the future, with the transformation and development in textile industry of China, the textile machinery market in China will maintain its position as the major driver for the global growth, and meanwhile the competition and battle for China's market will be intensifying.

Textile machinery industry is in a relatively full competition with low level of profit for the overall industry. In the global competition, the internationalisation process of the Company proceeds steadily. In the domestic market competition, the distribution of China's textile machinery industry is relatively scattered with low degree of concentration and fierce competition for the industry. Amid the intense market competition, the sales revenue of the Company secured a leading position in the industry.

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

3. Future development strategies of the Group

(1) Vision of the Company

A friend of the global textile industry and the pride of the manufacturing industry of China

(2) Mission of the Company

Building a flagship equipment company and leading the development of the textile industry

(3) Strategic objectives

Leveraging on the advantages of equipment manufacturing, consolidating the core position of textile machinery, stabilizing financial and equity investment businesses and developing non-textile machinery businesses, the Company aims to become a conglomerate with textile machinery as its principal business.

(4) Description of strategies

In the next five year, with the direction of "being a conglomerate with textile machinery as its principal business", the Company will construct an operation pattern with the principal business of textile machinery at its core and the joint development of financial and equity investment businesses and other non-textile machinery businesses, improve its self-innovation capability, increase the brand contribution to make the Company an international conglomerate with leading technology, scientific management and outstanding core competitiveness as well as relatively strong competitive strength in the market.

4. Operational policies and investment plans for 2012

(1) Operational policies

Optimising layout, accelerating integration and stable operation

(2) Investment plans

In 2012, the Company will still centre around three major industries of textile machinery, financial trust and non-textile machinery to implement equity investments, and by way of new establishment, merger and acquisition and increase in capital, etc.

i. focus on the segmented textile machinery market, including beamed yarn machinery and twisted machinery, consolidate the resources for special spare parts of textile machinery and further improve the Company's competitiveness in these areas;

ii. basically complete the strategic layout of its heavy truck business, including production, research and development and sales on the basis of the existing heavy truck industry and around the positioning and direction of industry and products, and launch the major products;

iii. continue to strengthen the net capital of financial trust business, enhance its risk control capability, make greater efforts to the innovation and adjustment of the trust business and continue to maintain its competitive advantage in the industry.

(3) In 2012, the Company will continue to develop and innovate, proactively adapt to the changes in the market situations and customer demand to try to realize new breakthrough in its reform and development as well as in operation and management. The emphasis will be put on the following work:

(1) To highlight the principal business, accelerate integration and go all-out to enhance the competitive advantage in textile machinery products

We will accelerate the marketing integration. The Company will gradually realise the highly centralized and optimisation of marketing resources of domestic cotton spinning facilities, to realise the scale effects, innovate modes of profitability, fully understand the customer resources and information in a timely manner and to extend from generating earnings from products to generating revenue from services by marketing integration. We will strengthen our market segmentation work, and focus on stepping up promotion of innovative products with high revenue to form new growth point of efficiency. In addition, we will further expand the international market while consolidating our domestic market.

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

4. Operational policies and investment plans for 2012 (continued)

(3) (continued)

(2) To make overall plan, make breakthrough on key aspects and concentrate on propelling the restructuring and upgrade of information

The Company launched information upgrade and restructuring project in 2012, which aims to implement the corporate strategy to the specific implementation and supervision levels with the aid of internationally-leading information technology and to build comprehensive operation and management system through innovative management means. Taking the opportunity of ERP upgrading, the Company will drive the management reform to ultimately realise the optimisation of flow within Jingwei and to improve the Company's core competitiveness. In 2012, the Company will build information management platform in the headquarters and two pilot enterprises, to provide standard management model for the subsequent roll-out and to realise the fast coverage of the management model.

(3) To improve mechanisms, optimise allocation to realise the new breakthrough in our self-innovation capability

The Company will actively research and develop the featutred, differentiated and high value-added high-end products with its own intellectual property rights and core technology, drive the overall optimisation and upgrading of the products of the Company, win high-end customers with high-end products and occupy, in turn, high-end markets with high-end customers. One is to expand the external communications, to actively push forward the technological cooperation with the internationally-leading textile machinery enterprises, build up high-level research and development team, and introduce, reserve and research state-of-the–art applicable technologies; two is to accelerate the commercialisation of new products, muster our advantageous resources to concentrate on pressing ahead with the commercialisation of new products with good prospects and high profitability. Three is to carry out and implement the strategy of "Going Out", provide more support to the products with international competitive strength and to expand the international influence of the textile machinery products of the Company.

(4) To optimise layout, develop in a coordinated manner and construct a platform for the continued growth of the Company to expand thfficiency

In 2012, the Company will accelerate the structural adjustment of capital, actively complete the financing form the issuance of medium-term notes, private offering and conversion of the State's finance special fund to the additional capital of the Company to further reinforce the capital strength of the Company, improve the quality of assets and provide capital guarantee for the structural adjustment and business development of the Company.

In the meantime, the Company will optimise the layout of its business structure, accelerate establishing the research and development platform for the products of vehicle business, actively expand the development of vehicle, medical equipment and financial businesses, proactively explore the link between the financial business and the textile machinery as well as vehicle businesses, and to promote the joint development of the principal business of textile machinery, vehicle and financial businesses by way of finance lease and trust services, etc.

(5) Integrating prevention and control, coordinating to construct the long-term effective mechanism of risk management

One is to strengthen the risks control, and to perform well the evaluation and monitoring of the risks in the operation and development of the Company; two is to reinforce building up audit and internal control. We will actively implement the rectification measures to internal control defects, construct an internal control system with reasonable flow and efficient operation, and explore the new method in which the audit will be synthetically integrated with the internal control evaluation.

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

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

Funds for the Company's day-to-day manufacturing, operations and research and development will be mainly from self-generated funds, while the outstanding portion to be resolved by bank credit facilities. Meanwhile, to actively seek new investment projects to meet its strategic development needs so as to form new streams of economic growth, such as acquisition of relevant external resources or import of technologies. The amount of funds needed will be determined by reference to the potential projects, while the source of funding may be collected in accordance with the circumstances of the possible projects including self-generated funds, bank loans or financing on the capital market. In 2012, the Company will further expand its financing channels by way of private offering and issuance of medium-term notes and other means, make efforts to innovate ways of financing, and guarantee the capital needs of the production and operation as well as strategic adjustment and development of the Company by a number of channels and ways.

6. Inherent risks and mitigation strategies for 2012

2012 will be a key year for the Company to maintain its sustainable competitive strength. The Company faces a lot of opportunities in its development as well as a number of uncertainties: one is due to the sluggish market in developed economies, the pending European debt crisis and the heightened pressure from the inflation in emerging economies, the world economic growth continues to slow down; two is the co-existence of the downward pressure of domestic economic growth and the pressure of rising prices, there are some potential risks in the financial field which cannot be neglected, the economic conditions are more serious and complex compared with prior years, and the growth rate of the textile industry will further soften with further sliding in its efficiency. In order to respond to the above risks, the Company adopted the following measures:

(1) To accelerate the marketing integration, implement centralized marketing personnel, resources and information, and innovate the profitability mode, so as to realise the optimal allocation of marketing resources and the maximisation of value.

(2) To focus on pushing ahead with the information restructuring and upgrade in the principles of "overall planning, advance piloting and gradual promoting" and further enhance the Company's centralized control and profitability capability through constructing transparent, effective, integrated and controllable enterprise management and operation platform.

(3) To actively research and develop the featured, differentiated and high value-added high-end products with its own intellectual property rights and core technology, form a batch of famous products with technological and scale advantages and enhance the core competitive strength of the principal business of the textile machinery.

(4) To further consolidate resources, optimise layout, realise the coordinated development of textile machinery, financial and non-textile machinery businesses to construct the platform for the continued growth in the Company's economic efficiency, improve the overall profitability and try to add value to the Company.

(5) To strengthen building up audit, internal control and legal system, improve our sensitivity to the changes in operation environment and capability to pre-judge the trend of development, adjust the operational strategy and corresponding measures in a timely manner, to integrate prevention and control, and coordinate to construct the long-term effective mechanism of risk management.

(6) To explore the operational mode of the Board under various shareholding structures, further improve the legal person governance structure and reinforce the functions of the Board of subsidiaries in scientific decision-making and reinforcing management to provide strong guarantee for the functioning of the overall functions of the Company.

(7) To actively implement the talent strategy, make great efforts to train, attract, retain and make full use of talents to provide strong support to the sustainable development of the Company.

Section III Investments of the Company

1. **Use of proceeds**

The Company's proceeds raised previously were used up. No proceeds were used in 2011. The accumulated utilisation of proceeds is set out in the 2003 Annual Report of the Company.

2. **Status of investment projects with funds not raised for the reporting period**

Unit: RMB'000

Name of the project	Amount of the project	Progress of the project	Revenue of the project
Acquisition of equities in 晉中緯化纖機械有限公司	18,810	Complete	Recognized net profit of RMB286,000 for the year
Establishment of 恒天汽車股份有限公司	50,000	Complete	Recognized net profit of RMB-23,000 for the year
Establishment of 北京中融鼎新投資管理有限公司	100,000	Complete	Recognized net profit of RMB5,135,000 for the year
Contribution to 恒天財富投資管理有限公司	10,000	Complete	Recognized investment income of RMB5,597,000 for the year
Contribution to 深圳鏵融股權投資基金管理有限公司	4,900	Complete	Recognized investment income of RMB-3,000 for the year
Contribution to 上海融頌股權投資基金管理企業	1,600	Complete	Recognized investment income of RMB-29,000 for the year
Total	185,310	–	10,963

Section IV Routine work of the Board of Directors

1. **The Board meetings and the details of resolutions**

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

Meeting	Date on which meeting was held	Summary of resolutions or newspapers and media on which the resolutions were published	Date of announcement
Extraordinary Board Meeting of the Sixth Board	26 January 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	26 January 2011 27 January 2011
The Sixth Meeting of the Sixth Board	14 March 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	14 March 2011 15 March 2011
The Seventh Meeting of the Sixth Board	20 April 2011	The 2011 First Quarterly Report of the Company was considered and passed.	
The Eighth Meeting of the Sixth Board	21 April 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	21 April 2011 22 April 2011
Extraordinary Board Meeting of the Sixth Board	28 April 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	28 April 2011 29 April 2011
Extraordinary Board Meeting of the Sixth Board	26 May 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	26 May 2011 27 May 2011
The Ninth Meeting of the Sixth Board	14 June 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	14 June 2011 15 June 2011
Extraordinary Board Meeting of the Sixth Board	29 June 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	29 June 2011 30 June 2011

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

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

Meeting	Date on which meeting was held	Summary of resolutions or newspapers and media on which the resolutions were published	Date of announcement
The Tenth Meeting of the Sixth Board	15 August 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	15 August 2011 16 August 2011
The Eleventh Meeting of the Sixth Board	23 August 2011	2010 Interim Report and its summary of the Company were considered and approved	
The Twelfth Meeting of the Sixth Board	19 October 2011	The 2011 Third Quarterly Report of the Company was considered and passed.	
The Thirteenth Meeting of the Sixth Board	27 October 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	27 October 2011 28 October 2011
The Fourteenth Meeting of the Sixth Board	29 December 2011	Websites of cninfo and the Stock Exchange, Securities Times and website of the Company	29 December 2011 30 December 2011

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

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

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

The Board of the Company implemented all the resolutions diligently.

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

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

In accordance with the relevant requirements of the "Work Scopes and Procedures of the Audit Committee for Preparation of the Annual Report" of the Company, on 20 December 2011, the Audit Committee and the independent non-executive directors held 2011 annual audit planning meeting with the auditor. At the meeting, they had effective communication with respect to the composition of the auditing team, auditing plan, evaluation methods and key aspects of auditing and determined timetable for the auditing. During the auditing, the Audit Committee communicated and exchanged views with principal officers in charge of the assignment items to inform themselves of the progress of audit and concerns of the accountants. The Audit Committee also issued two letters to the auditor requesting auditors in charge of the assignment to expedite their work in accordance with the original timetable, to which the accounting firm sent reply. The preliminary audit opinion was submitted to the Audit Committee for its review. The auditors completed 2011 annual financial auditing work on 28 March 2012, and submitted to the Audit Committee the standard unqualified Auditors' Reports prepared in accordance with the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, respectively.

The Audit Committee was of the view that the PRC and international auditors of the Company were capable of performing their tasks in strict accordance with audit regulations, focusing on knowledge of the Company and the environment in which it operated, understanding the building, improvement and implementation of the Company's internal control, arranging and completing the audit work in time in accordance with the audit timetable. The auditors maintained their independence, objectivity and impartiality in the course of audit and completed the audit of the Company's 2011 financial report in a satisfactory manner. The Audit Committee recommends the Company to re-appoint Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) and Baker Tilly China (the PRC Certified Public Accountants) as the respective international auditors and PRC auditors of the Company for the financial year ended 31 December 2012.

4. Fulfillment of duties of the Personnel Nomination and Remuneration Committee of the Board

On 14 March 2011, the Personnel Nomination and Remuneration Committee of the Board held a meeting at which the resolution that Mr. Li Min will be nominated as the independent non-executive director of the Sixth Board was considered and passed.

The Personnel Nomination and Remuneration Committee reviewed the remuneration of the Directors, Supervisors and senior management of the Company for the year 2011 and considered the remuneration standard and the evaluation of the said personnel who received remuneration from the Company were in compliance with the relevant regulations.

Section V Profit distribution proposal for the year

1. Proposal of the Board on profit distribution for the year

In 2011, the Company realised a net profit of RMB116,239,230.81, RMB11,623,923.08 will be appropriated to the statutory surplus reserve in accordance with the Articles of Association of the Company. The distributable profit accrued for the year was RMB104,615,307.73. The realisable distributable profit for shareholders was RMB200,814,751.50. In view of the profit condition of the Company in 2011 and taking full consideration of shareholders' interest and the long-term development of the Company, the proposed profit distribution plan for 2011 is as follows: distribute 2011 final dividend RMB0.06 per share (tax inclusive), totalling RMB36,228,000. The undistributed profit of RMB164,586,751.50 of the Company will be carried forward for use in subsequent years.

2. Cash dividends for the previous three years of the Company:

Unit: RMB

	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the listed company in the consolidated financial statements	Percentage of net profit attributable to shareholders of the listed company in the consolidated financial statements	Distributable profit for the year
2010	42,266,000.00	244,716,850.09	17.27%	138,465,443.77
2009	–	-78,890,775.73	–	127,322,449.74
2008	6,038,000.00	25,855,511.70	23.35%	76,404,207.11
Proportion of the amount of cash dividends within the past three years to the latest annual average net profit(%)				75.60%

3. Formulation and implementation of the cash dividends policies of the Company

The Company gives high importance to rewarding the investors. The Articles of Association provides that the profit distribution policy shall maintain continuity and stability, so as to ensure the investors have reasonable return on investment.

The profit distribution of the Company was implemented in strict compliance with the Articles of Association and the resolutions of the shareholders' meeting with a defined and clear dividends standard and percentage. The profit distribution of the Company for 2011 will also be implemented in strict compliance with the Articles of Association and the resolutions of the shareholders' meeting. The independent non-executive directors issued independent opinions with respect to the proposed profit distribution plan for 2011: This resolution was considered and passed at the Fifteenth Meeting of the Sixth Board and submitted to the 2011 Annual General Meeting for consideration with complete decision-making procedures. The proposed profit distribution plan is based on the actual operation and development of the enterprise, and safeguards the legal interests of the minority shareholders.

Section VI Other reporting items

1. Directors' and Supervisors' interest in contracts

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

2. Directors' and Supervisors' Service Contracts

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

Section VI Other reporting items (continued)

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

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

In 2011, the Company strictly executed the requirements of the relevant documents, strictly controlled the risks of external guarantee and the use of funds by connected parties. No controlling shareholders or other related parties of the Company have used the funds of the Company in violation of rules, and the circumstances of guarantee disclosed in the 2011 Annual Report of the Company were true. There was no guarantee in violation of rules, and the decision-making of the Company on external guarantee was in compliance with the requirements by laws, regulations and the Articles of Association of the Company. The interests of the Company, its shareholders and particularly the minority shareholders were not harmed.

4. Execution status of the management system for insiders

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

5. Tax Relief and Exemption

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

6. Purchase, Sale or Redemption of Shares

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Section VI Other reporting items (continued)

7. Pre-emptive Rights

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

8. Management Contract

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

9. Currency and Interest Rate Risk

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

For its financing activities, for the financial year ended 31 December 2011, the Group's short-term borrowings amounted to RMB1,710.001 million, of which borrowings of US$31.721 million were in the U.S. dollar, borrowings of CHF8.953 million in the Swiss Franc and borrowings of EUR2.981 million in the Euro (equivalent to RMB284.277 million on an aggregated basis), while the remaining balances were in Renminbi. The interest rates were in the range from between 4.3% to 9% per annum. The management considers that the Group did not have any material interest rate risk.

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

10. Connected transactions

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

11. Subsequent events

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

12. Reserves

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

Chapter VIII Supervisors' Report

1. Meetings and Resolutions of the Supervisory Committee

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

Meeting	Summary of matters resolved	Date of meeting	Newspapers and media on which the resolutions were published	Date of announcement
The Fifth Meeting of the Sixth Supervisory Committee	1. The 2010 Supervisors' Report of the Company was considered and approved; 2. The 2010 Financial Report of the Company was considered and approved; 3. The 2010 Annual Report of the Company and its Summary were considered and approved; 4. Report on Self-evaluation of Internal Control System for the Year 2010 of the Company was considered and approved	14 March 2011	The website of cninfo and the Stock Exchange Securities Times, and the website of the Company	14 March 2011 15 March 2011
The Sixth Meeting of the Sixth Supervisory Committee	The 2011 First Quarterly Report of the Company was considered and passed.	20 April 2011	–	–
The Seventh Meeting of the Sixth Supervisory Committee	The 2011 Interim Report and its summary of the Company was considered and passed.	23 August 2011	–	–
The Eighth Meeting of the Sixth Supervisory Committee	The 2011 Third Quarterly Report of the Company was considered and passed.	19 October 2011	–	–

Opinion of the Supervisory Committee on the legality of the operation of the Company

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

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

The Supervisory Committee made a diligent review on the profit distribution proposal of the Company for 2011 to be submitted by the Board of the Company for approval at the general meeting and the relevant audit materials in respect of the auditors' report for 2011 prepared by the domestic and international auditors with unqualified audit opinion. The Supervisory Committee considers that the auditors' report of the Company for 2011 reflects the financial status and operating results of the Company in an objective way.

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

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

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

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

Opinion of the Supervisory Committee on connected transactions

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

Opinions on the "Report on Self-evaluation of Internal Control System for the Year 2011" of the Company issued by the Supervisory Committee:

In accordance with the relevant regulations of the "Guidelines for Internal Control of Listed Companies" and "Notice on How to Successfully Prepare the 2011 Annual Report by Listed Companies on the Shenzhen Stock Exchange", the Supervisory Committee of the Company issued the following opinions with respect to the "Report on Self-evaluation of Internal Control" of the Company

1. The Company had set up relatively complete internal control system based on the relevant laws, administrative rules and regulations and departmental measures, including the "Guidelines for Internal Control of Listed Companies by the Shenzhen Stock Exchange", "Basic Norms on Corporate Internal Control" and implementation guidelines, and "Report on Self-evaluation of Internal Control" of the Company gave a true, complete and accurate reflection of the actual status of the management of the Company.

2. The Company has stringent, sufficient and effective control over the management, connected transactions, capital activities, procurement business, external guarantee, significant investments, information disclosure and other significant activities of its subsidiaries, and can implement according to the regulations of the various internal control systems of the Company. "Report on Self-evaluation of Internal Control" objectively reflected the actual status of the construction, implementation and supervision of the internal control system of the significant activities of the Company.

In view of the above, the Supervisory Committee of the Company is of the view that "Report on Self-evaluation of Internal Control of the Company" gave a complete, true and objective reflection of the actual condition of the internal control of the Company. It is hoped that the Company will continue to strengthen building up the internal control system following the changes in external operating environment and the requirements of the latest provisions and to further reinforce the execution of internal control so as to enhance the performance of internal control.

Chapter IX Significant Events

1. **During the year, the Company was not involved in any material litigation or arbitration during the year, and there is no material litigation or arbitration occurred during the previous period but subsisting, and there were no significant environmental or other significant social safety issues for the Company.**

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

3. **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 purchased	Date of acquisition	Price of transaction	Net profit attributable to the Company from the date of acquisition to the end of the year (applicable to combination of enterprises not under the same control)	Net profit attributable to the Company from the beginning of the year to the end of the year (applicable to combination of enterprises under the same control)	Whether it was a connected transaction	Pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all obligations of the liabilities concerned were completely transferred	Connected relationship with counterparty (applicable to connected transactions)
Jingwei Machinery (Group) Company Limited	51% equity interest in Jinzhong Jingwei Foundry Company Limited	30 June 2011	18,810	286	–	No	Appraised value	Yes	Yes	–

The effect of the above assets acquisition on the continuity of business and the stability of management of the Company is as follows:

Acquisition of Jinzhong Jingwei Foundry Company Limited extended the industry chains of textile machinery of the Company to the field of chemical fibre machinery. This project has no effect on the stability of management of the Company

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

(2) **Disposal of assets**

Unit: RMB'000

Counterparty of the transaction	Assets sold or disposed	Date of disposal	Price of transaction	Net profit attributable to the Company from the beginning of the year to the date of disposal	Gain/Loss from disposal	Whether it was a connected transaction	Pricing basis	Whether all rights of the assets concerned were completely transferred	Whether all obligations of the liabilities concerned were completely transferred	Connected relationship with counterparty (applicable to the connected transaction)
Beijing Guanghe Real Estate Limited	12% equity interest in Hengtian Real Estate Co., Ltd. (Note1)	2011.10.27	144,000	3,600	-540	No	Appraised value	Yes	Yes	–
Beijing Bohong Property Development Company Limited	100% equity interest in Yichang Hengtian Real Estate Development Company Limited (Note2)	2011.7.22	20,000	-1,382	5,095	Yes	Appraised value	Yes	Yes	Companies controlled by the ultimate beneficial controller

The effect of the above assets acquisition on the continuity of business and the stability of management of the Company is as follows: The Company has exited from the investments in real estate companies.

Note 1: For details, please see the announcement of the Company No. 2011-42 published on the websites of cninfo (www.cninfo.com.cn) and on the website of the Stock Exchange (www.hkex.com.hk) on 27 October 2011.

Note 2: For details, please see the announcement of the Company No. 2011-26 published on the websites of cninfo (www.cninfo.com.cn) and on the website of the Stock Exchange (www.hkex.com.hk) on 29 June 2011.

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

5. Connected transactions and continuing connected transactions

(1) Connected transactions in the course of normal operations

To ensure the normal and smooth flow of production and operation of the Company, on 20 September 2010, the Company (for itself and on behalf of its subsidiaries from time to time) and China Textile Machinery (Group) Company Limited ("CTMC Group", for itself and on behalf of its associates and members from time to time, excluding the members of the Group) entered into the new Composite Services Agreement to regulate the goods and services supplied to each other between the Company and CTMC Group during the three years from 1 January 2011 to 31 December 2013, which include: (i) the supply of finished products, raw materials, components and parts, and the provision of processing, final processing and maintenance services; (ii) provision of public and social services; and (iii) leasing of properties. Pursuant to the new Composite Services Agreement, all continuing connected transactions shall be conducted on normal commercial terms, and prices payable or receivable by the Company shall be determined on the following basis:

① if the price of the relevant services provided is subject to any price control of the State, based on the price stipulated by the State;

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

The relevant details have been set out in the announcements of the Company published on Securities Times, the websites of cninfo (www.cninfo.com.cn) and the Company (www.jwgf.com) on 27 September 2010 as well as the website of the Stock Exchange (www.hkex.com.hk) on 21 September 2010.

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

Unit: RMB'000

Connected persons	**Sales of goods and provision of labour services to the connected persons**		**Purchase of goods and acceptance of labour services from the connected persons**	
	Transaction Amount	**Proportion to similar transaction amount %**	**Transaction Amount**	**Proportion to similar transaction amount %**
Companies controlled by the ultimate parent company	115,311	21.22	431,582	77.00
Companies controlled by the same parent company	67	0.01	14,472	2.58
Associated company of the Group	428,176	78.77	114,428	20.42
Total	543,554	100.00	560,482	100.00

Of such sum, the connected transactions arising from sales of finished goods, raw materials, parts and charge of processing fees from the Company to the companies controlled by the same parent company and companies controlled by the ultimate parent company amounted to RMB111,488,000 during the reporting period.

5. Connected transactions and continuing connected transactions (continued)

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

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

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

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

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

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

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

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

Transfer of 100% equity interest in Yichang Hengtian Real Estate Development Company Limited to Beijing Bohong Property Development Company Limited

Beijing Bohong Property Development Company Limited is a wholly-owned subsidiary of Hengtian Real Estate, which is 28.57% owned by China Hengtian Group Company Limited, and therefore a connected person of the Company. On 29 June 2011, Beijing Jingpeng, Yichang Jingwei and Beijing Bohong entered into the Equity Transfer Agreement, pursuant to which (i) Beijing Jingpeng, a wholly-owned subsidiary of the Company, has conditionally agreed to dispose of 90% equity interest in Yichang Hangtian to Beijing Bohong at the consideration of RMB18,000,000; and (ii) Yichang Jingwei, a wholly-owned subsidiary of the Company, has conditionally agreed to dispose of 10% equity interest in Yichang Hengtian to Beijing Bohong at the consideration of RMB2,000,000.

(3) During the year, there was no appropriation of non-operating capital occurred between the controlling shareholder of the Company and its affiliated companies and the Company, nor was there any appropriation of the non-operating balances as at 31 December 2011.

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

6. Material contracts and execution

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

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

Unit: RMB'000

External guarantees undertaken by the Company (excluding guarantees provided to subsidiaries)								
Name of guaranteed party	Disclosure date of the announcement regarding the guaranteed amount and reference number	Guaranteed amount	Actual date of event (Signing date of the Agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Discharged or not	Whether in favour of any related party (Yes/No)
Beijing Hualian Group Investment Holdings Limited	20/10/2010 No. 2010-42	150,000	21/10/2011	150,000	Joint liability	21/10/2010 – 20/10/2011	Yes	No
Beijing Hualian Group Investment Holdings Limited	30/12/2011 No. 2011-46	150,000	30/12/2011	150,000	Joint liability	30/12/2011 – 29/12/2012	No	No
Total external guaranteed amount approved during the reporting period (A1)		150,000		Total actual external guaranteed amount during the reporting period (A2)			150,000	
Total external guaranteed amount approved at the end of the reporting period (A3)		150,000		Balance of total actual guaranteed amount at the end of the reporting period (A4)			150,000	
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	27/1/2011 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	27/5/2011 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	27/5/2011 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)		95,000		Balance of total actual guaranteed amount to subsidiaries as at the end of the reporting period (B4)			100,000	

6. **Material contracts and execution (continued)**

RMB'000

Total guarantee provided by the Company (The total of the above two parts)			
Total guaranteed amount approved during the reporting period (A1 + B1)	245,000	Total actual guaranteed amount during the reporting period (A2 + B2)	245,000
Total guaranteed amount approved at the end of the reporting period (A3 + B3)	245,000	Balance of total actual guaranteed amount at the end of the reporting period (A4 + B4)	250,000
Ratio of total actual guaranteed amount (A4 + B4) to the net asset of the Company			7.36%
of which:			
Guaranteed amount provided for shareholders, parties which have de facto control and their related parties (C)			–
Guaranteed amount provided directly or indirectly to parties with gearing ratio exceeding 70% (D)			–
Total guaranteed amount in excess of 50% of net assets value (E)			–
Total guaranteed amount of the above three items (C+D+E)			–
Statement on the contingent joint liability in connection with unexpired guarantees			–

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

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

7. **Performance of commitments**

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

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

7. **Performance of commitments (continued)**

Commitment	Parties who made the commitment	Content	Performance status
Commitments made at offering of shares	China Hengtian Group Company Limited, China Textile Machinery (Group) Company Limited, the Company	Undertakings related to the Private Offering of A Share Undertakings of China Hengtian Group Company Limited (hereinafter referred to as "CHG") in relation to resolving and avoiding competition in the industry with Jingwei Textile Machinery Company Limited (hereinafter referred to as "JWTM"): After the completion of this private offering of JWTM, in order to resolve and avoid competition or potential competition with JWTM in the same industry, effectively protect the interests of JWTM and its shareholders (particularly medium and minority shareholders), CHG as the de facto controller of JWTM undertakes as follow: 1. In respect of the competition or potential competition in the industry existing at this stage on specific textile machinery products between JWTM and CHTC Heavy Industry Company Limited (hereinafter referred to as "CHTC Heavy Industry"), CHG undertakes that: before 31 December 2014, CHG will, through the board of directors and the general meeting of CHTC Heavy Industry, procure CHTC Heavy Industry to transfer the textile machinery business in competition or potential competition in the industry with JWTM and the relevant assets at fair value to JWTM or independent third parties other than CHG and enterprises under its control. During the process of the transfer and acquisition of the above business and relevant assets, CHG undertakes not to harm the interest of JWTM and other medium and minority shareholders. Before completely resolving the existing or potential competition in the industry on specific textile machinery products, CHG will enhance the internal division of labour and management within the textile machinery business, urge CHTC Heavy Industry not to sell textile machinery products that may constitute competition in the same industry with JWTM to third parties other than JWTM.	To be implemented

7. **Performance of commitments (continued)**

Commitment	Parties who made the commitment	Content	Performance status
		2. In respect of the competition or potential competition in the industry existing at this stage on the commercial vehicle business between JWTM, CHTC Heavy Industry and Kama Co., Ltd. (hereinafter referred to as "Kama"), CHG undertakes that: before 16 August 2015, if CHG cannot resolve the existing competition or potential competition in the industry in the commercial vehicle business through asset restructuring or business integration, CHG will propose, through the board of directors and general meeting of JWTM, JWTM to dispose of all the equity interests of Hubei Xinchufeng Automobile Co., Ltd ("Xinchufeng") at fair value. The specific transferee(s) of equity interests includes but is not limited to Kama and/or CHG; at the same time, CHG will propose, through the board of directors and general meeting of Kama, Kama to acquire all the equity interests of Xinchufeng held by JWTM at fair value. If Kama does not possess the ability for acquisition for the time being, CHG will acquire the abovementioned equity interests first. During the process of the abovementioned equity interests disposal and acquisition, CHG undertakes not to harm the interest of JWTM and other medium and minority shareholders. Before completely resolving the existing competition or potential competition in the industry in the commercial vehicle business mentioned above, CHG will enhance the internal division of labour and management within the vehicle business, urge the abovementioned subsidiaries to develop their business with their respective major products, so as to avoid material product competition. 3. If CHG and other enterprises under its control obtain business development opportunities falling within the existing business scope of JWTM in the future, JWTM has the priority to choose to carry out the development according to its needs, and CHG and other enterprises under its control will provide necessary support and assistance.	

7. Performance of commitments (continued)

Commitment	Parties who made the commitment	Content	Performance status
		4. CHG and other enterprises under its control undertake not to harm the legitimate interests of JWTM and its public shareholders, to avoid to engage in businesses that would compete with the existing businesses of JWTM hereafter, and will no longer pursue businesses that would compete with the existing businesses of JWTM directly or indirectly by means of any joint venture, cooperation or joint-operation with any third party or by way of lease operation, subcontracted operation or entrusted management. 5. If CHG and other enterprises under its control breach the abovementioned undertakings and guarantees, they will terminate the businesses in competition with the existing businesses of JWTM immediately, and carry out necessary measures to rectify and remedy. Undertakings of China Textile Machinery (Group) Company Limited (hereinafter referred to as "CTMC") in relation to avoiding competition with JWTM: After the completion of this increase of holding, in order to prevent competition in the industry which may happen in the future, and effectively protect the interests of the listed company and other shareholders (particularly medium and minority shareholders), CTMC as the controlling shareholder of the listed company undertakes as follow: 1. Before this private offering, all assets and businesses related to the production and operation of cotton textile machinery of CTMC and other enterprises under its control have been injected into JWTM. Assets and businesses retained by CTMC and other enterprises under its control do not compete with JWTM and enterprises under its control. 2. In future developments, if CTMC and other enterprises under its control obtain business development opportunities in the existing business scope of JWTM, JWTM has the priority to choose to carry out the development according to its needs, and CTMC and other enterprises under its control will provide necessary support and assistance.	

7. Performance of commitments (continued)

Commitment	Parties who made the commitment	Content	Performance status
		3. During the period CTMC remains a controlling shareholder of JWTM, CTMC and other enterprises under its control will avoid to engage in businesses that compete with the existing businesses of JWTM, and will no longer pursue to directly or indirectly engage in businesses that would compete with the existing businesses of JWTM by means of any joint venture, cooperation or joint-operation with any third party or by way of lease operation, subcontracted operation or entrusted management. 4. CTMC will not use its advantageous position as the direct holding company of JWTM to engage in any activities that would harm the interest of JWTM and other shareholders (particularly medium and minority shareholders). 5. If CTMC and other enterprises under its control breach the abovementioned undertakings and guarantees, they will terminate the businesses in competition with the existing businesses of JWTM immediately, and carry out necessary measures to rectify and remedy. Undertakings of CHG in respect of the reduction and regulation of connected transactions with JWTM: In order to regulate and reduce the connected transactions that may be conducted by CHG and other enterprises under its control with JWTM after this private offering, CHG as the de facto controller of JWTM undertakes as follow: 1. After the completion of this private offering, CHG will continue to exercise its rights as a shareholder or director, and perform its obligation as a shareholder or director strictly according to the requirements of laws and regulations such as the Company Law and the Articles of Association of JWTM. When voting in general meetings or board meetings on resolution in relation to connected transactions which CHG, other enterprises under its control and JWTM are parties thereto, CHG will perform its obligation and abstain from voting.	

7. **Performance of commitments (continued)**

Commitment	Parties who made the commitment	Content	Performance status
		2. After the completion of this private offering, CHG and other enterprises under its control will reduce connected transactions with JWTM as much as possible. When carrying out necessary and unavoidable connected transactions, they undertake to perform legal procedures, legally enter into agreements, guarantee the transparency, openness and fairness of transaction price, disclose information in a timely manner, and guarantee not to harm the legitimate interests of JWTM and other shareholders (in particular those of the medium and minority shareholders) through connected transactions according to the principles of market impartiality, fairness and openness and the requirements of relevant laws, regulations, regulatory documents and the Articles of Association of JWTM. 3. If CHG breaches the undertakings and guarantees made above, CHG will be liable for breach of contract according to the law, and be liable for joint and several liabilities for the loss incurred by JWTM and its other shareholders other than CTMC. Undertakings of CTMC in respect of the reduction and regulation of connected transactions with JWTM: In order to regulate and reduce the connected transactions that may be conducted by CTMC and other enterprises under its control with JWTM after this private offering, CTMC as the controlling shareholder of the listed company undertakes as follow: 1. After the completion of this private offering, CTMC will continue to exercise its rights as a shareholder or director, and perform its obligation as a shareholder or director strictly according to the requirements of laws and regulations such as the Company Law and the Articles of Association of JWTM. When voting in general meetings or board meetings on resolution in relation to connected transactions among CTMC, other enterprises under its control and JWTM, CTMC will perform its obligation and abstain from voting. 2. After the completion of this private offering, CTMC and other enterprises under its control will reduce connected transactions with JWTM as much as possible. When carrying out necessary and unavoidable connected transactions, they undertake to perform legal procedures, legally enter into agreements, guarantee the transparency, openness and fairness of transaction price, disclose information in a timely manner, and guarantee not to harm the legitimate interests of JWTM and other shareholders (particularly those of the medium and minority shareholders) through connected transactions according to the principles of market impartiality, fairness and openness and the requirements of relevant laws, regulations, regulatory documents and the Articles of Association of JWTM.	

7. **Performance of commitments (continued)**

Commitment	Parties who made the commitment	Content	Performance status
		3. If CTMC and other enterprises under its control breach the undertakings and guarantees made above, CTMC and other enterprises will be liable for breach of contract according to the law, and be liable for joint and several liabilities for the loss incurred by JWTM and its other shareholders other than CTMC. Undertakings of CHG in relation to the lock-up period for the Private Offering of A Shares subscribed of JWTM: To comply with the requirements of relevant laws, regulations and regulatory documents such as Measures on the Takeover of Listed Companies and Measures for Administration of the Issue of Securities by Listed Companies, CHG undertakes not to transfer the privately offered A Shares of JWTM subscribed for within 36 months from the ending date of this offering. Undertakings of CTMC in relation to the lock-up period for the Private Offering of A Shares subscribed of JWTM: To comply with the requirements of relevant laws, regulations and regulatory documents such as Measures on the Takeover of Listed Companies and Measures for Administration of the Issue of Securities by Listed Companies, CTMC undertakes not to transfer the privately offered A Shares of JWTM subscribed for within 36 months from the ending date of this offering of JWTM. Undertakings of CHG in respect of not giving up the actual control over JWTM: In the foreseeable future, CHG as the de facto controller of JWTM will take all necessary steps and measures to ensure the position of CTMC as the controlling shareholder of JWTM and its actual control on JWTM.	

8. Securities investment

Serial no.	Securities type	Securities code	Securities short code	Initial investment Amount (RMB)	Holding Quantity (share)	Carrying value at the end of the period (RMB)	As a percentage of the total securities investment at the end of the period (%)	Profit or loss for the period
1	stock	600516	Fangda Carbon	48,712,813.62	3,357,969.00	29,415,808.44	11.62	–19,297,005.18
2	stock	000937	Jizhong Energy	38,109,305.17	1,617,280.00	27,267,340.80	10.77	–10,841,964.37
3	stock	000059	Liaotong Chemicals	37,232,431.49	2,868,860.00	21,803,336.00	8.61	–15,429,095.49
4	stock	002155	Chenzhou Mining	30,094,008.51	910,704.00	18,277,829.28	7.22	–11,816,179.23
5	stock	000009	China Bao'an	28,130,089.39	1,608,376.00	17,531,298.40	6.92	–10,598,790.99
6	stock	600893	Aero-Engine	22,013,126.67	1,227,600.00	16,683,084.00	6.59	–5,330,042.67
7	stock	601958	Jinduicheng Molybdenum	20,330,985.78	1,213,300.00	13,807,354.00	5.45	–6,523,631.78
8	stock	600058	Minmetals Development	19,838,809.06	555,000.00	12,160,050.00	4.80	–7,678,759.06
9	stock	000559	Wanxiang Qiaochao	19,360,892.08	2,000,900.00	11,325,094.00	4.47	–8,035,798.08
10	stock	600331	Sichuan Hongda	15,261,230.45	1,151,599.00	9,581,303.68	3.78	–5,679,926.77
Other securities investment held at the end of the period					–	75,373,993.28	29.77	–36,495,500.07
Investment gain or loss on securities sold during the reporting period				–	–	–		–26,070,279.77
Total					–	253,226,491.88	100.00%	–163,796,973.46

Explanations on securities investment: Securities investment business represents mainly the securities investment business of Zhongzhi Enterprise Group Co., Ltd., a subsidiary of the Company, which has operated its investment strictly in accordance with its internal control system and caps to effectively control its investment risk.

9. Equity interests in other listed companies held

Stock code	Securities abbreviation	Initial investment amount	As a percentage of the equity interest of that company (%)	Face value at the end of the period	Profit or loss during the reporting period	Change in shareholders' equity during the reporting period	Accounting item	Source of shares
600470	Liuguo Chemical Industry	155,850,000	4.6	193,920,000	0	–3,480,000	Financial assets available for sale	Private Placement
600971	Hengyuan Coal Electricity	324,000,000	2.05	271,556,995.50	0	–196,083,004.50	Financial assets available for sale	Private Placement
Total	–	479,850,000	–	465,476,995.50	0	–199,563,004.50		

10. 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	-228,494,016.85	214,875,441.52
Less: Impact on Income tax arising from available-for-sale financial assets	-57,123,504.22	53,718,860.38
Net amount included in other comprehensive income of the previous period now transferred to profit & loss of the current period		
Sub-total	-171,370,512.63	161,156,581.14
2. Share of Other comprehensive income of the investee determined by equity accounting	824,150.16	201,438.05
Less: Impact on income tax on the share of other comprehensive income of the investee determined by equity accounting		
Net amount included in other comprehensive income of the previous period now transferred to profit & loss of the current period		
Sub-total	824,150.16	201,438.05
3. Profit (or loss) generated from cash flow hedging instrument		
Less: Impact on Income tax arising from cash flow hedging instrument		
Net amount included in Other comprehensive income of the previous period now transferred to profit & loss of the current period		
Adjustment on the initial recognized amount of the item hedged		
Sub-total		
4. Exchange differences on translation of financial statements of foreign subsidiaries	-328,662.86	-145,953.23
Less: Net profit or loss on disposal of foreign operation for the period		
Sub-total	-328,662.86	-145,953.23
5. Other items		
Less: Impact on Income tax arising from other items included in Other comprehensive income		
Net amount of other items included in other comprehensive income of the previous period now transferred to profit & loss of the current period		
Sub-total		
Total	-170,875,025.33	161,212,065.96

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

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

Accounting Firm	2011 Audit fee *(RMB'000)*	Year of audit
Banker Tilly China and Baker Tilly Hong Kong Limited	3,000	3

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

The Company was registered as a foreign investment enterprise in Beijing Economic and Technological Development Zone. In accordance with the Advanced Technology Enterprise Certificate No. GR201111000484 jointly issued by Beijing Municipal Science & Technology Commission, Finance Bureau of Beijing, Beijing Municipal Administration of State Taxation and Beijing Local Taxation Bureau, the Company is entitled to the enterprise income tax rate of 15% from 2011 to 2013 by virtue of the Law of the People's Republic of China on Enterprise Income Tax promulgated on 16 March 2007. The Company is not entitled to any other tax concessionary treatment.

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

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

14. Reception of research and visits of the Company

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

Time of reception	Place of reception	Means of reception	Subject of reception	Key content of discussion and information provided
15 November 2011	Conference room of the Company	On-site research	Mirae Asset Global Investments (Hong Kong) Limited	Content of discussion: basic conditions of the Company Information provided: regular report of the Company

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

Chapter X Report of the Auditor – The PRC

Audit Report

Baker Tilly China Jing SJ [2012] No.1015

TO ALL SHAREHOLDERS OF JINGWEI TEXTILE MACHINERY COMPANY LIMITED:

We have audited the accompanying financial statements of Jingwei Textile Machinery Company Limited ("Jingwei Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2011, the consolidated income statement and income statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity, the consolidated cash flow statement and cash flow statement for the year then ended, and notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Jingwei Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) Preparing and fair presenting financial statements in accordance with Accounting Standards for Business Enterprises; (2) Designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. AUDITOR'S RESPONSIBILITY

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

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

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

3. OPINION

In our opinion, the financial statements of Jingwei Company comply with Accounting Standards for Business Enterprises and present fairly, in all material respects, the financial position and consolidated financial position as at 31 December 2011, and the results of operations and consolidated results of operations and the cash flows and consolidated cash flows for the year then ended.

Chinese Certified Public Accountants:
Kuang Min
zhang Jinhai

Beijing, the People's Republic of China
March 28, 2012

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

Company and Consolidated Balance Sheet

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

ASSETS	Note	CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 December 2011		STATEMENT OF FINANCIAL POSITION at 31 December 2011	
		31-Dec 2011 *RMB*	31-Dec 2010 *RMB*	31-Dec 2011 *RMB*	31-Dec 2010 *RMB*
Current Assets:					
Cash and cash equivalent	VIII.1	3,988,190,008.10	2,415,614,051.14	538,780,806.66	1,091,932,650.31
Held-for-trading financial assets	VIII.2	253,226,491.88	84,349,920.20	120,625.00	1,035,746.81
Bills receivable	VIII.3	1,834,695,550.91	2,099,738,841.61	1,201,696,015.84	1,325,063,794.51
Accounts receivable	VIII.4/XVIII.1	476,028,483.60	421,064,521.45	454,126,182.89	303,923,013.12
Advance to suppliers	VIII.5	339,903,795.30	429,722,491.71	325,754,669.37	462,816,120.23
Interest receivables	VIII.6		3,637,500.00		
Dividend receivables	VIII.7	2,880,000.00		107,167,515.25	172,561,319.00
Other receivables	VIII.8/XVIII.2	231,697,609.34	276,916,871.10	536,054,893.87	534,282,451.34
Reverse repurchase agreements	VIII.9		24,000,000.00		
Inventories	VIII.10	1,515,923,991.98	1,161,955,806.98	292,866,612.73	247,849,726.21
Non-current assets – due within one year	VIII.11	69,148,193.44	63,809,963.95	64,358,193.44	55,651,801.29
Other current assets	VIII.12	1,225,749.22	19,070,000.00		
Total current assets		8,712,919,873.77	6,999,879,968.14	3,520,925,515.05	4,195,116,622.82
Non-current Assets					
Available-for-sale financial assets	VIII.13	589,545,330.98	954,209,347.83		
Long-term receivables	VIII.14	14,693,407.10	62,039,867.83	169,820,910.98	200,035,493.39
Long-term equity investments	VIII.15/XVIII.3	180,711,961.60	304,589,878.71	2,875,117,253.73	2,393,067,627.31
Fixed assets	VIII.16	1,579,431,967.85	1,443,463,114.30	319,846,235.48	325,408,766.83
Construction in progress	VIII.17	315,096,741.08	225,737,563.46	26,326,379.58	3,241,677.58
Construction materials	VIII.18	12,086,403.58	1,204,820.00	12,086,403.58	1,204,820.00
Intangible assets	VIII.19	518,149,323.97	472,953,676.03	79,038,418.35	79,642,957.72
Goodwill	VIII.20	845,632,373.51	843,156,675.16		
Long-term deferred expenses	VIII.21	18,618,554.54	9,225,429.21		
Deferred tax assets	VIII.22	182,942,787.89	23,998,702.36		
Total non-current assets		4,256,908,852.10	4,340,579,074.89	3,482,235,601.70	3,002,601,342.83
TOTAL ASSETS		12,969,828,725.87	11,340,459,043.03	7,003,161,116.75	7,197,717,965.65

Company and Consolidated Balance Sheet (continued)

		CONSOLIDATED BALANCE SHEET as at 31 December 2011		BALANCE SHEET as at 31 December 2011	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	**31-Dec 2011** *RMB*	**31-Dec 2010** *RMB*	**31-Dec 2011** *RMB*	**31-Dec 2010** *RMB*
Current Liabilities					
Short-term borrowings	VIII.25	1,715,651,450.37	929,296,030.62	1,602,001,450.37	827,425,550.62
Bills payable	VIII.26	399,241,466.37	225,171,544.61	317,933,377.89	221,918,655.91
Accounts payable	VIII.27	2,052,352,449.13	2,170,306,895.68	1,059,784,709.58	1,323,427,336.94
Advances from customers	VIII.28	906,171,539.26	900,026,132.89	710,408,468.09	586,142,441.19
Employee benefits payables	VIII.29	670,416,772.39	358,613,366.48	46,727,750.50	34,103,620.60
Taxation payables	VIII.30	279,776,238.72	243,742,227.00	-592,359.30	19,533,769.08
Interest payables	VIII.31	370,520.55	370,520.55		
Dividend payables	VIII.32	4,057,201.21	2,149,115.58	24,801.10	2,935.58
Other payables	VIII.33	414,136,932.51	925,428,565.13	203,517,059.64	713,378,200.17
Long-term liabilities due within one year	VIII.34	401,424,295.29	553,000,238.23	338,247,078.14	550,371,676.12
Other current liabilities					
Total current liabilities		6,843,598,865.80	6,308,104,636.77	4,278,052,336.01	4,276,304,186.21
Non-current Liabilities					
Long-term borrowings	VIII.35	60,000,000.00	218,370,000.00	60,000,000.00	218,370,000.00
Bonds payable	VIII.36		60,000,000.00		
Long-term payables	VIII.37	125,863,655.09	247,966,078.34	75,739,895.91	199,454,343.44
Special payables	VIII.38	141,534,244.97	129,843,370.10	141,534,244.97	129,173,370.10
Other non-current liabilities	VIII.39	67,528,021.58	57,659,705.61	17,737,578.97	19,116,385.98
Total non-current liabilities		394,925,921.64	713,839,154.05	295,011,719.85	566,114,099.52
TOTAL LIABILITIES		7,238,524,787.44	7,021,943,790.82	4,573,064,055.86	4,842,418,285.73
Shareholders' Equity					
Share capital	VIII.40	603,800,000.00	603,800,000.00	603,800,000.00	603,800,000.00
Capital reserve	VIII.41	1,193,078,144.53	1,307,009,803.73	1,245,739,205.70	1,244,915,055.54
Surplus reserve	VIII.42	671,282,063.81	602,607,325.16	379,743,103.69	368,119,180.61
Risk preparation	VIII.43	26,512,656.79	7,714,836.62		
Unappropriated profit	VIII.44	907,076,447.30	546,021,613.11	200,814,751.50	138,465,443.77
Translation differences arising on translation of financial statements denominated in foreign currencies		-3,360,971.19	-3,032,308.33		
Total shareholders' equity attributable to equity holders of the parent		3,398,388,341.24	3,064,121,270.29	2,430,097,060.89	2,355,299,679.92
Non-controlling interests		2,332,915,597.19	1,254,393,981.92		
Total Shareholders' Equity		5,731,303,938.43	4,318,515,252.21	2,430,097,060.89	2,355,299,679.92
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,969,828,725.87	11,340,459,043.03	7,003,161,116.75	7,197,717,965.65

The accompanying notes form a part of these financial statements.

The financial statements from page 3 to page 9 are signed by the following people in charge:

Ye Maoxin, person incharge of company

Mao Faqing, person incharge of accounting function

Wang Guofeng, person incharge of accounting department

Company and Consolidated Income Statements

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

For the year ended 31 December 2011	Note	CONSOLIDATED INCOME STATEMENT 2011 RMB	CONSOLIDATED INCOME STATEMENT 2010 RMB	INCOME STATEMENT 2011 RMB	INCOME STATEMENT 2010 RMB
Total operating revenues		10,250,648,402.44	7,287,232,568.71	5,172,805,112.01	4,439,663,814.74
Including: Operating income	VIII.45/XVIII.4	7,272,369,776.75	6,346,580,501.70	5,172,805,112.01	4,439,663,814.74
Interest income	VIII.46	96,264,639.94	19,371,650.39		
Fee and commission income	VIII.47	2,882,013,985.75	921,280,416.62		
Less: Operating costs	VIII.45/XVIII.4	6,115,704,282.02	5,502,328,724.76	4,840,790,124.79	4,224,981,726.18
Interest expenses	VIII.46	1,066,625.00	328,562.50		
Sales taxes and levies	VIII.48	201,594,406.20	83,524,130.83	9,419,775.47	2,076,098.99
Selling and distribution expenses	VIII.49	164,184,514.42	166,512,856.78	66,407,986.33	61,728,287.79
Administrative expenses	VIII.50	2,022,031,683.81	993,848,984.25	218,939,751.68	183,094,485.91
Financial expenses	VIII.51	73,769,625.44	43,800,050.23	55,886,248.26	28,972,301.36
Impairment loss in respect of assets	VIII.54	35,233,229.28	41,335,198.28	9,697,495.43	34,467,757.34
	VIII.53				
Add: Gains from changes in fair values	VIII.52	-137,726,693.69	27,119,250.36	-121,180.99	
Investment income	VIII.53/XVIII.5	21,690,921.42	116,896,898.27	140,912,041.95	74,487,884.72
Including: Income from investment in associates and jointly controlled entities		8,394,024.56	2,618,795.66	12,519,195.98	-6,760,718.37
Exchange gains		-560,630.44			
Operating profit		1,520,467,633.56	599,570,209.71	112,454,591.01	-21,168,958.11
Add: Non-operating income	VIII.55	33,076,219.78	92,747,920.69	5,533,210.97	48,672,559.90
Less: Non-operating expenses	VIII.56	11,737,332.19	23,726,719.07	1,714,071.17	15,089,262.31
Including: Loss from disposal of non-current assets		6,458,010.52	19,820,256.24	1,438,196.42	14,581,698.33
Total profit		1,541,806,521.15	668,591,411.33	116,273,730.81	12,414,339.48
Less: Income tax	VIII.57	377,838,965.04	158,099,044.44	34,500.00	33,235.00
Net profit		1,163,967,556.11	510,492,366.89	116,239,230.81	12,381,104.48
Net profit attributable to shareholders of the parents		490,793,393.01	244,716,850.09	116,239,230.81	12,381,104.48
Profits and losses attributable to minority interests		673,174,163.10	265,775,516.80		
Including: Net profit of the party being absorbed before the combination date in a business combination involving entities under common control					
Earnings per share					
(I) Basic earnings per share	XX.3	0.81	0.41		
(II) Diluted earnings per share	XX.3	0.81	0.41		
Other comprehensive income	VIII.58	-170,875,025.33	161,212,065.96	824,150.16	201,438.05
Total comprehensive income		993,092,530.78	671,704,432.85	117,063,380.97	12,582,542.53
Attributable to owners of the Company's total comprehensive income		428,704,541.11	302,788,704.12	117,063,380.97	12,582,542.53
Attributable to non-controling interests's total comprehensive income		564,387,989.67	368,915,728.73		

The accompanying notes form part of these financial statements.

Company and Consolidated cash flow statements

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

For the year ended 31 December 2011	Notes	CONSOLIDATED CASH FLOW STATEMENT 2011 *RMB*	CONSOLIDATED CASH FLOW STATEMENT 2010 *RMB*	CASH FLOW STATEMENT 2011 *RMB*	CASH FLOW STATEMENT 2010 *RMB*
Cash flow from operating activities:					
Cash receipts from sale of goods and the rendering of services		5,653,087,920.64	5,074,030,595.87	3,523,879,643.70	2,989,332,378.48
Interest, fee and commission received		3,066,560,629.47	939,645,953.01		
Receipts of tax refunds		5,969,093.91	10,040,054.77		662,685.57
Other cash receipts relating to operating activities	VIII.59	190,362,103.75	132,764,057.61	255,517,028.90	178,524,587.96
Sub-total of cash inflows from operating activities		8,915,979,747.77	6,156,480,661.26	3,779,396,672.60	3,168,519,652.01
Cash payments for goods purchased and services received		4,451,972,013.00	3,678,294,551.84	3,298,080,854.93	2,625,595,283.26
Net increase on loans and advances to customers		-24,000,000.00	-85,000,000.00		
Interest, fee and commission paid		1,066,625.00	328,562.50		
Cash payments to and on behalf of employees		1,314,857,585.11	698,151,276.50	178,787,527.76	152,335,830.17
Payments of all types of taxes		872,038,258.17	385,587,612.81	77,018,404.23	128,647,843.14
Other cash payments relating to operating activities	VIII.59	648,498,238.01	432,361,281.30	108,132,007.07	147,787,981.11
Sub-total of cash outflows from operating activities		7,264,432,719.29	5,109,723,284.95	3,662,018,793.99	3,054,366,937.68
Net cash flows from operating activities	VIII.60/XVIII.6	1,651,547,028.48	1,046,757,376.31	117,377,878.61	114,152,714.33
Cash flows from investing activities					
Cash receipts from disposals of investments		1,744,959,776.09	909,801,929.92	48,491,423.22	59,203,210.00
Cash receipts from returns on investments		31,687,404.89	10,942,863.95	98,293,276.21	51,632,070.25
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets		5,723,805.34	26,950,450.18	934,822.11	6,124,686.59
Net cash received from disposals of a subsidiary and other business units		12,841,153.53			
Other cash receipts relating to investing activities	VIII.59	31,835,984.14	19,776,520.09	10,448,000.00	159,854,176.16
Sub-total of cash inflows from investing activities		1,827,048,123.99	967,471,764.14	158,167,521.54	276,814,143.00
Cash payments to acquire fixed assets, intangible assets and other long-term assets		303,439,605.72	196,912,080.90	63,666,544.27	12,358,773.78
Cash payments to acquire investments		2,329,924,062.99	1,256,809,132.82	954,975,850.00	822,616,275.00
Net cash payments for purchase of subsidiaries and other business units			5,130,578.60		
Other cash payments relating to investing activities	VIII.59		98,812,137.97	14,090,000.00	173,539,631.50
Sub-total of cash outflows from investing activities		2,633,363,668.71	1,557,663,930.29	1,032,732,394.27	1,008,514,680.28
Net cash flows from investing activities		-806,315,544.72	-590,192,166.15	-874,564,872.73	-731,700,537.28

Company and Consolidated Cash Flow Statements (continued)

For the year ended 31 December 2011	Notes	CONSOLIDATED CASH FLOW STATEMENT 2011 RMB	CONSOLIDATED CASH FLOW STATEMENT 2010 RMB	CASH FLOW STATEMENT 2011 RMB	CASH FLOW STATEMENT 2010 RMB
Cash flows from financing activities					
Capital injections from non-controlling interests		505,451,900.00	76,644,000.00		
Cash flows from financing activities					
Cash receipts from borrowings		1,870,620,196.61	1,229,294,961.91	1,745,470,196.61	1,098,424,481.91
Proceeds from issuing bonds			59,760,000.00		
Other cash receipts relating to financing activities	VIII.59	32,530,874.87	178,228,784.66	83,870,212.96	154,815,695.96
Sub-total of cash inflows from financing activities		2,408,602,971.48	1,543,927,746.57	1,829,340,409.57	1,253,240,177.87
Cash repayments of amounts borrowed		1,548,027,038.06	645,156,628.18	1,458,527,038.06	482,156,628.18
Cash payments for interest expenses and distribution of dividends or profits		157,777,156.67	88,811,745.65	140,997,982.71	76,835,562.33
Including: cash payments to minority shareholders for distribution of dividends or profits		5,770,405.37	1,999,040.00		
Other cash payments relating to financing activities	VIII.59	89,614,289.95	122,449,681.12	107,722,228.00	34,248,681.12
Sub-total of cash outflows from financing activities		1,795,418,484.68	856,418,054.95	1,707,247,248.77	593,240,871.63
Net cash flows from financing activities		613,184,486.80	687,509,691.62	122,093,160.80	659,999,306.24
Effect of foreign exchange rate changes on cash and cash equivalents		-1,156,989.72	-855,513.36		
Net increase (decrease) in cash and cash equivalents	VIII.60/XVIII.6	1,457,258,980.84	1,143,219,388.42	-635,093,833.32	42,451,483.29
Add: Opening balance of cash and cash equivalents	VIII.60/XVIII.6	2,350,591,630.16	1,207,372,241.74	1,066,843,362.54	1,024,391,879.25
Closing balance of cash and cash equivalents	VIII.60/XVIII.6	3,807,850,611.00	2,350,591,630.16	431,749,529.22	1,066,843,362.54

The accompanying notes form a part of these financial statements.

Company and Consolidated Statements of Changes in Shareholders' Equity

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

Consolidated Statements of Changes in Shareholders' Equity

For the year ended 31 December 2011	Share Capital *RMB*	Capital Reserve *RMB*	Surplus Reserve *RMB*	Risk preparation *RMB*	Unappropriated Profit *RMB*	Translation differences arising on translation of financial statements holders of the parents *RMB*	Attributable to equity non-controlling Interest *RMB*	Total Share Capital *RMB*
I. Balance at 31 December 2009	603,800,000.00	1,244,377,317.17	574,533,957.37		337,092,967.43	-2,886,355.10	165,973,417.55	2,922,891,304.42
II. Balance at 1 January 2010	603,800,000.00	1,244,377,317.17	574,533,957.37		337,092,967.43	-2,886,355.10	165,973,417.55	2,922,891,304.42
III. Changes for the year				7,714,836.62	208,928,645.68	-145,953.23	1,088,420,564.37	1,395,623,947.79
(I) Net profit					244,716,850.09		265,775,516.80	510,492,366.89
(II) Other comprehensive income		58,217,807.26				-145,953.23	103,140,211.93	161,212,065.96
(III) Capital injections from non-controlling interests							166,720,000.00	166,720,000.00
(IV) Others		4,414,679.30					555,384,835.64	559,799,514.94
Sub-total of (I) to (IV)		62,632,486.56			244,716,850.09	-145,953.23	1,091,020,564.37	1,398,223,947.79
(V) Profit distribution			28,073,367.79	7,714,836.62	-35,788,204.41		-2,600,000.00	-2,600,000.00
1. Transfer to surplus reserve			28,073,367.79		-28,073,367.79			
2. Transfer to general risk preparation				7,714,836.62	-7,714,836.62			
3. Distribution to shareholders							-2,600,000.00	-2,600,000.00
IV. 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
I. 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
II. Changes for the year		-113,931,659.20	68,674,738.65	18,797,820.17	361,054,834.19	-328,662.86	1,078,521,615.27	
(I) Net profit					490,793,393.01		673,174,163.10	1,163,967,556.11
(II) Other comprehensive income		-61,760,189.04				-328,662.86	-108,786,173.43	-170,875,025.33
(III) Capital injections from non-controlling interests							505,451,900.00	505,451,900.00
(IV) Others		-52,171,470.16					17,865,210.95	-34,306,259.21
Sub-total of (I) to (IV)		-113,931,659.20			490,793,393.01	-328,662.86	1,087,705,100.62	1,464,238,171.57
(V) Profit distribution			68,674,738.65	18,797,820.17	-129,738,558.82		-9,183,485.35	-51,449,485.35
1. Transfer to surplus reserve			68,674,738.65		-68,674,738.65			
2. Transfer to risk preparation				18,797,820.17	-18,797,820.17			
3. Distribution to shareholders					-42,266,000.00		-9,183,485.35	-51,449,485.35
III. Balance at 31 December 2011	603,800,000.00	1,193,078,144.53	671,282,063.81	26,512,656.79	907,076,447.30	-3,360,971.19	2,332,915,597.19	5,731,303,938.43

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

	Statements of Changes in Shareholders' Equity					
For the year ended 31 December 2011	**Share Capital** *RMB*	**Capital Reserve** *RMB*	**Surplus Reserve** *RMB*	**Risk preparation** *RMB*	**Unappropriated profit** *RMB*	**Total holders of the parents** *RMB*
I. Balance at 12 December 2009	603,800,000.00	1,244,713,617.49	366,881,070.16		127,322,449.74	2,342,717,137.39
II. Balance at 1 January 2010	603,800,000.00	1,244,713,617.49	366,881,070.16		127,322,449.74	2,342,717,137.39
III. Changes for the year		201,438.05	1,238,110.45		11,142,994.03	12,582,542.53
(I) Net profit					12,381,104.48	12,381,104.48
(II) Other comprehensive income		201,438.05				201,438.05
(III) Others						
Sub-total of (I), (II) and (III)	201,438.05			12,381,104.48	12,582,542.53	
(IV) Profit distribution			1,238,110.45		-1,238,110.45	
1. Transfer to surplus reserve		1,238,110.45			-1,238,110.45	
2. Transfer to general risk preparation						
3. Distribution to shareholders						
IV. Balance at 31 December 2010	603,800,000.00	1,244,915,055.54	368,119,180.61		138,465,443.77	2,355,299,679.92
I. Balance at 1 January 2011	603,800,000.00	1,244,915,055.54	368,119,180.61		138,465,443.77	2,355,299,679.92
II. Changes for the year		824,150.16	11,623,923.08		62,349,307.73	74,797,380.97
(I) Net profit					116,239,230.81	116,239,230.81
(II) Other comprehensive income		824,150.16				824,150.16
(III) Capital injections from non-controlling interests						
(IV) Others						
Sub-total of (I) to (IV)		824,150.16			116,239,230.81	117,063,380.97
(V) Profit distribution			11,623,923.08		-53,889,923.08	-42,266,000.00
1. Transfer to surplus reserve			11,623,923.08		-11,623,923.08	
2. Transfer to risk preparation						
3. Distribution to shareholders					-42,266,000.00	-42,266,000.00
III. Balance at 31 December 2011	603,800,000.00	1,245,739,205.70	379,743,103.69		200,814,751.50	2,430,097,060.89

Notes to the Financial Statements
For the year ended 31 December 2011

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

I. GENERAL

(1) General

Jingwei Textile Machinery Company Limited (the "Company") was established on 15 August 1995 by China Textile Machinery (Group) Company Limited ("CTMC", formerly known as China National Textile Machinery Corporation). There were 220,000,000 state-owned shares when the Company was set up. The legal representative of the Company is Ye Maoxin and the registered address is No. 8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the People's Republic of China (the "PRC").

After approval of Chinese Securities Regulatory Commission ("CSRC") under the State Council in the document entitled No.2 (1996), the Company was listed on the Stock Exchange of Hong Kong with issuance of 180,800,000 H shares in February 1996. It was granted as a foreign invested company limited by the former Ministry of Foreign Trade and Economic Cooperation in March 1996. In November 1996, the Company, after being approved by CSRC with 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 these issuances, the total shares issued by the Company amount to 603,800,000.

The Company and its subsidiaries (the "Group") are principally engaged in manufacturing and sales of textile machinery and providing trust and fiduciary services.

(2) Parent and the actual control person

CTMC holds 33.83% shares of the Company, and the remaining 66.17% shares of the Company are widely held by other shareholders. As CTMC effectively controls the Company, CTMC is the parent company of the Company. The Company's actual controlling company is China Hi-tech Group Corporation.

(3) The approval person and approval date of the financial statements

The financial statements have been authorized to issue by the fifth meeting of the sixth session of the Board of Directors of the Company on 28 March 2012.

II. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the PRC on 15 February 2006, and present truly and completely, the Company's and Group's financial position as of 31 December 2011, the Company's and Group's results of operations and cash flows for the year end.

III. BASIS OF PREPARATION

The financial statement is prepared on the going concern basis according to the actual transactions occurred, as well as the following significant accounting policies and accounting estimates determined in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC

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 major currency of the circumstances where the Company and its domestic subsidiaries are primarily operated, the Company and domestic subsidiaries adopt RMB as their functional currency. Given the fact that Hong Kong 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 adopt HKD as its functional currency. The Group adopts RMB as the functional currency for the preparation of the financial statements.

3. Basis of accounting and measurement principle

The Group's financial statements are prepared on the accrual basis. Except for certain financial instruments which are measured at fair value, the Group has adopted the historical cost as measurement principles for the financial statements. Where assets are impaired, provisions for impairment are made in accordance with relevant requirements.

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Cash and cash equivalents of cash statement

Cash comprises cash at bank and demand deposits. 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.

5. Translation of foreign currency and financial statements denominated in foreign currencies

On initial recognition, foreign currency transactions are translated by applying the spot exchange rate at the dates of the transactions. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at that date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those used on initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period, except for: (1) exchange differences arising from specific-purpose borrowings in foreign currencies that are eligible for capitalization, which are capitalized during the capitalization period and included in the cost of related assets; and (2) exchange differences arising from available-for-sales non-monetary investment e.g. stocks and shares denominated in foreign currency, which are recognized in equity, all other exchange differences are included in profit or loss in the period in which they arose.

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

Where the preparation of consolidated financial statements involves a foreign operation, for example, 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 shareholder's equity, and is recognized 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 classified 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. The related transaction costs of financial assets at fair value through profit or loss are directly recognized in profit or loss of the current period. The related transaction costs of other financial assets are recognized as the initial cost. Depending on the nature and the purpose of holding, financial assets are classified at initial recognition. The Group's financial assets are mainly held-for-trading financial assets, available-for-sale financial assets, loans and receivables.

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

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

Financial assets at fair value through profit or loss are all held-for-trading financial assets of the Group.

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

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Financial instruments (continued)

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

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

These are any other financial assets that do not fall into any of the three categories above. In addition, the Company also can designate a financial asset as available-for-sale when it is initial recognized.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Except that impairment and exchange losses arising from the difference from foreign currency financial assets and amortized cost are recognized in profit or loss, changes in fair value of available-for-sale financial assets are recognized in equity. Cumulative gains or losses relating to this investment are removed from equity and taken to profit or loss as part of gain or loss when the asset was eventually disposed of. Cash dividend and interest income arising from available-for-sale financial assets during the period the financial assets are held are recorded as investment income.

(d) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains or losses arising from de-recognition or amortization is recognized in profit or loss in the current period.

(2) Fair value method for financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties at an arm's length. For financial instruments with an active market, the Group adopts the published prices in the active market as the fair value. The quoted prices in an active market mean accessible prices from exchanges, brokers, industrial associations and pricing service institution, and which represent prices actually occurred in the market at an arm's length. For financial instruments without an active market, the Group adopts valuation techniques to determine the fair value. Valuation techniques include the reference of the price of the most recent transactions in a market among the willing parties, the reference of fair value of other financial assets with the same substance, discounted cash flow technique, option pricing model and so on. The fair value of financial assets and liabilities should be ensured in accordance with the corresponding active market price and current bid if there are standard terms and conditions and active market. The fair value of other financial assets and financial liabilities (not including derivatives) should be ensured in accordance with the general pricing model on the basis of the discounted method of future cash flow or the observable current market transaction price.

(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 derecognize the financial asset or recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Financial instruments (continued)

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

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

(i) If the Group has not retained control, it shall derecognize the financial asset and recognize 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 recognize the financial asset to the extent of its continuing involvement in the financial asset.

(4) Impairment of financial assets

The Group assesses the recoverable amount of financial assets, except those assets at fair value through profit or loss, at each balance sheet date. Provisions for impairment should be made if there are significant indicators of impairment in the financial assets.

Significant indicators might include: (1) Financial difficulties of the issuer; (2) Default by the borrower on interest payment and overdue or breach of contract in the settlement of principal; (3) Give way to those under financial difficulty after consideration on economic or legal reasons; (4) Debtors may go into liquidation or under other financial reorganization; (5) Disappearance of an active market for the investment due to the financial difficulties of the issuer; (6) In case that reduction in cash flow of certain assets among a group of financial assets cannot be identified, while it is discovered that the expected future cash flow of the financial assets has been declined and can be measured reliably since initial recognition after an overall evaluation based on disclosed information, and this includes the repayment capability of the debtor of the Group of financial assets gradually deteriorates, economic situation of the country or region where the debtor is staying may cause payment of the Group of financial assets impossible; (7) Irrecoverable cost due to significant and adverse changes taken place in the technique, market, economic or legal environments in which the debtor operates; (8) A significant continued decline in value; and (9) Other significant indicators.

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

An impairment loss may be reversed when there is related evidence that this is happened. The carrying value of the financial assets after the reversing should not be higher than the amortized amount without impairment at the date of reversing.

(5) De-recognition of financial assets and financial liabilities

The Group shall derecognize financial assets if, and only if, the following conditions are met:

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

(2) The Group has transferred financial assets and also substantially all risks and rewards of ownership of the financial assets;

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

The Group shall derecognize financial liabilities (or a part of financial liabilities) when, and only when, all or parts of the financial liabilities' obligation are released.

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Financial instruments (continued)

(6) Netting off between financial asset and financial liability

The financial assets and financial liabilities can be net off if, and only if, the Group plans to use the legitimate right of offsetting financial assets and financial liabilities which is executable, or settle the financial assets and settle the financial liabilities at the same time. Otherwise, a financial asset and a financial liability shall be stated and disclosed separately without netting off.

7. Receivables

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

(1) Recognizing standard for bad debts

The Group assesses the recoverable amount of financial assets, except those assets at fair value through profit or loss, at each balance sheet date. Provisions for impairment should be made if there are significant indicators of impairment on the financial assets. Significant indicators might include: (1) Significant financial difficulties of the debtor; (2) Debtors may go into liquidation or under other financial reorganization; and (3) Other significant indicator.

(2) Method on provision for bad debts

(a) Conducting independent impairment tests on receivables with significant single amounts

The group classifies receivables with amounts over 10million (including 10 million) as receivables with significant single amounts.

The Group conducts independent impairment tests for receivables with significant single amounts. With regard to the receivables with insignificant single amounts, an independent impairment test may be carried out, or they may be included in a combination of receivables with similar credit risk features so as to carry out an impairment test. Receivables not impaired upon independent tests (including receivables with or without significant single amounts) 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) Providing for bad debts according to combination of receivables with credit risk features

At the balance sheet date, receivables with non-significant amounts and receivables not impaired upon independent tests shall be divided into several combinations by age, calculate impaired Losses according to a certain proportion of the carrying amounts in every combination. The proportions are determined basing on actual loss rate of relevant combination of previous year, meanwhile taking consideration on the current situation, and the specific proportions are as follows:

Aging	Proportion
Less than 1 year	0%
1-2 years	20%
2-3 years	50%
Over 3 years	100%

(3) Receivables not individually significant for which provision for bad debt is assessed individually

The Group made a separate impairment test for receivables not individually significant, but have characteristics such as: there is a dispute with each other or involved in litigation, arbitration; there are obvious indications that the debtor was unable to fulfill 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 shall confirm an impairment loss and make provision for bad debts.

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Receivables (continued)

(4) Reversal of provision for bad debts

An impairment loss may be reversed to profit or loss when there is related evidence that this is happened. The carrying value of the financial assets after the reversing should not be higher than the amortized amount without impairment at the date of reversing.

8. Inventories

(1) Classification of Inventory

Inventories of the Group mainly include raw materials, work-in-progress, finished goods, revolving materials, 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, after taking 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 recognized. For large quantity and low value items of inventories, provision may be made based on categories of inventories. For items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicable evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis. For other inventories, the excess of cost over the net realizable value is generally recognized 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 in the current period; the reversal is limited to the amount of original written down.

(4) Perpetual inventory system

The perpetual inventory system is adopted by the Company for stock count.

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 cost of acquisition. 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, and 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.

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Long-term equity investment (continued)

(1) Recognition of initial cost of investment (continued)

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 be declared but not yet paid or profits, the investing enterprises shall to recognize the investee enterprise's cash dividends or profits declared as its return on the 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 in the current period, and the cost of the long-term equity investment is adjusted accordingly.

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

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

(c) Disposal of a long-term equity investment

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

(3) Basis of determining common control and significant influence

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Fixed assets and depreciation

Fixed assets are tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and have useful lives more than one accounting year.

A fixed asset is initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered. Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they are brought to working condition for the intended uses, using the straight-line method. The useful lives, estimated net residual values rates and annual depreciation rates of each class of fixed assets are as follows:

Classes	Useful lives	Estimated net residual values rates	Annual depreciation rates
Buildings and plants	9-50 years	5%	1.9%-10.56%
Machinery and equipment	5-22 years	5%	4.32%-19.00%
Motor vehicles	5-14 years	5%	6.79%-19.00%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Subsequent expenditure incurred on a fixed asset is included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to the Group and the relevant cost can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. 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 recognizes the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

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

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

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

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

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

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

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, capitalized 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.

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Borrowing costs

Borrowing costs include interest, amortization 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. Capitalization 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 recognized as an expense in the period in which they are incurred.

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

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

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

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

13. Intangible assets

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

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Intangible assets (continued)

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

14. Research and development ("R&D") expenditure

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

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

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

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

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

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

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

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

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

15. Impairment of non-financial assets

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Revenue recognition

(1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, when the Company neither retains continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when it is probable that the economic benefits associated with the transaction will flow to the enterprises and when the relevant amount of revenue and costs can be measured reliably.

As for the sales of completed properties, upon the satisfactory quality inspections, fulfillment of delivery conditions agreed in the sales contracts and execution of the obligations agreed in the sales contracts, the revenue is recognized when the benefits associated with the sold completed properties will flow to the Group.

(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 recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

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

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

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

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

(3) Interest income

The amount of interest income is determined according to the length of time for which the Group's monetary funds are used by others and the effective interest rate.

17. Employee benefits

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Employee benefits (continued)

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

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

18. Government grants

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

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

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

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

19. Fiduciary activities

Fiduciary activity of the group is mainly trust property management.

The trust property management is an activity that the group manages the trust property from trustors in accordance with the trust contract principal. The group complies with the trust 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.

20. Deferred tax assets and deferred tax liabilities

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

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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

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

21. Leases

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Business combination

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

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

(1) A business combination involving enterprises under common control

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

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

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

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

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

For a business combination not involving enterprises under common control, the cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree, as well as costs incurred by the acquirer that are directly attributable to the business combination.

For a business combination achieved in stages that involves multiple exchange transactions, the cost of combination is the aggregate of the costs of individual transactions. When a business combination contract provides for an adjustment to the cost of combination contingent on a future event, the acquirer includes the amount of that adjustment in the cost of the combination if it is expected on the acquisition date that the occurrence of the future event is probable and the amount affecting the cost of combination can be measured reliably.

(3) Goodwill

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

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Preparation of consolidated financial statements

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

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

Major accounting policies and accounting periods adopted by the subsidiaries are defined according to the standardized accounting policies and accounting periods established by the Company.

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

The portion of a subsidiary's equity that is not attributable to the parent is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented in the consolidated income statement below the "net profit" line item as "non-controlling interests". In consolidated financial statement, if the portion of losses attributable to subsidiary's non-controlling interests is higher than its portion of shareholders' equity, the balances continue to offset the non-controlling interest.

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

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

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

Key Sources of estimation uncertainty

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

(1) Provision for bad debt

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

(2) Estimated net realizable value of inventories.

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

(4) Recognition of deferred tax asset

As at 31 December 2011, deferred tax assets of RMB182,942,787.89 in relation to temporary timing differences and unused tax losses have been recognized in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the consolidated statement of comprehensive income in the period such a reversal takes place. At 31 December 2011, the Group has not recognized deferred tax assets for the deductible losses of RMB342,214,813.88 due to uncertainty in the timing that the relevant tax losses can be utilized. If in the future the actual assessable profits generated is more than expected, or the actual tax rate is higher than estimates, such deferred tax asset shall be recognized, and include the adjustment in the profits or losses for the relevant period. Moreover, when calculating the deferred tax asset, the Group makes estimates on applicable tax rate for the period when the relevant deferred tax assets are recovered and relevant liabilities is settled. Where the estimated tax rate differs from actual rate, such difference will affect the income tax expense and deferred income tax asset during the period when such judgment was made.

(5) Actuarial Valuation on Employees' Retirement Benefit costs

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

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

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidated financial statements

(1) Subsidiaries acquired or incorporated by the Group

Name of Subsidiaries	Type	Place of incorporation	Nature of business	Registered capital	Scope of business	Actual investment paid at the end of reporting period	Total shareholding of the Group (%)	Total percentage of voting power held by the Group (%)	Whether consolidated	Non-controlling interests
Beijing Jingpeng Investment Management Company Limited	Limited Liability Company	Beijing	Investment management	100,000,000.00	Sales/ Consultation	100,000,000.00	100.00	100.00	Yes	
Shenyang Hongda Huaming Textile Machinery Company Limited	Limited Liability Company	Shenyang	M&S	40,000,000.00	T&M	40,000,000.00	98.50	100.00	Yes	183,596.86
Beijing Jingwei Textile Machinery New Technology Company Limited	Limited Liability 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 Liability Company	Yichang	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 Liability Company	Tianjin	M&S	16,000,000.00	T&M	16,000,000.00	100.00	100.00	Yes	
Shanghai Chuangan Trading Company Limited	Limited Liability Company	Shanghai	Sales	2,000,000.00	T&M	1,800,000.00	90.00	90.00	Yes	284,902.57
Shanghai Weixin Electrical and Machinery Company Limited	Limited Liability Company	Shanghai	M&S	16,000,000.00	T&M	16,000,000.00	100.00	100.00	Yes	
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	Limited Liability 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 Liability Company	Shanghai	M&S	5,256,800.00	T&M	2,628,410.50	50.00	100.00	Yes	5,316,182.92
Jingwei Textile Machinery Yuci Material Company Limited	Limited Liability Company	Jinzhong	Sales	5,000,000.00	T&M	5,000,000.00	99.92	100.00	Yes	639.11
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Limited Liability Company	Jinzhong	M&S	40,000,000.00	T&M	35,860,000.00	89.65	89.65	Yes	4,350,884.29
Hongkong Huaming Co., Limited	Limited Liability Company	HongKong	Sales	USD7,700,000.00	T&M	USD7,700,000.00	100.00	100.00	Yes	
Jinzhong Jingwei Foundry Company Limited	Limited Liability Company	Jinzhong	M&S	25,000,000.00	T&M	17,200,000.00	68.80	68.80	Yes	7,805,509.55
Xianyang Jingwei Textile Machinery Company Limited	Limited Liability Company	Xianyang	M&S	50,000,000.00	T&M	48,200,000.00	97.33	97.33	Yes	1,335,041.24
Hubei Xinchufeng Automobile Company Limited	Limited Liability Company	Suizhou	Automobile manufacture	200,000,000.00	Automobile	150,000,000.00	75.00	75.00	Yes	48,121,736.82
Hengtian Motor Vehicles Company Limited	Limited liability Company	Suizhou	Automobile sales	50,000,000.00	Automobile	50,000,000.00	100.00	100.00	Yes	
Beijing Zhongrong Dingxin Investment Management Company Limited	Limited Liability Company	Beijing	Equity investment	100,000,000.00	Equity Investment	100,000,000.00	100.00	100.00	Yes	

Notes to the Financial Statements
For the year ended 31 December 2011

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

V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Scope of consolidated financial statements (continued)

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

Name of Subsidiaries	Type	Place of incorporation	Nature of business	Registered capital	Scope of business	Actual investment paid at the end of reporting period	Total shareholding of the Group (%)	Total percentage of voting power held by the Group (%)	Whether consolidated	Non-controlling interests
Shenyang Hongda Textile Machinery Company Limited	Limited Liability Company	Shenyang	M&S	71,000,000.00	T&M	69,580,000.00	98.00	98.00	Yes	2,085,785.73
Shanxi Jingwei Heli Machinery Manufacturing Company Limited	Limited Liability Company	Jinzhong	M&S	100,000,000.00	T&M	30,000,000.00	30.00	71.43	Yes	30,622,421.15
Changde Textile Machinery Company Limited	Limited Liability Company	Changde	M&S	42,349,900.00	T&M	40,232,400.00	95.00	95.00	Yes	9,676,230.73
Tianjin Hongda Textile Machinery Company Limited	Limited Liability Company	Tianjin	M&S	78,500,000.00	T&M	78,500,000.00	100.00	100.00	Yes	
Qingdao Hongda Textile Machinery Company Limited	Limited Liability Company	Qingdao	M&S	114,000,000.00	T&M	111,335,820.00	97.66	97.66	Yes	7,498,435.23
Wuxi Jingwei Textile Technology Testing Company Limited	Limited Liability Company	Wuxi	M&S	49,530,000.00	Textile	49,530,000.00	100.00	100.00	Yes	
Wuxi Jingwei Textile Technology Sales Company Limited	Limited Liability Company	Wuxi	Sales	1,000,000.00	T&M	1,000,000.00	100.00	100.00	Yes	
Zhengzhou Hongda New Textile Machinery Company Limited	Limited Liability Company	Zhengzhou	M&S	74,500,000.00	T&M	73,010,000.00	98.00	98.00	Yes	1,708,712.58

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

Name of Subsidiaries	Type	Place of incorporation	Nature of business	Registered capital	Scope of business	Actual investment paid at the end of reporting period	Total shareholding of the Group (%)	Total percentage of voting power held by the Group (%)	Whether consolidated	Non-controlling interests
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Limited Liability Company	Wuxi	M&S	20,000,000.00	T&M	7,000,000.00	35.00	51.25	Yes	54,760,446.08
Xianyang Jingwei Machinery Manufacturing Company Limited	Limited Liability Company	Xianyang	M&S	75,079,600.00	T&M	75,079,600.00	100.00	100.00	Yes	
Taiyuan Jingwei Electrical Company Limited	Limited Liability Company	Taiyuan	M&S	5,000,000.00	T&M	5,000,000.00	100.00	100.00	Yes	
Huangshi Jingwei Textile Machinery Company Limited	Limited Liability Company	Huangshi	M&S	32,000,000.00	T&M	10,800,000.00	45.00	60.00	Yes	3,229,362.89
Anshan Jingwei Haihong Agricultural Machinery Company Limited	Limited Liability Company	Anshan	M&S	40,000,000.00	A&M	38,855,400.00	51.00	51.00	Yes	23,857,118.06
Shanghai Huayuan Hyperthermia Technology Company Limited	Limited Liability Company	Shanghai	M&S	20,000,000.00	M&D	4,998,000.00	51.00	51.00	Yes	10,665,501.68
Zhongrong International Trust Company Limited	Limited Liability Company	Beijing	Trust	1,475,000,000.00	Trust	1,585,565,021.62	36.60	57.14	Yes	2,105,579,025.56
Jinzhong Jingwei Chemical Fiber Machinery Company Limited.	Limited Liability Company	Jinzhong	M&S	31,000,000.00	T&M	18,810,000.00	51.00	51.00	Yes	15,834,064.14

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Scope of consolidated financial statements (continued)

(3) Subsidiaries acquired through a business combination not under common control (continued)

Note 1: During the reporting period, there is no amount of the minority interests used to absorb profits or losses attributable to minority interests by the Group.

Note 2: 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. Description of change in scope of consolidation

(1) Increase in scope of consolidation

The Company acquired 51% shares of Jinzhong Jingwei Chemical Machinery Fiber Company Limited for a consideration of RMB18,810,000.00. It is included in the scope of consolidation.

Hubei Xinchufeng Automatic Company Limited, the subsidiary of the Company, invested RMB47,500,000.00 in Hengtian Motor Vehicle Company Limited, and held its 95% shares. Besides, Beijing Jingpeng Investment Management Company Limited, another subsidiary of the Company invested RMB2,500,000.00 in Hengtian Motor Vehicle Company Limited, and held its 5% shares. It is included in the scope of consolidation.

Zhongrong International Trust Company Limited, the subsidiary of the Company, invested RMB100,000,000.00 to establish Beijng Zhongrong Dingxin Investment Management Company Limited and held its 100% equity shares. Beijing Zhongrong Dingxin Investment Management Company Limited is included in the scope of consolidation.

(2) Decrease in scope of consolidation

Beijing Jingpeng Investment Management Company Limited and Yichang Jingwei Textile Machinery Company Limited, subsidiaries of the Company, transferred 100% shares of Yichang Hengtian Development Properties Company Limited. It is excluded from the scope of consolidation.

3. Shareholding less than 50% but included in the scope of consolidation.

The Company held less than 50% interest in Shanxi Jingwei Heli Machinery Manufacturing Company Limited ("Shanxi Heli"). But pursuant to the Articles of Association of Shanxi Heli, the Group has more than half of the seats of the Board of Directors and hence has actual control over the Board, and so it is included in the scope of consolidation.

The Company held less than 50% interest in Wuxi Hongda Textile Machinery and Special Parts Company Limited ("Wuxi Special Parts"). But pursuant to the Articles of Association of Wuxi Special Parts, the Group has more than half of the seats of the Board of Directors and hence has actual control over the Board, and so it is included into the scope of consolidation.

The Company held less than 50% interest in Shanghai WSP Mould and Injection Plastic Company Limited ("Shanghai WSP"). In year 2007, the Company has obtained the voting trust of two legal person shareholders, with a term commencing from 1 January 2007 to 31 December 2011. Upon authorization, the Company exercises full control over the voting rights in the Board of Directors of Shanghai WSP and subsequently has the actual control over the company. Therefore, the company is included in the scope of consolidation.

The Company held less than 50% interest in Zhongrong International Trust Company Limited ("Zhongrong Trust"). But pursuant to the Articles of Association of Zhongrong Trust, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, and so it is included in the scope of consolidation.

The Company held less than 50% interest in Huangshi Jingwei Textile Machinery Company Limited ("Huangshi Jingwei"). But pursuant to the Articles of Association of Huangshi Jingwei, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, and so it is included in the scope of consolidation.

Notes to the Financial Statements
For the year ended 31 December 2011

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

V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Acquisition and disposal of subsidiaries

(a) Subsidiaries acquired during the year

Name of Subsidiaries	Net assets at 31 December 2011	Net profit to 31 December 2011 since the date of acquisition
Hengtian Motor Vehicle Company Limited	49,976,667.33	-23,332.67
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	28,468,816.61	286,374.16
Beijing Zhongrong Dingxin Investment Management Company Limited	105,134,524.88	5,134,524.88

(b) Subsidiary disposed of during the year

Name of Subsidiaries	Net asset on date of disposal	Net profit for the period to date of disposal
Yichang Hengtian Development Properties Company Limited	14,904,709.60	-1,381,843.25

5. Subsidiaries acquired during the year through business combination not under common control

Acquiree	Goodwill	Goodwill calculation
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	2,475,698.35	the investment subtract the share of investee's fair value of net assets in the acquisition date

6. Subsidiary disposed during the year due to loss of control

Name of subsidiary	Date of disposal
Yichang Hengtian Development Properties Company Limited	July 2011

7. The exchange rate for the major financial statement items of the foreign operation

Hong Kong Huaming Company Limited, a subsidiary of the Company, is registered in Hong Kong, PRC. At the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 0.8107. All equity items, except for retained earnings, are translated at the history rate. The revenue and expenses was translated using the spot exchange rate or its approximation when the transaction occurred in the income statements. The translation difference has been recognized as exchange reserve in consolidation.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VI. TAXATION

1. Income Taxes

The Company and certain subsidiaries were granted the Advanced Technology Enterprise Certificates jointly by four government authorities including the provincial (Municipal) Science & Technology Office (Commission), Finance Department (Bureau), National and Local Taxation Bureaus. Pursuant to the law of the PRC on Enterprise Income Tax promulgated on 16 March 2007 and the requirements of the relevant policies, the enterprise income tax rate of 15% became effective since 1 January 2008.

Pursuant to the approval document No. GF201111000484 jointly issued by four government authorities including Beijing Municipal Administration of State Taxation, the Company is designated as a new and high technology enterprise and enjoys a preferential income tax rate of 15% in 2011.

Pursuant to the approval document No. GF201111000566 jointly issued by four government authorities including Beijing Municipal Administration of State Taxation, Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Technology"), a subsidiary of Beijing Jingwei Textile Machinery Company, is designated as a new and high technology enterprise and enjoys a preferential income tax rate of 15% in 2011.

Pursuant to the approval document No. GF201112000001jointly issued by four government authorities including National Taxation Bureau of Tianjin Municipal, Tianjin Hongda Textile Machinery Company Limited ("Tianjin Hongda"), a subsidiary of the Company, is designated as a new and high technology enterprise and enjoys the preferential income tax rate of 15% for 2011.

Pursuant to the approval document No. GF201137100071 jointly issued by four government authorities including National Taxation Bureau of Qingdao Municipal, Shandong, Qingdao Hongda Textile Machinery Company Limited (Qingdao Hongda), a subsidiary of the Company, is designated as a new and high technology enterprise and enjoys a preferential income tax rate of 15% in 2011

Pursuant to the approval document No. GF201121000062 jointly issued by four government authorities including National Taxation Bureau of Liaoning province, Shenyang Hongda Textile Machinery Company Limited ("Shenyang Hongda"), a subsidiary of the Company, is designated as a new and high technology enterprise and enjoys a preferential income tax rate of 15% for 2011.

Pursuant to the approval document No. GF201131001477jointly issued by four government authorities including National Taxation Bureau of Shanghai Municipal, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited ("Shanghai Dongxing"), a subsidiary of the Company, is designated as a new and high technology enterprise and enjoys the preferential income tax rate of 15% for 2011.

Pursuant to the approval document No. GR201014000007 jointly issued by four government authorities including National Taxation Bureau of Shanxi Province, Shanxi Jingwei Textile Machinery and Special Parts Company Limited ("Shanxi Special Parts"), a subsidiary of the Company, is designated as a new and high technology enterprise and enjoys the preferential income tax rate of 15% for 2011.

Pursuant to the approval document No. GF201132001227 jointly issued by four government authorities including National Taxation Bureau of Jiangsu Province, Wuxi Hongda Textile Machinery and Special Parts Company Limited ("Wuxi Special Parts"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2011.

Pursuant to the approval document No. GF201143000072 jointly issued by four government authorities including National Taxation Bureau of Hunan Province, Changde Textile Machinery Company Limited ("Changde Textile Machinery"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2011.

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

VI. TAXATION (CONTINUED)

1. Income Taxes (continued)

Shanghai WSP Mould and Injection Plastic Company Limited ("Shanghai WSP"), a subsidiary of the company, is qualified as a Sino-foreign joint venture, and enjoys transitional rate of 24% applicable for 2011 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39).

Shanghai Chuangan Trading Company Limited ("Shanghai Chuangan"), a subsidiary of the company is an enterprise registered in Shanghai Pudong New Zone, and enjoys transitional rate of 24% applicable for 2011 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39).

Shenyang Hongda Huaming Textile Machinery Company Limited ("Shenyang Hongda Huaming"), a subsidiary of the company, qualifies as a foreign investment production enterprise established in a Science and Technology Development zone, and enjoys transitional rate of 24% applicable for 2011 according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (Guofa 2007 No. 39).

According to Shanghai R-2009-0218 software enterprise confirmation certificate issued by the Shanghai economic and information committee, the company subsidiary of Shanghai Huayuan Hyperthermia Technology Company Limited (" Shanghai huayuan ") is recognized for a software enterprise. According to Caishui [2008] no. 1, Shanghai Huayuan enjoyed the preferential tax of two avoid 3 halve from the annual year of 2011

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

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

2. Value Added Tax

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

3. Business taxes

Business tax is calculated at 5% of assessable revenue.

4. Other Taxation

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

2. Educational Surtax is charged at 3%, local Educational Surtax is charged at 1.5%, 2%

Notes to the Financial Statements
For the year ended 31 December 2011

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

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

1. Changes in accounting policies

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

2. Changes in accounting estimates

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

3. Prior period adjustments

The Group has no prior period adjustment for the year.

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31-Dec-2011			1-Jan-2011		
Item	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Petty cash			769,922.45			435,896.21
RMB	701,370.53	1.0000	701,370.53	387,159.29	1.0000	387,159.29
USD	229.00	6.3009	1,442.91	576.00	6.6227	3,814.68
HKD	31,849.99	0.8107	25,820.79	31,851.12	0.8509	27,102.12
Euro	4.24	8.1625	34.61	82.24	8.8065	724.25
JPY	375,163.87	0.0811	30,425.79	70,115.50	0.0813	5,700.39
JBP	1,050.00	9.7116	10,197.17	1,050.00	10.2182	10,729.11
CHF	57.00	6.7287	383.54	57.00	7.0562	402.20
CAD	40.00	6.1777	247.11	40.00	6.6043	264.17
Cash at bank			3,752,588,950.56			2,278,031,464.63
RMB	3,733,966,479.28	1.0000	3,733,966,479.28	2,251,905,093.00	1.0000	2,251,905,093.00
USD	2,259,808.40	6.3009	14,238,826.78	2,639,977.16	6.6227	17,483,776.76
HKD	2,915,306.22	0.8107	2,363,438.75	5,149,627.66	0.8509	4,381,818.18
Euro	121,391.15	8.1625	990,855.23	361,637.84	8.8065	3,184,763.63
CHF	152,979.11	6.7287	1,029,350.52	152,491.86	7.0562	1,076,013.06
Other cash and bank balances			234,831,135.09			137,146,690.30
RMB	234,824,624.93	1.0000	234,824,624.93	137,143,717.66	1.0000	137,143,717.66
HKD	8,030.29	0.8107	6,510.16	3,493.52	0.8509	2,972.64
Total			3,988,190,008.10			2,415,614,051.14

Note: At the balance sheet date, there is a limited fund of RMB180,339,397.00, which included pledged deposit of RMB1,417,500.00, and the rest is used as security deposit.

2. Held-for-trading financial assets

Item	Fair value at 31st December 2011	Fair value at 1st January 2011
Held-for-trading debentures		31,228,350.00
Held-for-trading securities	253,226,491.88	53,121,570.20
Total	253,226,491.88	84,349,920.20

Note: Held-for-trading securities held by the Group are shares listed in stock exchange.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

(1) By categories

Category	31-Dec-2011	1-Jan-2011
Bank guarantee bills	1,834,695,550.91	2,011,738,841.61
Commercial bills		88,000,000.00
Total	1,834,695,550.91	2,099,738,841.61

(2) Discounted and unexpired bills receivable amounted to RMB 5,650,000.00 as follows:

Name of Drawer	Date of issue	Due date	Balance
Changzhou Jinmao Yarn Dye Company Limited	2011/10/28	2012/1/28	1,000,000.00
Changzhou Jinmao Yarn Dye Company Limited	2011/11/30	2012/2/29	1,000,000.00
Zhejiang Xinle Textile Company Limited	2011/8/25	2012/2/25	950,000.00
Zhejiang Yongtai Technology Company Limited	2011/9/8	2012/3/8	600,000.00
Changzhou Yisite Textile Company Limited	2011/7/21	2012/1/21	500,000.00
Others			1,600,000.00
Total			5,650,000.00

(3) Pledged bills receivable at the balance sheet date:

Name of Drawer	Date of issue	Due date	Balance
Pledged bills receivable:			
Huafang Group Cotton Spinning Company Limited	2011/9/28	2012/3/28	10,000,000.00
Hangzhou Hongfeng Textile Group Company Limited	2011/10/18	2012/4/18	5,000,000.00
Hangzhou Hailiang Chemical Fiber Company Limited	2011/8/5	2012/2/5	5,000,000.00
Henan Xinye Textile Company Limited	2011/9/28	2012/3/28	4,500,000.00
Nanyang Chemical Fiber Company Limited	2011/8/16	2012/2/16	3,000,000.00
Others			87,436,285.67
Total			114,936,285.67

(4) Endorsed and unexpired bills receivable at the balance sheet date:

Name of Drawer	Date of issue	Due date	Balance
Huafang Group Cotton Spinning Company Limited	2011/10/26	2012/4/26	10,000,000.00
Shaoxing City Dongyuan Textiles Company Limited	2011/8/30	2012/2/29	5,000,000.00
Hairun Photovoltaic Technology Company Limited	2011/8/8	2012/2/8	5,000,000.00
Hangzhou Quanshun Textiles Company Limited.	2011/9/9	2012/3/9	5,000,000.00
Sichuan Qumei Company Limited	2011/10/14	2012/4/13	5,000,000.00
Others			972,643,185.63
Total			1,002,643,185.63

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) By categories

Category	31-DEC-2011 Balance	Proportion (%)	Provision for bad debt	Proportion (%)	1-JAN-2011 Balance	Proportion (%)	Provision for bad debt	Proportion (%)
Significant balance under assessment of impairment individually	76,105,669.19	13.73			15,340,790.60	3.04		
Aggregate balance under assessment of impairment by category of:								
Aging analysis	468,281,695.62	84.51	74,305,141.16	15.87	470,326,221.61	93.22	76,715,847.00	16.31
Subtotal	468,281,695.62	84.51	74,305,141.16	15.87	470,326,221.61	93.22	76,715,847.00	16.31
Insignificant balance under assessment of impairment individually	9,725,054.85	1.76	3,778,794.90	38.86	18,852,181.84	3.74	6,738,825.60	35.75
Total	554,112,419.66	100.00	78,083,936.06		504,519,194.05	100.00	83,454,672.60	

(2) Aging analysis of accounts receivable

Aging	31-DEC-2011 Balance RMB	Proportion	Provision for bad debt	1-JAN-2011 Balance RMB	Proportion	Provision for bad debt
Less than 1 year	375,183,897.37	80.12%		382,845,494.28	81.41%	
1-2 years	21,379,002.29	4.57%	4,275,800.57	11,448,306.01	2.43%	2,289,661.20
2-3 years	3,378,910.75	0.72%	1,689,455.38	3,212,471.03	0.68%	1,606,235.51
Over 3 years	68,339,885.21	14.59%	68,339,885.21	72,819,950.29	15.48%	72,819,950.29
Total	468,281,695.62	100.00%	74,305,141.16	470,326,221.61	100.00%	76,715,847.00

(3) Insignificant balance under assessment of impairment individually:

Particulars	Balance RMB	Provision for bad debt	Proportion	Reasons of impairment
Haiyan New Textile Printing and Dyeing Company Limited	1,817,496.62	1,138,554.61	62.64%	Irrecoverable balance
Quzhou Mengjiayuan Textile Company Limited	724,540.00			Balance expected to be recoverable
Jinan Distribution Department of Tianjin Textile Machinery Factory	694,547.24			Balance expected to be recoverable
Others	6,488,470.99	2,640,240.29	40.69%	Providing the bad debts according to the irrecoverable amount
Total	9,725,054.85	3,778,794.90		

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(4) Accounts receivables for which bad debt had been provided in previous periods and recovered during the year

Name	Accumulated impairment amount	Recovered amount	Reason for recovery	Reason of provision of bad debt provided in previous periods
Heze Yinhe Textile Company Limited	437,197.08	437,197.08	Collected	According to the accounting policy
Total	437,197.08	437,197.08		

(5) Accounts receivable written-off during the year

Accounts receivable written off in 2011 for the Group and its subsidiaries is RMB 3,001,203.33.

(6) Accounts receivable does not include any balance due from shareholders hold 5% or more equity interest in the Company. Please refer to note IX (6) for the details of balance due from other related parties.

(7) Top five accounts receivable outstanding as at 31 December 2011 are as follows:

Name of Company	Relationship with the Group	Balance	Aging	Proportion
Beida Xianxing Taian Techonology Industry Corporation	Third party	62,182,150.00	1-2years	11.22%
China Texmatech Company Limited	Associate	51,420,891.42	Less than 1 year	9.28%
Beijing New Century Hongji Investment Guarantee Company Limited	Third party	40,000,000.00	Less than 1 year	7.22%
Jingwei Machinery Group Company Limited	Associate	27,201,408.11	Less than 1 year	4.91%
Changle City Xinhuayuan Textile Company Limited	Third party	24,110,746.28	Less than 1 year	4.35%
Total		204,915,195.81		36.98%

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

5. Advance to suppliers

(1) Aging analysis

	31-Dec-2011			1-Jan-2011		
Aging	Balance	Proportion	Provision for bad debt	Balance	Proportion	Provision for bad debt
Less than 1 year	222,113,145.02	63.56%		398,496,724.12	92.56%	
1-2 years	107,535,743.84	30.78%	7,885,709.44	30,236,607.20	7.02%	35,230.89
2-3 years	18,035,201.03	5.16%	450,487.57	583,901.99	0.14%	85,012.10
Over 3 years	1,732,398.41	0.50%	1,176,495.99	1,204,089.31	0.28%	678,587.92
Total	349,416,488.30	100.00%	9,512,693.00	430,521,322.62	100.00%	798,830.91

(2) Top five outstanding balances are as follows:

Name of company	Relationship with the Group	Balance	Rate	Aging	Reason for non-settlement
Xinjiang Tiansheng Industry Company Limited	Third party	69,689,053.73	19.94%	1-2 years	Advance payment for goods
Tianjin Textile Machinery Company Limited	Key personnel control or influence	42,962,769.39	12.30%	1-3 years	Advance payment for goods
Shanghai Kunning Metal Material Company Limited	Third party	21,500,000.00	6.15%	Less than1 year	Advance payment for goods
Hengtian Huanyu (International) Company Limited	Third Party	20,152,800.00	5.77%	Less than1 year	Advance payment for goods
Wuxi Huaming Auto Technology Company Limited	Third party	13,228,029.60	3.79%	Less than 1 year	Advance payment for goods
Total		167,532,652.72	47.95%		

(3) Advance to suppliers does not include any balance due from shareholders hold 5% or more of equity interest in the Company. Please refer to note IX(6) for the details of balance due from other related parties.

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

Advance to suppliers be written off in 2011 for the Group is RMB976.00.

6. Interest receivable

Name of company	As at 1 January 2011	Increase	Decrease	As at 31 December 2011
Interest receivables within 1 year		3,637,500.00		3,637,500.00
Total		3,637,500.00		3,637,500.00

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

7. Dividend receivables

Name of company	As at 1 January 2011	Increase	Decrease	As at 31 December 2011	Reason for non-settlement	Impairment
Hengtian Real Estate Company Limited		3,600,000.00	720,000.00	2,880,000.00	Unpaid	No
Total		3,600,000.00	720,000.00	2,880,000.00		

8. Other receivables

(1) By categories

	31-DEC-2011				1-JAN-2011			
Category	Balance	Proportion	Provision for bad debt	Proportion	Balance	Proportion	Provision for bad debt	Proportion
Significant balance under assessment of impairment individually	79,868,561.91	32.69%			190,368,561.91	64.66%		
Aggregate balance under assessment by category of:								
Aging analysis	146,730,478.56	60.06%	8,872,208.55	6.05%	93,069,290.72	31.62%	11,941,367.57	12.83%
Subtotal	146,730,478.56	60.06%	8,872,208.55	6.05%	93,069,290.72	31.62%	11,941,367.57	12.83%
Insignificant balance under assessment of impairment individually	17,720,654.32	7.25%	3,749,876.90	21.16%	10,941,641.52	3.72%	5,521,255.48	50.46%
Total	244,319,694.79	100.00%	12,622,085.45		294,379,494.15	100.00%	17,462,623.05	

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

	31-Dec-2011			1-Jan-2011		
Aging	Balance	Proportion	Provision for bad debt	Balance	Proportion	Provision for bad debt
Less than 1 year	136,560,479.18	93.07%		80,937,715.28	86.97%	
1-2 years	1,554,691.73	1.06%	310,938.35	108,177.24	0.12%	21,635.45
2-3 years	108,074.90	0.07%	54,037.45	207,332.16	0.22%	103,666.08
Over 3 years	8,507,232.75	5.80%	8,507,232.75	11,816,066.04	12.69%	11,816,066.04
Total	146,730,478.56	100.00%	8,872,208.55	93,069,290.72	100.00%	11,941,367.57

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (continued)

(3) Significant balance under assessment of impairment individually:

Category	Amount RMB	Provision for bad debt	Proportion	Provision grounds
CMB Finance Lease Company Limited	7,500,000.00			Earnest money nature, expect to be recoverable according to the contract
Xianyang Jinding Casting Industry Company Limited	1,047,462.06	1,047,462.06	100.00%	The company has been logged off
Staff Petty Cash	730,144.77			Expect to be partly recoverable
Others	8,443,047.49	2,702,414.84	32.01%	Expect to be irrecoverable
Total	17,720,654.32	3,749,876.90		

(4) Recovery or reverse of impairment for other receivables:

Company name	Reasons for reversing	Basis of original impairment	Accumulated impairment amount before reversing	Reversing amount
Beijing Ruifenghengtai Coal Sales Company Limited	Results of court decision	Base on accounting policy	3,547,736.26	2,094,105.26
Total			3,547,736.26	2,094,105.26

(5) Other receivables written-off during the year

Other receivables written off in 2011 for the Group are RMB 4,558,351.00.

(6) Other receivables do not include any balance due from shareholders who hold 5% or more equity interest in the Company. Please refer to note IX(6) for the details of balance due from other related parties.

(7) Top five other receivables outstanding as at 31 December 2011 are as follows:

Name	Relationship with the Group	Amount	Aging	Proportion
1. Beijing Guanghe Properties Company Limited	Third party	72,000,000.00	Less than 1 year	29.47%
2. Anhui Huamao Jingwei New Textile Company Limited	Associate	50,668,561.91	Over 3 years	20.74%
3. Beijing Liangyou Investment Government Company Limited	Third party	29,200,000.00	2-3 years	11.95%
4. CMB Finance Lease Company Limited	Third party	7,500,000.00	1-2 years	3.07%
5. Beijing Jianji Tianrun Real Estate Development Company Limited	Third party	3,835,717.20	Less than 1 year	1.57%
Total		163,204,279.11		66.80%

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

9. Securities purchased under sales agreement

Category	31-Dec-2011	1-Jan-2011
Securities purchased under sales agreement Chaohua Technology		24,000,000.00
Total		24,000,000.00

Note: The subsidiary of the Company, Zhongrong International Trust Company Limited, purchased the shares of "Chaohua Technology" as above in previous year. During this year, the Company has sold the shares and recognized relevant interest income accordingly.

10. Inventories

(1) By categories

Category	31-Dec-2011 Book value	31-Dec-2011 Inventories Provision	31-Dec-2011 Carrying value	1-Jan-2011 Book value	1-Jan-2011 Inventories Provision	1-Jan-2011 Carrying value
Raw materials	368,621,799.24	25,388,581.11	343,233,218.13	356,124,291.33	22,507,850.13	333,616,441.20
Work-in-progress	449,403,331.70	34,188,074.48	415,215,257.22	352,565,368.03	30,533,123.41	322,032,244.62
Finished goods	804,898,549.27	50,309,046.39	754,589,502.88	549,034,932.66	46,623,008.23	502,411,924.43
Revolving materials	4,178,093.24	1,292,079.49	2,886,013.75	5,222,212.87	1,327,016.14	3,895,196.73
Total	1,627,101,773.45	111,177,781.47	1,515,923,991.98	1,262,946,804.89	100,990,997.91	1,161,955,806.98

(2) Provision for decline in value of inventories

Category	At 1 January 2011	Accrued	Reduction	At 31 December 2011	Reversed Written off	Total
Raw materials	22,507,850.13	7,173,555.42	873,545.87	3,419,278.57	4,292,824.44	25,388,581.11
Work-in-progress	30,533,123.41	6,286,965.51	2,192,369.99	439,644.45	2,632,014.44	34,188,074.48
Finished goods	46,623,008.23	18,853,716.74	1,595,778.49	13,571,900.09	15,167,678.58	50,309,046.39
Revolving materials	1,327,016.14		34,936.65		34,936.65	1,292,079.49
Total	100,990,997.91	32,314,237.67	4,696,631.00	17,430,823.11	22,127,454.11	111,177,781.47

11. Non-current assets due within one year

Name	31-DEC-2011	1-JAN-2011
Xuzhou Tianhongshidai Textile Company Limited	28,845,278.92	19,354,075.74
Kuitun Huanzhou Cotton Industry Company Limited (Note 1)	25,892,138.44	23,847,212.13
Shandong Guanxian Zhongxin Cotton Industry.Company Limited	9,620,776.08	7,558,713.68
Shanghai Zhishang Medical Equipment Company Limited	4,790,000.00	1,396,000.00
Beijing Jinyu Mansion		6,762,162.66
China Trust Company Limited		4,891,799.74
Total	69,148,193.44	63,809,963.95

Note1: The Group signed an sale contract in the term of installment amounts to RMB61,206,509.00 with Kuitun Huanzhou Cotton Industry Company Limited in year 2009. At the end of 31 December 2011, the receivables amount to RMB26,022,400.00 and unrealized financial income is RMB130,261.56.

Note 2: For relevant information, please refer to note VIII (14).

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

12. Other current assets

Categories	31-Dec-2011	1-Jan-2011
Other financial instrument		19,070,000.00
Prepaid income tax	1,225,749.22	
Total	1,225,749.22	19,070,000.00

13. Available for sale financial assets

Category	31-Dec-2011	1-Jan-2011
Available for sale equity instruments	589,545,330.98	954,209,347.83
Of which: Trust Financial Instrument	124,068,335.48	244,169,347.83
Securities Investment	465,476,995.50	665,040,000.00
Other financial instrument		45,000,000.00
Total	589,545,330.98	954,209,347.83

Note 1: Trust financial instrument

As the secondary principal, Zhongrong Trust purchased a trust instrument of RMB 89,900,000.00. The trust instrument was named "No.1 Huasheng Hengli" which was set up and managed by Zhongrong Trust itself. The trust instrument was issued in August 2009, and will originally be expired in August 2011. After the beneficiary meeting, expired date has been put off till August 2013. The funds raised by the trust instrument were invested in shares of listed companies and other financial products with variety of fixed income.

As the preferential principal, Zhongrong Trust purchased a trust instrument of RMB 10,000,000.00. The trust instrument was named "Zhongrong-Gangcheng International's Collective Fund Project" which was set up and managed by Zhongrong Trust itself. The trust instrument was issued in August 2010, and will be expired in August 2012. The funds raised by the trust were invested in development and operation of the property "Zeke-Gangcheng International" (first phase) of Chongqin Xuhua Company Limited in the form of equity investment.

As the secondary principal, Zhongrong Trust purchased a trust instrument of RMB 33,800,000.00. The trust instrument was named "Zhongrong-Longxin Oriental City's Collective Fund of Equity Investment" which was set up and managed by Zhongrong Trust itself. The trust instrument was issued in February 2010, and will be expired in February 2012. The funds raised by the trust were invested in Chengdu Jinfang Economic and Trade Development Company Limited in the form of equity investment.

Note 2: Securities investment

Zhongrong Trust purchased 15,000,000.00 shares of non-public offering issued by Anhui Liuguo Chemical Company Limited ("Liuguo Chemical"). The subscription price is of RMB10.39 per share, and so the total investment cost is of RMB155,850,000.00. According to the announcement for distribution of profits and capitalization of capital reserves of Liuguo Chemical in year 2010, every 10 shares were entitled to enjoy additional 6 shares and the total increased quantity of shares held by the Zhongrong Trust is 9,000,000.00. At the end of this year, the Company holds 24,000,000.00 shares of Liuguo Chemical and the closing price is of RMB 8.08 per share in the secondary market on December 31, 2011.

Zhongrong Trust purchased 9 million shares of non-public offering issued by Anhui Hengyuan Coal Company Limited ("Hengyuan Coal"). The subscription price is of RMB36 per share, and so the total subscription cost is of RMB324,000,000.00. According to the announcement for distribution of profits and capitalization of capital reserves of Hengyuan Coal in year 2010, every 10 shares were entitled to enjoy additional 12.8065 shares and the total increased quantity of shares held by the Zhongrong Trust is 11,525,850.00. At the end of this year, the Company holds 20,525,850.00 shares of Hengyuan Coal and the closing price is of RMB 13.23 per share in the secondary market on 31 December, 2011.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term receivables

(1) By categories

Items	31-Dec-2011	1-Jan-2011
The receivables of installment sales of good		
1. Xuzhou Tianhongshidai Textile Company Limited (note 1)	13,881,772.10	41,823,880.28
2. Shandong Guanxian Zhongxin Cotton Company Limited (note 2)	811,635.00	4,500,000.00
3. Kuitun Huanzhou Cotton Industry Company Limited		8,021,987.55
4. Shanghai Zhishang Medical Equipment Company Limited		7,694,000.00
Total	14,693,407.10	62,039,867.83

Note 1: In year 2010, the Group has entered into an installment sales contract amounting to RMB99,570,600.00 with Xuzhou Tianhong Shidai Textile Company Limited. As agreed in the contract, within 5 working days after the signing of the contract, Xuzhou Tianhong Shidai Textile Company Limited will pay RMB 9,214,100.00 as a contract deposit, and then pay RMB 18,424,000.00 before the delivery of equipment (the term of delivery is three months), and the remaining money would be paid according to the schedule of the contract. As at 31 December 2011, the balance of receivables is RMB43,795,931.88 and the unrealized financial income is RMB 1,068,880.86.

Note 2: In year 2010, the Group has entered into an installment sales contract amounting to RMB37,500,000.00 with Shandong Guanxian Zhongxin Cotton Company Ltd. Shandong Yinlian Guarantee Company Limited is the guarantor for the contract. As at 31 December 2011, the balance of receivables is RMB11,059,337.40 and the unrealized financial income is RMB626,926.32.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

15. Long-term equity investments

(1) By details

Name of Investee	Initial investment cost	At 1 January 2011	Increase	Decrease	At 31 December 2011	Proportion of ownership held by the Group	Impairment loss at 31 DEC 2011	Impairment loss at 31 DEC 2011	Cash dividends
1. Cost method:									
Jianghai Securities Company Limited	28,673,400.00	28,673,400.00			28,673,400.00	2.10%			
North Asia (Group) Company Limited	3,390,947.82	3,390,947.82			3,390,947.82		3,390,947.82		
Hongda Investment Company Limited	24,866,602.17	24,866,602.17			24,866,602.17	9.38%	14,823,871.42	2,150,000.00	
Shenyang Textile Machinery Manufacturing Company Limited	1,200,000.00	1,200,000.00			1,200,000.00	10.00%			
BSI Management Systems Certification Company Limited (Note 1)	725,193.50	725,193.50			725,193.50	25.00%			
Qingdao Textile Machinery Manufacturing Company Limited	15,802,027.04	15,802,027.04			15,802,027.04	17%			1,700,000.00
Hengtian Real Estate Company Limited	144,539,700.00	144,539,700.00		144,539,700.00		12.00%			3,600,000.00
Changde Tianhe powder metallurgy Company Limited	200,000.00		200,000.00		200,000.00	10.00%			
Qingdao Jinyi Pressing and Casting Company Limited (Note 3)	1,057,000.00	1,057,000.00			1,057,000.00	27.00%			
.Qingdao Qingfeng Forging Company Limited (Note 2)	5,000,000.00	5,000,000.00			5,000,000.00	20.00%	5,000,000.00		
Jiangsu Hongyuan Textile Machinery Company Limited	1,422,652.84	1,422,652.84			1,422,652.84	0.70%			200,000.00
Tianjin Textile Machinery Company Limited	6,750,000.00	6,750,000.00			6,750,000.00	15.00%			
Others	1,356,883.87	1,356,883.87			1,356,883.87		1,356,883.87		
2. Equity method									
Shenzhen Huarong Equity Investment and Fund Management Company Limited	4,900,000.00		4,900,000.00	3,302.47	4,896,697.53	49.00%			
Shanghai Rongling Equity Investment and Fund Management Enterprise (Limited Partnership)	1,600,000.00		1,600,000.00	29,386.65	1,570,613.35	28.57%			
China Textile Machinery Technology Import and Export Company Limited	30,000,000.00	59,467,090.94	5,408,700.50	2,501,819.72	62,373,971.72	25.00%			2,501,819.72
Hongda Research Company Limited	20,000,000.00	11,866,671.36	20,794.46		11,887,465.82	40.00%			
Jingwei Machinery (Group) Company Limited	8,000,000.00	8,000,000.00	2,316,833.69		10,316,833.69	20.00%			
Beijing Hengtian Fortune Investment Management Company Limited	10,000,000.00		15,597,017.50		15,597,017.50	20.00%			
Anhui Huamao Jingwei New Type Textile Company Limited	11,344,404.85	12,893,412.28		4,697,054.42	8,196,357.86	25%			
Total		327,011,581.82	30,043,346.15	151,771,263.26	205,283,664.71		24,571,703.11	2,150,000.00	8,001,819.72

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

15. Long-term equity investments (Continued)

(1) By details (Continued)

Note 1: Beijing Jingwei Textile Machinery New Technology Company Limited ("Beijing New Technology"), a subsidiary of the Company, holds 25% equity interest of BSI Management Systems Certification Company Limited. As the cooperation agreement entered into between Beijing New Technology and BSI Management Systems Certification Company Limited expressively stipulated that Beijing New Technology was not entitled to decision-making power, and hence it did not participate in the daily operation and management of the investee, therefore, the investment in BSI Management Systems Certification Company Limited has always been accounted for under the cost method.

Note 2: Qingdao Hongda Textile Machinery Company Limited ("Qingdao Hongda"), a subsidiary of the Company, holds 20% equity interest of Qingdao Qingfeng Forging Company Limited. As there was dispute over the progress and quality of plant construction of Qingdao Qingfeng Forging Company Limited and consensus could not be reached after several negotiations, the agreement entered into between Qingdao Hongda and Qingdao Qingfeng Forging Company Limited failed to be executed. As such, the investment is exposed to greater risk and is therefore accounted for under the cost method with the impairment loss for the investment be provided fully.

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

Note 4: There are no significant restrictions in transferring of investment income from investee.

(2) Impairment loss on long-term equity investments

Name of Investee	Impairment loss at 1 January 2011	Increase	Decrease	Impairment loss at 1 December 2011
Hongda Investment Company Ltd	12,673,871.42	2,150,000.00		14,823,871.42
Qingdao Qingfeng Forging Company Limited	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	22,421,703.11	2,150,000.00		24,571,703.11

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed Assets

(1) Listed by details

Item	1–Jan-2011	Increase		Decrease	31-Dec-2011
Cost	2,916,109,684.53	344,114,546.74		98,273,529.04	3,161,950,702.23
Building and plant	1,144,164,636.01	144,881,220.99		19,552,769.46	1,269,493,087.54
Machinery and equipment	1,643,712,915.34	166,884,248.33		60,418,370.09	1,750,178,793.58
Motor vehicle	128,232,133.18	32,349,077.42		18,302,389.49	142,278,821.11
		Increase	**Provision**		
Accumulated depreciation	1,445,973,462.88	41,930,312.85	136,278,368.14	65,566,539.85	1,558,615,604.02
Building and plant	339,041,198.47	4,941,190.73	32,743,806.63	10,735,488.53	365,990,707.30
Machinery and equipment	1,037,257,026.86	36,776,667.28	88,118,156.45	43,147,426.43	1,119,004,424.16
Motor vehicle	69,675,237.55	212,454.84	15,416,405.06	11,683,624.89	73,620,472.56
Accumulated provision for impairment	26,673,107.35			2,769,976.99	23,903,130.36
Building and plant	1,477,014.33			98,878.17	1,378,136.16
Machinery and equipment	25,125,143.69			2,671,098.82	22,454,044.87
Motor vehicle	70,949.33				70,949.33
Net book value	1,443,463,114.30				1,579,431,967.85
Building and plant	803,646,423.21				902,124,244.08
Machinery and equipment	581,330,744.79				608,720,324.55
Motor vehicle	58,485,946.30				68,587,399.22

Note: The depreciation expense of this period was RMB136,278,368.14, and the fixed assets transferred from construction in progress was RMB162,276,498.02.

The increase in scope of consolidation make the fixed assets cost increase by RMB61,767,029.37 and the accumulated depreciation by RMB 41,930,312.85 respectively; The decrease in scope of consolidation made the fixed assets cost decrease by RMB906,700.00 and the accumulated depreciation by RMB 167,427.22 accordingly.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed Assets (continued)

(2) Temporarily idle fixed assets

Item	Cost	Accumulated depreciation	impairment	Net book value	Notes
Building and plant	17,851,355.65	6,356,733.65		11,494,622.00	
Machinery and equipment	10,656,025.17	8,016,535.71		2,639,489.46	
Motor vehicles	378,723.54	225,414.88		153,308.66	
Total	28,886,104.36	14,598,684.24		14,287,420.12	

(3) Assets held under finance lease

Item	Cost	Accumulated depreciation	Net book value
Machinery and equipment	350,059,100.01	248,775,126.06	101,283,973.95
Total	350,059,100.01	248,775,126.06	101,283,973.95

(4) Assets held under operating leases

Item	Net book value
Building and plant	15,597,924.77
Machinery and equipment	21,171,941.88
Motor vehicle	1,727,077.96
Total	38,496,944.61

(5) Fixed assets without certificates of ownership

As at 31 December 2011, the buildings and plants with book value of RMB388,095,871.71 (2010: RMB314,620,768.67) have not certificates of ownership, while the group are applying for them.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress

(1) Listed by details

Item	At 31 December 2011 Book value	Impairment loss	Carrying value	At 1 January 2011 Book value	Impairment loss	Carrying value
New plant in Tianjin industry zone	214,664,782.14		214,664,782.14	100,617,326.70		100,617,326.70
Jingwei new plant project in Xianyang	6,044,930.18		6,044,930.18	26,293,818.00		26,293,818.00
Hengtian Motor Vehicle Plant Project Period 1				56,709,243.98		56,709,243.98
Jingwei new plant construction in Yichan				17,578,500.00		17,578,500.00
Changde Textile New Plant Project	15,426,192.25		15,426,192.25	561,800.00		561,800.00
Qingdao Hongda Laoshan the Second Phase of the Project	10,002,323.02		10,002,323.02	6,462,707.84		6,462,707.84
Qingdao Hongda Sifang Factory Heating Facilities	5,614,482.10		5,614,482.10			
Yichang Xiaoting New Plant Construction Project	18,800,000.00		18,800,000.00			
Others	44,544,031.39		44,544,031.39	17,514,166.94		17,514,166.94
Total	315,096,741.08		315,096,741.08	225,737,563.46		225,737,563.46

(2) Movements on significant construction in progress

Item	Budget	Amount at 1 January 2011	Additions	Transferred into fixed assets	Transferred into intangible assets	Others reduction	Proportion of construction investment in budget	Progress	Total amount of interest capitalised	Amount of interest capitalised in 2009	Rate of Capitalisation	Funding	At 31 December 2011
New plant in Tianjin industry zone	237,510,000.00	100,617,326.70	114,147,455.44			100,000.00	95.00%	95.00%	8,857,283.66	6,183,812.97	6.15%	Self-raisedfunds	214,664,782.14
Jingwei new plant project in Xianyang	121,000,000.00	26,293,818.00	12,254,020.18		32,502,908.00		35.0%	35.00%				Self-raisedfunds	6,044,930.18
Hengtian Motor Vehicle Plant Project	85,170,000.00	56,709,243.98	26,659,506.18	83,368,750.16			98.00%	98.00%				Self-raisedfunds	
Yichang Jingwei New Plant Project	90,000,000.00	17,578,500.00			14,778,500.00	2,800,000.00	18.00%	18.00%				Self-raisedfunds	
Changde Textile New Plant Project	100,000,000.00	561,800.00	14,881,192.25			16,800.00	25.00%	25.00%				Self-raisedfunds	15,426,192.25
Qingdao Hongda Laoshan the Second Phase of the Project	130,000,000.00	6,462,707.84	14,342,158.69	10,802,352.51		191.00	90.00%	90.00%				Self-raisedfunds	10,002,323.02
Qingdao Hongda Heating Facilities Reform	5,800,000.00		5,614,482.10				95.00%	95.00%				Self-raisedfunds	5,614,482.10
Yichang Xiaoting New Plant Construction Project	100,000,000.00		18,800,000.00				20.00%	20.00%				Self-raisedfunds	18,800,000.00
Others		17,514,166.94	96,295,823.38	68,105,395.35	458,423.40	702,140.18						Self-raisedfunds	44,544,031.39
Total		225,737,563.46	302,994,638.22	162,276,498.02	47,739,831.40	3,619,131.18			8,857,283.66	6,183,812.97			315,096,741.08

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

18. Construction materials

Item	1-JAN-2011	Increase	Decrease	31-DEC-2011
Prepaid machinery money	1,204,820.00	18,232,887.85	7,351,304.27	12,086,403.58
Total	1,204,820.00	18,232,887.85	7,351,304.27	12,086,403.58

19. Intangible assets

Item	At 1 January 2011	Increase	Decrease	At 31 December 2011
Cost	556,361,320.13	64,728,548.81	3,486,391.38	617,603,477.56
Land use rights	502,876,526.49	59,289,613.60		562,166,140.09
Computer software	28,424,845.32	3,063,935.21	3,486,391.38	28,002,389.15
Patents	19,420,767.32	2,375,000.00		21,795,767.32
Non-patented technology	3,369,468.00			3,369,468.00
Others	2,269,713.00			2,269,713.00
Accumulated amortization	83,407,644.10	18,824,976.07	2,778,466.58	99,454,153.59
Land use rights	57,578,537.68	11,635,667.32		69,214,205.00
Computer software	14,327,989.38	3,690,604.51	2,778,466.58	15,240,127.31
Patents	6,996,792.84	3,271,733.00		10,268,525.84
Non-patented technology	3,369,468.00			3,369,468.00
Others	1,134,856.20	226,971.24		1,361,827.44
Net book value	472,953,676.03			518,149,323.97
Land use rights	445,297,988.81			492,951,935.09
Computer software	14,096,855.94			12,762,261.84
Patents	12,423,974.48			11,527,241.48
Non-patented technology				
Others	1,134,856.80			907,885.56

Note: Total amortization expense in this period amounts to RMB17,821,391.59. The increase on the scope of consolidation leads intangible assets cost to increase by RMB5,847,700.00 and accumulated amortization increase by RMB 1,003,584.48.

(2) Development and research of internally

Item	1-JAN-2011	Increase	Decrease: Recognize in profit or loss	Decrease: Recognized as intangible asset	31-DEC-2011
Research expenditure		182,357,248.12	182,357,248.12		
Total		182,357,248.12	182,357,248.12		

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

20. Goodwill

Name of investee	Arising from	At 1 January 2011	Increase	Decrease	31 December 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 Company Limited	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 Fiber Machinery Company Limited	Combinations not under common control		2,475,698.35		2,475,698.35	
Total		843,156,675.16	2,475,698.35		845,632,373.51	

Note: According to note IV (15), there is no impairment loss indicator existed at the balance sheet date.

21. Long-term prepaid expenses

Item	At 1 January 2011	Increase	Decrease	Other reductions	31 December 2011	Reasons for other reductions
Improvement expenses on operating lease fixed assets	9,225,429.21	14,424,780.71	5,031,655.38		18,618,554.54	
Total	9,225,429.21	14,424,780.71	5,031,655.38		18,618,554.54	

22. Deferred tax assets and deferred tax liabilities

(1) After offsetting deferred tax assets and liabilities components

Item	The deductible or taxable temporary differences as at 31 December 2011	Deferred tax assets and deferred tax liabilities as at 31 December 2011	The deductible or taxable temporary differences as at 1 January 2011	Deferred tax assets and deferred tax liabilities as at 1 January 2011
Deferred tax assets:				
Bad debt provision	3,806,511.51	570,976.73	3,092,244.67	463,836.69
Provision for inventory	15,305,244.43	2,295,786.66	10,676,113.20	1,601,416.98
Provision for impairment loss of long-term equity investment	3,390,947.82	847,736.96	8,390,947.82	1,597,736.96
Provision for impairment loss of fixed assets	1,861,959.48	279,293.92	3,271,959.47	490,793.92
Deductible tax losses			39,369,912.67	5,905,486.90
Wages payable	554,884,109.13	138,721,027.28	259,543,721.38	64,885,930.35
Elimination of unrealized profits of inventory	2,922,432.67	438,364.90	9,640,991.48	674,130.42
Changes in fair value for held-for-trading financial assets	134,865,736.70	33,716,434.18		
Changes in fair value for available-for-sale financial assets	24,004,669.02	6,001,167.26		
Others	480,000.00	72,000.00		
Total	741,521,610.76	182,942,787.89	333,985,890.69	75,619,332.22
Deferred tax liabilities:				
Changes in fair value for available-for-sale financial assets recorded in capital reserves			204,489,347.83	51,122,336.96
Changes in fair value for held-for-trading financial assets			1,993,171.60	498,292.90
Total			206,482,519.43	51,620,629.86
Net amount after offsetting each other		182,942,787.89		23,998,702.36

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

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

(2) The deductible temporary differences and deductible taxes loss not recognized as deferred tax assets

Item	31-Dec-2011	1-Jan-2011
Deductible temporary differences	277,432,079.58	253,667,515.52
Including: Provision for bad debt	96,412,203.00	98,623,881.89
Provision for inventories	95,872,537.04	90,314,884.71
Provision for impairment loss of long-term equity investment	21,180,755.29	14,030,755.29
Provision for impairment loss of fixed assets	22,041,170.88	23,401,147.88
Expected employee termination benefits	41,057,627.98	27,296,845.75
Changes in fair value of held-for-trading financial assets	867,785.39	
Deductible tax losses	342,214,813.88	284,865,366.54
Total	619,646,893.46	538,532,882.06

(3) Tax losses not recognized as deferred tax assets will be matured as follow:

Years	31-Dec-2011	1-Jan-2011
2011		18,879,439.95
2012	24,434,804.39	15,874,404.09
2013	110,601,079.74	74,275,321.14
2014	57,571,284.49	133,034,091.67
2015	67,014,102.40	42,802,109.69
2016	82,593,542.86	
Total	342,214,813.88	284,865,366.54

23. Provision for impairment

		Increase				Decrease					
	At 1 January 2011	Provision for the yeas	Increase though business combination	Others	Total	Reversals	Written-off	Decrease In consolidation	Other decrease	Total	At 31 December 2011
Bad debt provision	101,716,126.56	7,996,924.95	686,354.75	108,000.03	8,791,279.73	2,531,302.34	7,560,530.33		196,859.11	10,288,691.78	100,218,714.51
Provision for inventories	100,990,997.91	32,314,237.67			32,314,237.67	4,696,631.00	17,430,823.11			22,127,454.11	111,177,781.471
Provision for impairment loss of long-term equity investment	22,421,703.11	2,150,000.00			2,150,000.00						24,571,703.11
Provision for impairment loss of fixed assets	26,673,107.35						2,769,976.99			2,769,976.99	23,903,130.36
Total	251,801,934.93	42,461,162.62	686,354.75	108,000.03	43,255,517.40	7,227,933.34	27,761,330.43		196,859.11	35,186,122.88	259,871,329.45

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

24. Assets with restrictions on ownership

	At 1 January 2011	Increase	Decrease	At 31 December 2011
Assets under guarantee:				
Long-term receivables	24,315,000.00		24,315,000.00	
Non-current assets due within one year (Note 1)		8,370,000.00		8,370,000.00
Accounts receivable	5,000,000.00		5,000,000.00	
Bills receivable (Note 3)	173,067,206.10	120,586,285.67	173,067,206.10	120,586,285.67
Land use right (Note 2)	61,360,269.73	94,130,313.06	1,305,036.72	154,185,546.07
Inventories (Note 4)	54,439,136.65	10,310,000.00	54,439,136.65	10,310,000.00
Fixed assets (Note 2)	31,727,099.11	18,646,367.38	31,727,099.11	18,646,367.38
Assets with restrictions on the right of use for other reasons:				
Deposits pledged at bank	65,022,420.98	180,339,397.10	65,022,420.98	180,339,397.10
Total	414,931,132.57	432,382,363.21	354,875,899.56	492,437,596.22

Note 1: The Company pledged long-term accounts receivable of RMB8,370,000 to Beijing Branch of Industrial Bank for borrowings.

Note 2: Wuxi Hongda Textile Machinery and Special Part Company Limited applied for financial credit limit of RMB28,000,000.00 from Bank of Jiangsu Company Limited and pledged land use rights with net book value of RMB27,050,527.02 accordingly.

To ensure the subsidiary of Huangshi Jingwei Textile Machinery Company Limited to pay debt timely, Huangshi Jingwei Textile Machinery Company Limited pledged land use rights with the net book value of RMB60,055,233.01 to the Company and Beijing Jingwei New Technology Co,. Ltd.

The Company provided guarantee for some subsidiaries' credit limit and these subsidiaries pledged the land use rights with net valued of RMB67,079,786.04 and property rights with net valued at RMB18,646,367.38 as anti-guarantee accordingly.

Note 3: Outstanding discounted bills amounting to RMB5,650,000.00, and deposit of RMB114,936,285.67 were pledged at the bank for issuing bank acceptance.

Note 4: The subsidiary of Anshan Jingwei Haihong Agricultural Machinery Company Limited pledged inventories with carrying amount of RMB10,310,000.00 for borrowing from Haicheng City Rural Credit Cooperative Association Nantai Credit Cooperative Association.

25. Short-term borrowings

Category	31-DEC-2011	1-JAN-2011
Credit loans	1,572,001,450.37	692,261,624.52
Mortgage loan	15,000,000.00	
Guarantee	118,000,000.00	128,000,000.00
Pledged loans	10,650,000.00	109,034,406.10
Including: Loans caused by outstanding discounted bills	5,650,000.00	109,034,406.10
Total	1,715,651,450.37	929,296,030.62

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

26. Bills payable

(1) By details

Category	31-Dec-2011	1-Jan-2011
Bank bills under acceptance	391,756,303.99	219,899,129.91
Commercial bills under acceptance	7,485,162.38	5,272,414.70
Total	399,241,466.37	225,171,544.61

Note: (1) The amount due within next accounting year was RMB399,241,466.37.

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

27. Accounts payable

(1) By aging

Aging	31-Dec-2011	1-Jan-2011
Less than 1 year	1,969,110,759.04	2,125,752,584.68
1-2 years	54,356,792.95	29,305,111.50
2-3 years	14,910,539.75	9,015,573.02
Over 3 years	13,974,357.39	6,233,626.48
Total	2,052,352,449.13	2,170,306,895.68

(2) For more details about the accounts payables due to related parties or the shareholders with 5% or more equity interests in the Company at the year end, please refer to note IX (6).

(3) Top 5 accounts payables

Name of Company	Relationship with the Group	Balance	Period	Proportion
Qingdao Textile Machinery Electric Company	Controlled by the key person	15,603,537.30	Less than 1 year	0.76%
Qingdao Qingfeng Nonwoven Technology Company Limited	Controlled by the key person	13,933,938.19	Less than 1 year	0.68%
Qingdao Textile Machinery Lint Technology Company Limited	Controlled by the key person	13,788,981.49	Less than 1 year	0.67%
Jiangsu Nantong Six Construction Company Wuxi Branch	Third party	10,187,350.00	Less than 1 year	0.50%
Enics Electronic (Beijing) Company Limited	Third party	7,441,323.40	Less than 1 year	0.36%
Total		60,955,130.38		2.97%

(4) At 31 December 2011, the accounts payable unsettled and aged over one year amounted to RMB83,241,690.09.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

28. Advances from customers

(1) By aging

Aging	31-Dec-2011	1-Jan-2011
Less than 1 year	777,944,492.95	835,299,012.65
1-2 years	89,368,895.64	20,221,641.54
2-3 years	5,146,330.38	9,581,640.04
Over 3 years	33,711,820.29	34,923,838.66
Total	906,171,539.26	900,026,132.89

(2) For advances from customers due to shareholders with 5% or more equity interest in the Group and other related parties, please refer to note IX (6).

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

Name of Company	Balance	Reason of aged
Xinjiang Changcheng Financial Lease Company Limited	23,017,739.84	Not yet cleared
Fujian Changle Hengyuan Textile Company Limited	5,032,059.89	Not yet cleared
Nanyang Textile Group Company Limited	5,000,000.00	Not yet cleared
Dongsheng Investment Company Limited	3,995,000.00	Not yet cleared
Fuzhou Xianglong Textile Company Limited	2,004,000.00	Not yet cleared
Total	39,048,799.73	

29. Employee benefits payable

	At 1 January 2011	Increase	Decrease	At 31 December 2011
I. Salaries, bonus, allowance and subsidies	300,558,350.71	1,431,852,265.10	1,128,957,740.79	603,452,875.02
II. Staff welfare		40,855,074.69	39,105,074.69	1,750,000.00
III. Social insurance	17,669,651.50	141,594,423.52	140,763,578.22	18,500,496.80
Including:				
1. Medical insurance	1,063,621.17	36,226,773.71	36,260,839.89	1,029,554.99
2. Basic pension contribution	14,971,684.68	90,982,549.09	90,392,941.46	15,561,292.31
3. Annuity payments				
4. Unemployment insurance	1,196,634.07	7,851,534.58	7,842,891.69	1,205,276.96
5. Work injury insurance	259,608.74	3,790,635.05	3,686,153.11	364,090.68
6. Maternity insurance	178,102.84	2,742,931.09	2,580,752.07	340,281.86
IV. Housing funds	8,971,295.53	36,266,859.40	34,026,672.90	11,211,482.03
V. Union running costs	7,487,222.25	31,365,301.85	33,722,337.64	5,130,186.46
VI. Employee education costs	10,036,360.70	12,266,809.01	14,823,883.48	7,479,286.23
VII. Non-monetary benefits				
VIII. Compensation to employees for termination of employment relationship	12,271,100.57	15,910,892.98	7,123,802.98	21,058,190.57
IX. Others	1,619,385.22	2,812,610.44	2,597,740.38	1,834,255.28
Total	358,613,366.48	1,712,924,236.99	1,401,120,831.08	670,416,772.39

Note: Wages or salaries, bonus, allowance and subsidies are expected to be paid in 2012.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

30. Taxation payable

Tax items	1-Jan-2011	Increase	Decrease	1-Dec-2011
1. Enterprise income tax	134,972,208.07	480,557,156.94	464,833,402.05	150,695,962.96
2. VAT	19,348,034.81	147,724,123.45	200,633,317.08	-33,561,158.82
3. Business tax	55,983,330.62	157,139,149.74	133,698,086.72	79,424,393.64
4. Land use tax	11,510,190.81	18,994,310.84	12,701,240.29	17,803,261.36
5. Property Tax	3,726,330.04	8,581,127.29	7,922,540.70	4,384,916.63
6. City maintenance and construction tax	5,977,140.77	26,125,562.68	23,879,852.61	8,222,850.84
7. Education surcharge	5,683,906.70	17,355,082.56	15,492,627.18	7,546,362.08
8. Individual income tax	1,671,061.23	193,232,221.90	155,178,591.19	39,724,691.94
9. Others	4,870,023.95	10,017,965.50	9,353,031.36	5,534,958.09
Total	243,742,227.00	1,059,726,700.90	1,023,692,689.18	279,776,238.72

31. Interest payable

	31-Dec-2011	1-Jan-2011	Reason of non-payment
Interest for notes payable of small-and-medium sized enterprises	370,520.55	370,520.55	Unpaid
Total	370,520.55	370,520.55	

32. Dividend payables

Investor	31-Dec-2011	1-Jan-2011	Reason of non-payment over one year
Shenyang Textile Machinery Manufacturing Company Limited	219,886.42	205,886.00	unpaid
Changde Textile Machinery Factory	2,251,856.06	1,150,783.00	unpaid
Others	1,585,458.73	792,446.58	unpaid
Total	4,057,201.21	2,149,115.58	

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

33. Other payables

(1) By aging

Aging	31-Dec-2011	1-Jan-2011
Less than 1 year	254,911,106.65	796,395,474.56
1-2 years	69,452,618.68	33,100,464.14
2-3 years	17,610,439.11	32,077,424.83
Over 3 years	72,162,768.07	63,855,201.60
Total	414,136,932.51	925,428,565.13

(2) The total amount of other payables due to CTMC, which holds 38.83% of the voting shares of the Group, at 31 December 2011, is RMB 20,231,020.72. For other payables due to other related parties, please refer to note IX (6).

(3) At 31 December 2011, other payables aged over one year amounted to RMB159,225,825.86, due to non-settlement.

(4) Major other payables are as follows:

Name	Nature	Balance
Beijing Bohong Real Estate Development Company Limited	Operating money	46,000,000.00
Wuxi Binhu City Investment and Development Co., Ltd.	Removal compensations	40,467,224.29
Yichang Hengtian Development Properties Company Limited	Operating money	28,500,000.00
Changde Textile Machinery Factory	Operating money	17,503,364.94
Xianyang Hongda Real Estate Development Company Limited	Operating money	17,000,000.00
Total		149,470,589.23

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term payables due within one year

(1) List by details

Category	31-Dec-2011	1-Jan-2011
Long-term borrowings due within one year	208,370,000.00	520,836,799.74
Debenture payables due within one year	60,000,000.00	
Long-term payables due within one year	132,967,197.01	32,076,340.21
Others within one year	87,098.28	87,098.28
Total	401,424,295.29	553,000,238.23

(2) Long-term borrowings due within one year

① By categories

Category	31-Dec-2011	1-Jan-2011
Credit loans	200,000,000.00	500,000,000.00
Pledged loans		4,891,799.74
Factoring financing borrowing	8,370,000.00	15,945,000.00
Total	208,370,000.00	520,836,799.74

② Long-term borrowing due within one year by lender

Lender	Start date	Maturity	Rate	Currency	31-Dec-2011	1-Jan-2011
China Construction Bank of Chang Hewan Branch	2010-03-30	2012-03-29	4.86%	RMB	100,000,000.00	100,000,000.00
Guangdong Development Bank, Olympic Village Branch	2009-12-25	2012-12-25	4.86%	RMB	50,000,000.00	50,000,000.00
China Merchants Bank Jianguo Road Branch	2011-01-21	2012-12-30	6.20%	RMB	50,000,000.00	
Beijing Branch of Industrial Bank of France	2009/08/03	2012-06-08	4.86%	RMB	8,370,000.00	8,370,000.00
Total					208,370,000.00	158,370,000.00

(3) Debenture payables due within one year

Bonds	Book value	Issue date	Term	Issue amount	Interest payables at 1-Jan-2011	Interest payable	Interest payment	Interest payables at 31-Dec-2011	31-Dec-2011
Small-and-medium sized collective bonds	60,000,000.00	2010/11/15	2 years	60,000,000.00	370,520.55	2,940,000.00	2,940,000.00	370,520.55	60,000,000.00
Total	60,000,000.00			60,000,000.00	370,520.55	2,940,000.00	2,940,000.00	370,520.55	60,000,000.00

Note: Beijing Jingwei Textile Machinery New Technology Company Limited, a subsidiary of the Company, issued RMB60 million collective bonds as one of the issuers in Beijing Economic Development Zone of small-and–medium sized enterprises collective bonds in its first phase of 2010. The collective bonds adopt fixed interest rate with the coupon rate of 4.9% and a maturity term of 2 years, and the funds are used for replacing bank borrowings and used as working capital.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term payables due within one year (continued)

(4) Long-term payables due within one year

Categories	31-Dec-2011	1-Jan-2011
CMB Finance Lease Company Limited	30,699,029.15	28,914,876.38
Zhongzhi Enterprise Group Company Limited	98,598,048.99	
Retirement and upplemental benefit obligation	3,021,948.08	3,161,463.83
Wanxiang Lease Company Limited	648,170.79	
Total	132,967,197.01	32,076,340.21

Note: For relevant information, please refer to Note VIII (37).

35. Long-term borrowings

(1) Listed by categories

Categories	31-Dec-2011	1-Jan-2011
Credit loans	60,000,000.00	210,000,000.00
Pledged loans		8,370,000.00
Total	60,000,000.00	218,370,000.00

(2) Long-term borrowing

Lender	Start date	Maturity date	Rate	Currency	31-Dec-2011	1-Jan-2011
Guangdong Development Bank, Olympic Village Branch	2010/05/27	2013/05/27	4.86%	RMB	60,000,000.00	60,000,000.00

36. Debentures

Name of debenture	Amount	Issue date	Term	Principal	Accrued interest at beginning of the year	Accrued interest for the year	Interest paid during the year	Accrued interest at the end of year	Ending balance
Small and medium-sized collective notes	60,000,000.00	2010/11/15	2 years	60,000,000.00	370,520.55	2,940,000.00	2,940,000.00	370,520.55	
Total	60,000,000.00			60,000,000.00	370,520.55	2,940,000.00	2,940,000.00	370,520.55	

Note: For more details, please refer to Note VIII (34).

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term payables

Nature	31-Dec-2011	1-Jan-2011
CMB Finance Lease Company Limited (Note)	57,193,190.51	87,620,288.07
Retirement and supplemental benefit obligation	38,035,679.90	37,167,734.90
Suizhou City Investment Group Company Limited	29,994,000.00	29,994,000.00
Wanxiang Lease Company Limited	640,784.68	
Zhongzhi Enterprise Group Company Limited		93,184,055.37
Total	125,863,655.09	247,966,078.34

Note: In 2009, the Company has entered into a sales and leaseback transaction with CMB Finance Lease Company Limited who agreed to purchase equipments legally owned by the Company and leased it back to Company. The lease term is 5 years and the ownership of the assets remains within the Group. Obligation under finance lease due within one year is disclosed as long-term payables due within one year, and the unrecognized finance charges will be amortized using the effective interest rate method. For more details, please refer to note VIII (34).

38. Special payables

	1-Jan-2011	Additions	Reductions	31-Dec-2011
Refund of custom duty and VAT of imported winding machines (Note 1)	69,173,370.10	10,360,874.87		79,534,244.97
Central state capital budget (Note 2)	60,000,000.00			60,000,000.00
Microwave hyperthermia project type WB	590,000.00		590,000.00	
Project support funds by Treasury receipt and payment center	80,000.00		80,000.00	
New jammed and manufacturing processing facilities construction project (Note 3)		2,000,000.00		2,000,000.00
Total	129,843,370.10	12,360,874.87	670,000.00	141,534,244.97

Note 1: The refund is obtained in 2009. According to the file "Cai Import No.11 (2007)" Circular of the Ministry of Finance, the National Development and Reform Commission, the General Customs Administration and the State Administration of Taxation on Import Taxes Policies Related to Implement the 'Certain Opinions of the State Council on Speeding up and Rejuvenating the Equipment Manufacturing Industry' (Cai Guan Shui No. 11 (2007)), and other relevant documents, such tax refund will be capitalized as share capital of the Company. The Group has recorded such tax refund in special payables on a temporary basis with a view to transfer such amount to the state capital in the future.

Note 2: According to the file "Cai Qi No.319 (2009)" and "China Hi-tech Zhan" (No. 45 (2010)), this special payables represented the central state-owned capital budget for major technological innovation and capacity-building funds.

Note 3: According to the file "Jin Development and Reform Commission of Industry No. 2010 (955)" of New Jammed and Manufacturing Processing Facilities Construction Project of Jingwei Textile and Machinery Company Limited Yuci Branch", this fund is obtained for facilities construction project.

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

39. Other non-current liabilities

	31-Dec-2011	1-Jan-2011
Assets-related government grant		
– Grant on investment on the modernization of weaving machine project	26,514,854.69	24,720,847.17
– Refund of acquisition cost of land use right	9,623,953.78	9,830,255.04
– Development and industrialization investment grant for efficient intelligent coarse spinner series products	8,000,000.00	7,000,000.00
– Grant on investment on high point twisting machine project	3,893,750.00	4,672,500.00
– Grant on investment on high efficient warp knitting machine industrialization project	3,600,000.00	
– Grant on investment on the project of textile machinery special precise super-speed bearing and spindle	3,480,000.00	3,915,000.00
– Research and application demonstration project of embedded and composite spinning's key technology	1,720,000.00	
– Carbon fiber multilayer league woven equipment and technology R&D program	1,600,000.00	
– Oil free dry type car of ring spinning spindle project	1,408,000.00	
– Leading enterprise of agricultural industrialization infrastructure subsidies	1,387,500.00	1,462,500.00
– Precision winding, digital control network and the equipment industrialization project	1,330,000.00	1,330,000.00
– New suction type of rotor spinning machine's R&D and manufacturing	1,040,000.00	
– Textile machinery specialized precision high-speed bearing and spindle project	800,000.00	
– JWF1561 type of ring spinning frame project	750,000.00	900,000.00
– Hubei Wujiagang Industrial Area Management Committee Land Subsidy	586,040.00	
– The industrialization of LED high efficiency and energy saving lighting lamps projects	390,000.00	
– Corn united harvest machine patent technology transformation funds	325,500.00	362,700.00
– Efficient and short flow scotching combination machine in project	300,000.00	
– New type Air-jet loom special grant	228,423.11	282,292.31
– Grant on investment on new type super speed warp knitting machine industrialization project		1,454,131.64
– The integration, collaborative and demonstration of manufacturing information system project		200,000.00
– China and Germany cooperation in the warp ring spinning machine R & D projects		150,000.00
– Article ribbon lap machine project		100,000.00
– Automatic revolving spinning machine and modern automatic and continuous cotton ingots production model project		200,000.00
– Others	250,000.00	250,000.00
Earnings-related government grant		
– Industry backbone enterprise integrated collaborative demonstration system project	200,000.00	
– China-Italy corporation JWK3612 type of Polyamide fiber draw texturing machine	100,000.00	
– Collection bill discount		829,479.45
Total	67,528,021.58	57,659,705.61

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

40. Share capital

	As at 1 January 2011	New issue	Bounce share	Changes(+/-) Reserve transfer to shares	Others	Total	As at 31 December 2011
Restricted 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
Tradable shares	408,143,947.00						408,143,947.00
1. Ordinary shares denominated in RMB	227,343,947.00						227,343,947.00
2. Ordinary shares listed overseas	180,800,000.00						180,800,000.00
Total shares	603,800,000.00						603,800,000.00

41. Capital reserve

	At 1 January 2011	Additions	Reductions	At 31 December 2011
Share premium (Note 1)	1,248,791,996.47		52,171,470.16	1,196,620,526.31
Other capital reserves (Note 2)	58,217,807.26	824,150.16	62,584,339.20	-3,542,381.78
Including: Fair value changes on available-for-sale financial assets	58,016,369.21		62,584,339.20	-4,567,969.99
Share of results under equity method in other comprehensive income	201,438.05	824,150.16		1,025,588.21
Total	1,307,009,803.73	824,150.16	114,755,809.36	1,193,078,144.53

Note 1: During the year, the Company increased investment in Zhongrong International Trust Company Limited which resulted in the portion of shares in that company changed from 36% to 36.6%. The difference between the shared net assets of the investee at that date and the investment costs is RMB 50,293,206.98 and capital reserve was decreased accordinly.

During the year, the Company completed the purchase of 25% shares of the non-controlling interest of Hubei Xinchufeng Automatic Company Limited held by Suizhou City Investment Group Company Limited. The difference between shared net assets at that date and the investment cost is RMB1,878,263.18 and capital reserve was decreased accordingly.

Note 2: The changes in fair value of available-for-sale financial assets, which held by Zhongrong International Trust Company Limited, a subsidiary of the Company, amounting to RMB 62,584,339.20 of this period were recognized in capital reserve.

The capital reserve of the Company's associates, China Texmatech Company Limited and Hongda Research Company Limited, has changed during this period. According to the equity method, the increased share of the associates' capital reserve of RMB824,150.16 was recognized in capital reserve.

42. Surplus reserve

Item	At 1 January 2011	Additions	Reductions	At 31 December 20110
Statutory surplus reserve	424,844,279.00	67,530,982.21		492,375,261.21
Discretionary surplus reserve	177,763,046.16	1,143,756.44		178,906,802.60
Total	602,607,325.16	68,674,738.65		671,282,063.81

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

43. Regulatory reserve

Item	31 December 2011	1 January 2011
General risk reserve	408,374.95	789,493.21
Trust compensation reserve	26,104,281.84	6,925,343.41
Total	26,512,656.79	7,714,836.62

Note: Trust compensation reserve should be withdrawn according 5% of its net profit according to "trust company management approach-Article 49". Zhongrong International Trust Company Limited, a subsidiary of the Company, withdraws trust compensation reserve until it reached 20% of the registered capital and above. Trust compensation reserves are mainly used to make up trust property losses which caused by mismanagement.

General risk reserve is based on the Ministry of Finance [2005] No. 49 "allowance for doubtful debts of financial companies extract the management approach", and provided in accordance with 1% of risk assets as a profit distribution. General risk reserve is used to cover potential losses not yet identified.

Regulatory reserve was restored based on the share attributable to owners of the Company.

44. Retained profits

	31 December 2011	1 January 2011
At the end of 2010	546,021,613.11	337,092,967.43
At the beginning of 2011	546,021,613.11	337,092,967.43
Add: Net profit of 2011	490,793,393.01	244,716,850.09
Less: Withdraw legal surplus reserve	67,530,982.21	28,073,367.79
Withdraw discretionary surplus reserve	1,143,756.44	
Profit available for distribution to shareholders	42,266,000.00	
Appropriation to general risk reserve	-381,118.26	789,493.21
Appropriation to trustee compensation reserve	19,178,938.43	6,925,343.41
At the end of 2011	907,076,447.30	546,021,613.11

45. Operating revenue and operating cost

(1) Operating revenue and operating cost

	2011	2010
Principal operating revenue	6,549,037,882.35	5,727,691,224.24
Other operating revenue	723,331,894.40	618,889,277.46
Total	7,272,369,776.75	6,346,580,501.70
Principal operating cost	5,570,549,337.26	4,977,134,491.23
Other operating cost	545,154,944.76	525,194,233.53
Total	6,115,704,282.02	5,502,328,724.76

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

45. Operating revenue and operating cost (continued)

(2) By industry

	2011		2010	
Name	Operating income	Operating cost	Operating income	Operating cost
(1) Principal activities	6,549,037,882.35	5,570,549,337.26	5,727,691,224.24	4,977,134,491.23
Textile machinery	6,306,919,051.86	5,355,073,140.35	5,320,693,909.02	4,671,570,093.02
Others	242,118,830.49	215,476,196.91	164,143,322.22	145,767,434.99
Property development			242,853,993.00	159,796,963.22
(2) Other operating activities	723,331,894.40	545,154,944.76	618,889,277.46	525,194,233.53
Sales of raw materials, parts and components	588,668,632.58	523,013,985.38	562,989,352.45	491,825,251.67
Operating leases	9,608,577.11	4,246,589.24	12,939,740.30	8,417,013.11
Others	125,054,684.71	17,894,370.14	42,960,184.71	24,951,968.75
Total	7,272,369,776.75	6,115,704,282.02	6,346,580,501.70	5,502,328,724.76

(3) By geographical area

	2011		2010	
Geographical area	Operating income	Operating cost	Operating income	Operating cost
Principal activities	6,549,037,882.35	5,570,549,337.26	5,727,691,224.24	4,977,134,491.23
Domestic	6,044,426,624.20	5,116,400,918.80	5,228,155,875.27	4,522,114,606.62
Overseas	504,611,258.15	454,148,418.46	499,535,348.97	455,019,884.61
Other operating activities	723,331,894.40	545,154,944.76	618,889,277.46	525,194,233.53
Domestic	723,331,894.40	545,154,944.76	618,889,277.46	525,194,233.53
Total	7,272,369,776.75	6,115,704,282.02	6,346,580,501.70	5,502,328,724.76

(4) Operating income from the top five customers

Customer	Operating Income	Proportion
China Texmatech Company Limited	379,788,899.58	5.22%
Huafang Xiuwu Textile Company Limited	145,766,191.05	2.00%
Xinjiang Liufu Textile Industrial Area Company Limited	132,202,564.13	1.82%
Jiangyin Hongda Textile Machine Sales Company Limited	93,840,358.97	1.29%
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	79,988,059.15	1.10%
Total	831,586,072.88	11.43%

46. Interest income

	2011	2010
Interest income	96,264,639.94	19,371,650.39
Including: Income from financial institutions	39,506,983.05	2,180,264.27
Loan interest income	56,695,156.89	9,845,855.56
Interest income from financial assets purchased under resale agreements	62,500.00	7,345,530.56
Interest expenses	1,066,625.00	328,562.50
Net interest income	95,198,014.94	19,043,087.89

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

47. Service charges and commission income

	2011	2010
Net income of trust fees	2,882,013,985.75	920,434,239.62
Margin income		846,177.00
Total	2,882,013,985.75	921,280,416.62

48. Sales taxes and levies

Taxes	2011	2010	Standard charge rate
Business tax	155,378,149.58	63,834,438.37	5%
City construction tax	25,435,018.38	10,362,704.22	1%, 5%, 7%
Education surcharge tax	16,607,778.16	5,366,291.04	3%, 4.5%, 5%
Land appreciation tax		2,420,189.93	1%
Others	4,173,460.08	1,540,507.27	
Total	201,594,406.20	83,524,130.83	

49. Selling and distribution expenses

	2011	2010
Employee benefits	49,172,834.80	40,630,011.53
Transportation expenses	21,830,035.18	25,787,909.68
Travelling expenses	20,256,731.93	17,810,629.08
Operating expenses	15,579,274.53	12,466,745.78
Sales services expenses	12,144,002.65	12,907,768.41
Labor expenses	7,620,680.53	6,857,307.36
Exhibition expenses	6,410,085.67	8,202,074.36
Samples and product loss	5,669,224.69	294,128.63
Advertisement expenses	4,482,185.59	4,938,661.95
Office expenses	3,564,776.57	3,257,866.29
Repair and maintenance expenses	1,455,090.18	1,620,646.48
Load and unload expenses	2,260,827.11	3,337,702.25
Depreciation expenses	2,002,788.75	1,208,863.44
Others	11,735,976.24	27,192,541.54
Total	164,184,514.42	166,512,856.78

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

50. Administrative expenses

	2011	2010
Employee benefits	1,216,994,244.41	445,101,903.32
Professional fees	195,543,372.33	124,530,873.24
Research and development expenses	182,357,248.12	127,336,608.93
Rent	51,873,848.86	19,653,164.33
Travelling expenses	44,816,830.01	24,001,082.66
Depreciation	38,290,998.03	30,707,366.93
Business entertainment expenses	36,235,750.51	22,104,011.98
Taxes	35,580,348.21	28,592,965.26
Repairing and maintenance	33,392,472.95	23,916,810.75
Office expenses	22,761,404.34	13,826,796.36
Meeting expenses	21,678,449.19	12,500,853.06
Agency expenses	17,684,099.53	20,337,445.70
Amortization of intangible assets	13,099,184.28	13,344,864.41
Transportation expenses	12,211,330.71	9,407,060.66
Utility bills	9,971,685.64	10,409,666.41
Amortization of consumables	6,370,523.58	2,266,552.07
Long-term deferred expenses	5,031,655.38	3,445,230.64
Environment expenses	3,518,182.56	2,133,186.12
Security and fire protection	2,997,362.95	2,355,989.05
Insurance expenses	2,911,595.95	3,416,837.66
Heating expenses	2,794,528.53	3,521,297.00
Labor protection expenses	2,272,041.69	2,047,499.26
Others	63,644,526.05	48,890,918.45
Total	2,022,031,683.81	993,848,984.25

51. Financial expenses

	2011	2010
Interest expense	101,982,467.22	79,505,363.16
Less: Interest income	15,862,396.22	33,533,002.34
Exchange loss	61,869.47	68,116.71
Less: Exchange gain	18,119,613.43	5,213,260.50
Others	5,707,298.40	2,972,833.20
Total	73,769,625.44	43,800,050.23

52. Gains from changes in fair values

Source	**2011**	**2010**
Held-for-trading financial assets	-137,726,693.69	27,119,250.36
Total	-137,726,693.69	27,119,250.36

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

53. Investment income

(1) Disclosure of investment income by item is as follows

Investment income	2011	2010
Income from long-term equity investment carried at cost under the cost method	5,500,000.00	1,239,637.50
Income from long-term equity investment under the equity method	8,394,024.56	2,618,795.66
Gain on disposal of long-term equity investment	4,555,590.40	82,229,285.78
Investment income from held-for-trading financial assets	2,981,533.08	1,836,400.00
Gain on disposal of held-for-trading financial assets	-26,070,279.77	23,365,421.50
Gain on available-for-sale financial assets	24,584,051.81	992,556.45
Others	1,746,001.34	4,614,801.38
Total	21,690,921.42	116,896,898.27

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

investee	2011	2010	Reason for changes
Hengtian Real Estate Company Limited	3,600,000.00		The dividend has been paid
Qingdao Textile Machinery Manufacturing Company Ltd.	1,700,000.00	850,000.00	The dividend has been paid
Qingdao Jinyi Pressing and casting Company Ltd.		39,637.50	Dividend payables 2011
Jiangsu Hongyuan Textile Machinery Company Ltd.	200,000.00	50,000.00	The dividend has been paid
BSI Management Systems Certification Company Limited		300,000.00	Dividend payables 2009
Total	5,500,000.00	1,239,637.50	

(3) Gain on disposal of long-term equity investment of amounted to RMB 4,555,590.40, which includes gain on disposal equity investment in Yichang Hengtian Development Property Company Limited of RMB5,095,290.40, and loss on disposal of equity investment in Hengtian Real Estate Company Limited of RMB539,700.00.

54. Assets impairment

Category	2011	2010
Bad debt	5,465,622.61	2,418,059.90
Written-down of inventories	27,617,606.67	19,209,728.85
Impairment on long-term equity investment	2,150,000.00	12,673,871.42
Impairment on fixed assets		7,033,538.11
Total	35,233,229.28	41,335,198.28

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

55. Non-operating income

(1) Disclosure of non-operating income by item is as follows

Category	2011	2010	Included in the current non-recurring items
Gains on disposal of non-current assets	6,807,873.81	20,700,845.25	6,807,873.81
Including: Gains on disposal of fixed assets	6,807,873.81	7,824,017.75	6,807,873.81
Gains on disposal of intangible assets		12,876,827.50	
Receipt from debt restructuring	991,292.15	1,830,395.64	991,292.15
Government grants	21,874,703.07	62,572,298.32	17,933,815.56
Others	3,402,350.75	7,644,381.48	3,402,350.75
Total	33,076,219.78	92,747,920.69	29,135,332.27

(2) Government grants

Category		2011	2010
High performance tricot machine capacity industrialization reconstruction project	Note 1	2,800,000.00	
High performance tricot machine, High point twisting machine, High-speed bearing spindle project investment grant	Note 2	2,667,881.64	2,523,053.68
VAT rebate	Note 3	2,400,236.23	2,088,803.72
VAT Refund	Note 4	1,540,651.28	1,119,241.77
Efficient modern cotton manufacturing complete sets of equipment industrialization projects	Note 5	1,405,992.48	1,303,246.67
Subsidies to help the stability of enterprises jobs	Note 6	1,363,109.00	2,021,250.32
Carbon fiber multilayer Angle league woven equipment and technology research and development program subsidies		1,200,000.00	
Land Use Tax refund		1,173,570.00	
New equipment research and development project subsidy			33,000,000.00
Majuqiao government development fund			5,974,045.85
Research on Textile production line on account of coordinated emulate technology investment grant			3,000,000.00
Other grants		7,323,262.44	11,542,656.31
Total		21,874,703.07	62,572,298.32

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

55. Non-operating income (continued)

(2) Government grants (continued)

Note 1: Pursuant to Changde finance bureau, Economic and Informatization committee, Changde development zone management committee's Caiqi No.5 (2011) "the First Plan of the Notice about Hunan Province to Advance the New Industrial Special Direct Funds", and Changde Economic Technology Development Management Committee's No.26(2011) and No.27(2011), Changde Textile Machinery Company Limited, a subsidiary of the Group, has gained the capital of RMB6,400,000.00 for high performance tricot machine capacity industrialization reconstruction project. The Group has confirmed it as non-operating income of RMB2,800,000.00.

Note 2: Pursuant to the "Notice of the National Development and Reform Commission on the Issue of the Investment Plan 2008 with Special Fund in the Central Government's Budget for Industrial technology progress (Fa Gai Tou Zi No. 3482 [2008]), Changde Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited and Wuxi Hongda Textile Machinery and Special Parts Company Limited, the subsidiaries of the Group, received special grants amounting to RMB13,480,000.00 in 2009 for the "High point twisting machine project", "industrialization of new type super speed warp knitting machine project" and the "project of precise super-speed bearing and spindle special for textile machine". In current period, the Group recognized a non-operating revenue of RMB 2,667,881.64.

Note 3: VAT rebate represents a value-added tax rebate received by Shanxi Heli, a subsidiary of the Company. Pursuant to the "Notice of the State Administration of Taxation on Enhancing the Tax Preferential Policy Concerning the Employment of the Disabled" (Cai Shui No. 92 [2007]), Shanxi Heli received a VAT rebate of RMB2,400,236.23 in 2011.

Note 4: Pursuant to Caishui No.25(2000) "the Notice about Encouraging Software Industry and Integrated Circuit's related tax policy", Shanghai Huayuan Hyperthermia Technology Company Limited, a subsidiary of the Company, received value-added-tax refund amounts to RMB1,540,651.28.

Note 5: Pursuant to No. 2472 (2007) of Fa Gai Tou Zi, since 2008, the Group has received the grant of Efficient modern cotton manufacturing complete sets of equipment industrialization projects amount to RMB27,350,000.00 in which the Group has confirmed the non-operating income of RMB1,405,992.48 during this year.

Note 6: Pursuant to the Ministry of Human Resources and Social Development fa (2009) 175 "do a better job easing the burden on the stability of the employment situation in the relevant work" and the Office of Human Resources and Social Development Youth fa (2010) 16, Changde Textile Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited and Yichang Jingwei Textile Machinery Company Limited, the subsidiaries of the Group, in 2011 received a difficult enterprise post subsidy and steady hillock subsidies of RMB 1,363,109.00.

56. Non-operating expenses

Category	2011	2010	Included in the current non-recurring items
Loss on disposal of non-current assets	6,458,010.52	19,820,256.24	6,458,010.52
Including: Loss on disposal of fixed assets	6,004,677.10	19,820,256.24	6,004,677.10
Loss on disposal of intangible assets	453,333.42		453,333.42
Loss from debt restructuring	1,396,391.79	399,510.00	1,396,391.79
Donation	2,150,164.40	492,965.00	2,150,164.40
Loss arising from obsolete and spoilage assets	234,266.33	196,294.18	234,266.33
Compensation and penalty	351,910.57	1,442,508.32	351,910.57
Others	1,146,588.58	1,375,185.33	1,146,588.58
Total	11,737,332.19	23,726,719.07	11,737,332.19

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

57. Income tax

(1) Disclosure of Income tax by item is as follows:

Category	2011	2010
Income tax	377,838,965.04	158,099,044.44
Including: Current tax expense	479,659,546.35	188,538,066.01
Deferred tax expense	-101,820,581.31	-30,439,021.57

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

Item	2011	2010
Profit before taxation	1,541,806,521.15	668,591,411.33
Tax (15%)		
Tax at the legal or applicable tax rate of 15%	231,270,978.17	100,288,711.70
Effect of different tax rates of subsidiaries operating in other justification	140,938,834.46	53,791,757.75
Tax effect on share of result of associates	-1,259,103.68	-392,819.35
Tax effect on non-taxable income	-2,823,896.97	-13,213,202.65
Tax effect on non-deductible expenses	10,561,338.34	10,938,145.19
Tax effect on utilization of other temporary differences not previously recognized	-3,687,784.06	-7,627,196.35
Tax effect of unrecognized tax losses and other temporary differences for tax purposes	14,690,270.85	24,951,330.06
Reduction of tax in respect of research and development	-11,851,672.07	-10,637,681.91
Income tax expense	377,838,965.04	158,099,044.44

58. Other comprehensive income

Item	2011	2010
Fair value gain (loss) on available for sale financial assets	-228,494,016.85	214,875,441.52
Less: Fair value gain(loss) on available for sale financial assets arising from tax effect	-57,123,504.22	53,718,860.38
Sub-total	-171,370,512.63	161,156,581.14
Share of other comprehensive income of equity investment	824,150.16	201,438.05
Sub-total	824,150.16	201,438.05
Exchange differences arising on translation of financial statements of foreign subsidiaries	-328,662.86	-145,953.23
Sub-total	-328,662.86	-145,953.23
Others		
Sub-total		
Total	-170,875,025.33	161,212,065.96

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

59. Notes to the consolidated cash flow statement

(1) Other cash receipts relating to operating activities

Item	2011	2010
Total	190,362,103.75	132,764,057.61
Including: Deposit received from Renwen Trust Project	60,000,000.00	
Customer security deposit received from Qingdao Liuting Airport	42,575,000.00	
Proceeds from disposal of other current assets	19,070,000.00	
Government grant	16,131,014.08	46,358,210.93
Interest income	15,151,815.26	19,921,337.24
Service income	8,477,169.64	10,003,037.90
Receipt from Dongsheng Investment Company Limited	2,000,000.00	10,795,000.00
Deposit received from the Trust Project		24,062,426.94
Collection of deed tax and maintenance fund		7,230,331.09
Trade receipt from Tianjin Textile Machinery Company Limited		3,000,000.00
Others	26,957,104.77	11,393,713.51

(2) Other cash payments relating to operating activities

Item	2011	2010
Total	648,498,238.01	432,361,281.30
Including: Agency and consultancy service expenses	189,385,952.50	120,651,363.01
Travelling expenses	60,939,434.58	48,781,730.33
Deposit paid to Renwen Trust project	60,000,000.00	
Rental expenses	54,697,822.04	40,722,385.11
Business entertainment expenses	39,567,767.03	23,423,199.34
Labor union expense	33,722,337.64	
Water, electricity and heat	29,739,222.86	27,665,606.51
Professional fees	26,472,626.09	19,448,233.55
Goods delivery expenses	24,167,695.45	32,767,397.83
Research and development expenses	22,519,839.49	18,788,098.78
Repair and maintenance expenses	22,094,349.10	20,373,316.57
Office expenses	20,636,095.01	16,007,856.73
Preliminary Trust pre-project cost	19,999,211.64	
Business operating expenses	12,778,090.71	6,521,464.57
Sales services expenses	9,646,401.87	16,255,228.85
Exhibition expenses	7,586,488.31	9,669,905.23
Promotional expenses	3,974,967.83	6,805,164.65
Insurance expenses	2,070,554.08	10,790,329.12
Deed tax expenses		10,493,310.10
Others	8,499,381.78	3,196,691.02

(3) Other cash receipts relating to investing activities

Item	2011	2010
Total	31,835,984.14	19,776,520.09
Including: Proceeds from disposal on subsidiaries	13,261,742.83	
Government grants	11,459,000.00	5,200,000.00
Compensation received for relocation	2,500,000.00	14,500,000.00
Others	4,615,241.31	76,520.09

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

59. Notes to the consolidated cash flow statement (continued)

(4) Other cash payments relating to investing activities

Item	2011	2010
Total		98,812,137.97
Including: Disposal of subsidiaries		98,287,137.97
Others		525,000.00

(5) Other cash receipts relating to financing activities

Item	2011	2010
Total	32,530,874.87	178,228,784.66
Including: Tax refund of importing bobbin winder	10,360,874.87	9,009,485.96
Non-operating funds	22,170,000.00	20,276,498.70
Loan and interests received from Qingdao Ruihe Land Development Company Limited		88,942,800.00
Major technological innovation and industrialization of construction funds		60,000,000.00

(6) Other cash payments relating to financing activities

Item	2011	2010
Total	89,614,289.95	122,449,681.12
Including: Acquisition of subsidiary's non-controlling interest	50,000,000.00	
Prepayment for finance lease	34,654,289.95	34,248,681.12
Repayment of Qingdao Ruihe Land Development Company Limited's loans		84,600,000.00
Others	4,960,000.00	3,601,000.00

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

60. Supplementary information of the consolidated cash flow statement

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

Category	2011	2010
Reconciliation of net profit to cash flow from operating activities		
Profit before taxation	1,163,967,556.11	510,492,366.89
Add: Impairment loss	17,802,406.17	34,401,923.34
Depreciation of fixed assets	136,278,368.14	119,677,035.58
Amortization of intangible assets	17,821,391.59	15,097,270.55
Amortization of long-term deferred payment	5,031,655.38	3,445,230.64
Gains on disposal of fixed assets	-349,863.29	-880,589.01
Loss on disposal of fixed assets	234,266.33	196,294.18
loss (gain) on fair value changes	137,726,693.69	-27,119,250.36
Finance cost	83,163,860.26	68,180,867.16
Investment losses	-21,690,921.42	-116,896,898.27
Decrease in deferred tax assets	-101,820,581.31	-30,439,021.57
Decrease in inventories	-319,396,442.82	-24,531,375.42
Decrease (Increase) in trade and other receivables	373,008,018.89	-1,339,177,541.46
Decrease (Increase) in trade and other payables	159,770,620.76	1,834,311,064.06
Others		
Net cash flow from operating activities	1,651,547,028.48	1,046,757,376.31
Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	3,807,850,611.00	2,350,591,630.16
Less: Opening balance of cash and cash equivalents	2,350,591,630.16	1,207,372,241.74
Net increase in cash and cash equivalents	1,457,258,980.84	1,143,219,388.42

Notes to the Financial Statements
For the year ended 31 December 2011

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

VIII. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

60. Supplementary information of the consolidated cash flow statement

(2) Details of acquisition and disposal of subsidiaries

Category	2011	2010
(I) Acquisition of subsidiaries		
(i) Consideration on acquisition of paid for subsidiaries	18,810,000.00	1,224,670,321.62
(ii) Cash and cash equivalents paid for acquisition of subsidiaries		633,653,400.00
Less: Cash and cash equivalents held by the subsidiaries	13,261,742.83	628,522,821.40
Net cash inflow on acquisition of subsidiaries	-13,261,742.83	5,130,578.60
(iii) Net assets on acquisition of subsidiaries	32,028,042.45	1,044,674,010.98
Current assets	99,822,735.36	1,156,178,761.73
Non-current assets	24,718,559.99	140,772,040.69
Current liabilities	92,513,252.90	252,276,791.44
Non-current liabilities		
(II) Disposal of the subsidiary		
(i) Consideration received from disposal of the subsidiary	20,000,000.00	194,439,700.00
(ii) Cash and cash equivalents received from disposal of the subsidiary	13,000,000.00	49,900,000.00
Less: Cash and cash equivalents held by the subsidiary	158,846.47	148,187,137.97
Net cash inflow on disposal of the subsidiary	12,841,153.53	-98,287,137.97
(iii) Net assets on disposal of the subsidiary	14,904,709.60	214,375,097.89
Current assets	14,478,846.47	488,471,971.77
Non-current assets	739,272.78	4,779,121.16
Current liabilities	313,409.65	278,875,995.04
Non-current liabilities		

(3) Cash and cash equivalents

	31-Dec-2011	1-Jan-2011
Cash	3,807,850,611.00	2,350,591,630.16
Including: Cash on hand	769,922.45	435,896.21
Cash at bank	3,752,588,950.56	2,278,031,464.63
Other monetary fund that can be readily withdrawn on demand	54,491,737.99	72,124,269.32
Cash and cash equivalent	3,807,850,611.00	2,350,591,630.16

Note: Cash and cash equivalents do not include the restricted cash and cash equivalents of the Group.

Notes to the Financial Statements
For the year ended 31 December 2011

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

IX. RELATED PARTIES AND TRANSACTIONS

1. Definition of related parties

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

2. Details of the ultimate holding company

Name of Company	Type of business	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of voting power (%)	Proportion of shareholdings (%)	The final controller of the Company	Code of the organization
CTMC	Limited liability company	Beijing	Zhang Jie	Manufacturing and trading of textile machinery	2,735,820,000.00	33.83	33.83	China Hi-tech Group Corporation	101518554

Note 1: CTMC is the largest shareholder of the Company, and the remaining 66.17% equity interest is widely held by other shareholders. CTMC substantially controls the Company; therefore, CTMC is the parent company of the Company. CTMC is a non-wholly owned subsidiary of China Hi-tech Group Corporation; therefore, the actual controlling party of the Group is China Hi-tech Group Corporation.

3. Details of subsidiaries at 31 December 2011 are as follows:

Name of subsidiaries	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding (%)	Percentage of voting right held (%)	Organization code
Beijing Jingpeng Investment Management Company Limited	Limited Liability Company	Beijing	Yao Yuming	Investment Management	100,000,000.00	100.00	100.00	10256839-3
Shenyang Hongda Huaming Textile Machinery Company Limited	Limited Liability Company	Shenyang	Wang Jue	T&M	40,000,000.00	98.50	100.00	77481871-1
Beijing Jingwei Textile Machinery New Technology Company Limited	Limited Liability Company	Beijing	Yao Yuming	T&M	100,000,000.00	100.00	100.00	70024399-4
Yichang Jingwei Textile Machinery Company Limited	Limited Liability Company	Yichang	Ye Maoxin	T&M	20,000,000.00	100.00	100.00	79591603-8
Tianjin Jingwei New Type Textile Machinery Company Limited	Limited Liability Company	Tianjin	Zhang Jianguo	T&M	16,000,000.00	100.00	100.00	77732301-X
Shanghai Chuangan Trading Company Limited	Limited Liability Company	Shanghai	Yao Yuming	T&M	2,000,000.00	90.00	90.00	70336610-5
Shanghai Weixin Electrical and Machinery Company Limited	Limited Liability Company	Shanghai	Yao Yuming	T&M	16,000,000.00	100.00	100.00	60727498-0
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	Limited Liability Company	Shanghai	Wu Xudong	T&M	50,000,000.00	100.00	100.00	72944813-3
Shanghai WSP Mould and Injection Plastic Company Limited	Limited Liability Company	Shanghai	Lin Jianwang	T&M	5,256,800.00	50.00	100.00	74929286-9
Jingwei Textile Machinery Yuci Material Company Limited	Limited Liability Company	Jinzhong	Ren Yansheng	T&M	5,000,000.00	99.92	100.00	11278984-3
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Limited Liability Company	Jinzhong	Wu Xudong	T&M	40,000,000.00	89.65	89.65	11274383-7
Hongkong Huaming Co. Limited	Limited Liability Company	HongKong	Ye Maoxin	T&M	USD 7,700,000.00	100.00	100.00	
Jinzhong Jingwei Foundry Company Limited	Limited Liability Company	Jinzhong	Ku Guanqun	T&M	25,000,000.00	68.80	68.80	69223011-3
Shenyang Hongda Textile Machinery Company Limited	Limited Liability Company	Shenyang	Wang Jue	T&M	71,000,000.00	98.00	98.00	71579925-8
Shanxi Jingwei Heli Machinery Manufacturing Company Limited	Limited Liability Company	Jinzhong	Wu Xudong	T&M	100,000,000.00	30.00	71.43	11278606-0
Changde Textile Machinery Company Limited	Limited Liability Company	Changde	Yao Yuming	T&M	42,349,900.00	95.00	95.00	73474692-8
Tianjin Hongda Textile Machinery Company Limited	Limited Liability Company	Tianjin	Zhang Jianguo	T&M	78,500,000.00	100.00	100.00	71294571-5
Qingdao Hongda Textile Machinery Company Limited	Limited Liability Company	Qingdao	Ji Xin	T&M	114,000,000.00	97.66	97.66	71376206-4
Wuxi Jingwei Textile Technology Testing Company Limited	Limited Liability Company	Wuxi	Lin Jianwang	T&M	49,530,000.00	100.00	100.00	75000921-5
Wuxi Jingwei Textile Technology Sales Company Limited	Limited Liability Company	Wuxi	Shi Jianping	T&M	1,000,000.00	100.00	100.00	77050566-2

Notes to the Financial Statements
For the year ended 31 December 2011

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

IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Details of subsidiaries at 31 December 2011 are as follows: (continued)

Name of subsidiaries	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding (%)	Percentage of voting right held (%)	Organization code
Zhengzhou Hongda New Textile Machinery Company Limited	Limited Liability Company	Zhengzhou	Yao Yuming	T&M	74,500,000.00	98.00	98.00	71676538-3
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Limited Liability Company	Wuxi	Xiong Jianlin	T&M	20,000,000.00	35.00	51.25	13589190-4
Xianyang Jingwei Machinery Manufacturing Company Limited	Limited Liability Company	Xianyang	Cheng Jianrong	T&M	75,079,600.00	100.00	100.00	71350210-7
Taiyuan Jingwei Electrical Company Limited	Limited Liability Company	Taiyuan	Guan Youping	T&M	5,000,000.00	100.00	100.00	60207789-X
Huangshi Jingwei Textile Machinery Company Limited	Limited Liability Company	Huangshi	Liu Xianming	T&M	32,000,000.00	45.00	60.00	17841272-3
Xianyang Jingwei Textile Machinery Company Limited	Limited Liability Company	Xianyang	Cheng Jianrong	T&M	50,000,000.00	97.33	97.33	56375549-0
Hubei Xinchufeng Automobile Company Limited	Limited Liability Company	Suizhou	Ye Maoxin	Automobile	200,000,000.00	75.00	75	79876653-0
Anshan Jingwei Haihong Agricultural Machinery Company Limited	Limited Liability Company	Anshan	Yao Yuming	A&M	40,000,000.00	51.00	51.00	68007495-0
Shanghai Huayuan Hyperthermia Technology Company Limited	Limited Liability Company	Shanghai	Yao Yuming	M&D	20,000,000.00	51.00	51.00	76839464-1
Zhongrong International Trust Company Limited	Limited Liability Company	Harbin	Liu Yang	Trust	1,475,000,000.00	36.60	57.14	12704434-2
Hengtian Motor Vehicle Company Limited	Limited Liability Company	Hubei	Ye Maoxin	Automobile	50,000,000.00	100.00	100.00	57371112-5
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	Limited Liability Company	Shanxi	Wu Xudong	T&M	31,000,000.00	51.00	51.00	74350587-8
Beijing Zhongrong Dingxin Investment Management Company Limited	Limited Liability Company	Beijing	Zhang Dong	Equity Investment	100,000,000.00	100.00	100.00	58766588-7

4. Details of associates

Name of Investee	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding	Percentage of voting held	Relationship	Organization code
China Texmatech Company Limited	Limited Liability Company	Beijing	Zhu Baolin	Import and export of textile machinery	120,000,000.00	25%	25%	Associates	10000283-9
Hongda Research Company Limited	Limited Liability Company	Beijing	Liu Yujun	Sales of textile machinery products	50,000,000.00	40%	40%	Associates	72634111-1
Anhui Huamao Jingwei New Type Textile Company Limited	Limited Liability Company	Anqing	Zhan Lingzhi	Production & sales of Textile machinery	50,000,000.00	25%	25%	Associates	75074734-9
Jingwei Jixie Group Co., Ltd.	Limited Liability Company	Jinzhong	Wu Xudong	Production & sales of textile machinery	40,000,000.00	20%	40%	Associates	11273104-3
Beijing Hengtian Fortune Investment Management Company Limited	Limited Liability Company	Beijing	Liang Yue	Investment Management	50,000,000.00	20%	20%	Associates	56952241-X
Shenzhen Huarong Equity Investment and Fund Management Company Limited	Limited Liability Company	Shenzhen	Xie Wei	Investment Management	10,000,000.00	49%	49%	Associates	57636934-5
Shanghai Rongling Equity Investment and Fund Management Corporation (Limited Partnership)	Limited Liability Company	Shanghai	Qiu Hongguang	Investment Management	5,600,000.00	28.57%	28.57%	Associates	58061236-0

Notes to the Financial Statements
For the year ended 31 December 2011

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

IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Details of other related parties

Name of related parties	Relationship with the Group
Changde Textile Machinery Factory	Company controlled by the same parent company
State-run yichang textile machinery	Company controlled by the same parent company
Hongda Industrial Company Limited	Company controlled by the same parent company
Wuxi Textile Machinery Research Institution	Company controlled by the same parent company
Xianyang Textile Machinery Plant	Company controlled by the same parent company
Yichang Zhongfang Hotel	Company controlled by the same parent company
Yichang Zhongfang Industry Company Limited	Company controlled by the same parent company
China Textile Machinery Industry Corporation Sales Technology Service Company	Company controlled by the same actual controller
Beijing Bohong Real Estate Development Company Limited	Company controlled by the same actual controller
Chifeng huayuan Huayuan MaoYe Company Limited	Company controlled by the same actual controller
Handan Hongda Chemical Fiber Machinery Company Limited	Company controlled by the same actual controller
Hengtian Real Estate Company Limited	Company controlled by the same actual controller
CHTC Heavy Industry Company Limited	Company controlled by the same actual controller
Hengyang Textile Machinery Company Limited	Company controlled by the same actual controller
Lixinmen Fushi Textile Machinery (Shenzhen) Company Limited	Company controlled by the same actual controller
Nanchang Kiama Company Limited	Company controlled by the same actual controller
Shandong Kiama Automobile Manufacturing Company Limited	Company controlled by the same actual controller
Shanghai Zhongqian Corporation Development Company Limited	Company controlled by the same actual controller
Shaoyang Textile Machinery Company Limited	Company controlled by the same actual controller
Xianyang Hongda Real Estate Development Company Limited	Company controlled by the same actual controller
Yichang Hengtian Development Properties Company Limited	Company controlled by the same actual controller
Zhengzhou Textile Special Craft Company Limited	Company controlled by the same actual controller
Zhengzhou Textile Machinery Casting Company Limited	Company controlled by the same actual controller
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	Company controlled by the same actual controller
China Hengtian (Mexico) Industrial Company	Company controlled by the same actual controller
Qingdao Jinyi Pressing and casting Company Limited	Company controlled by the same actual controller
Qingdao Textile Machinery Electric company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Non-weaving Equipment Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Wind Energy Technology Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Jinhui Mould Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Jingchangcheng Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Maorong Electromechanical technology Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Needle Fabric Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Casting Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Manufacturing Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Textile Machinery Helida Electric Company	Company in which key personnel of subsidiaries has significant influence
Qingdao Jinyi Die-casting Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Jingchangcheng Case Manufacture Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Lanlifeng Laser Technology Company Limited	Company in which key personnel of subsidiaries has significant influence
Qingdao Lvhuan Engineering (Machinery) Company Limited	Company in which key personnel of subsidiaries has significant influence
Shenyang Textile Machinery Manufacturing Company Limited	Company in which key personnel of subsidiaries has significant influence
Shenyang Textile Machinery Company Limited Textile Machinery Branch	Company in which key personnel of subsidiaries has significant influence
Shenyang Hongsheng Textile Machinery Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Baoheng Flyer Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Textile Machinery factory	Company in which key personnel of subsidiaries has significant influence
Tianjin Textile Machinery Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Tianfangji Textile Machinery Parts Distribution Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Tianfangji Steel Reforming Company Limited	Company in which key personnel of subsidiaries has significant influence
Tianjin Tianfangji Heat Treatment Company Limited	Company in which key personnel of subsidiaries has significant influence

Notes to the Financial Statements
For the year ended 31 December 2011

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

IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related party transactions

(1) Sales and purchases of goods and services for related party transactions

	2011	2010
Sales of finished goods		
Associates	403,407,232.97	384,450,590.51
Companies controlled by the same parent company	51,282.05	52,676,236.45
Companies controlled by actual controlling company	102,409,607.00	106,040,373.69
Companies in which key personnel of subsidiaries has significant influence	5,974,451.23	1,626,320.47
Total	511,842,573.25	544,793,521.12
Sold of raw materials and parts		
Companies controlled by the same parent company	15,380.46	169,058,735.85
Associates	22,115,702.63	2,244,556.55
Companies over which key personnel of subsidiaries has significant influence	5,558,879.40	10,219,825.19
Companies controlled by actual controlling company	9,011,268.40	11,762,782.90
Total	36,701,230.89	193,285,900.49
Processing fee income		
Companies controlled by the same parent company		2,522,205.87
Associates	435,969.63	
Companies in which key personnel of subsidiaries has significant influence	45,087.18	585,181.44
Total	481,056.81	3,107,387.31
Other supporting services income		
Associates	2,217,415.35	
Companies controlled by the same parent company		6,599,508.24
Companies controlled by actual controlling company		348,195.69
Total	2,217,415.35	6,947,703.93
Interest income		
Associates		338,713.11
Companies controlled by actual controlling company	509,276.00	234,226.68
Total	509,276.00	572,939.79
Purchased casting		
Associates	8,802,933.31	
Companies controlled by the same parent company		6,264,386.20
Companies in which key personnel of subsidiaries has significant influence		128,205.13
Total	8,802,933.31	6,392,591.33
Purchased of molds		
Companies in which key personnel of subsidiaries has significant influence	95,667,405.07	91,623,492.11
Total	95,667,405.07	91,623,492.11
Purchased of energy		
Companies in which key personnel of subsidiaries has significant influence	2,351,172.49	512,077.31
Companies controlled by actual controlling company	47,763.96	42,307.49
Total	2,398,936.45	554,384.80

Notes to the Financial Statements
For the year ended 31 December 2011

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

IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related party transactions (continued)

(1) Sales and purchases of goods and services for related party transactions (continued)

	2011	2010
Purchased of packaging materials		
Associates	8,741.92	
Companies controlled by the same parent company		19,113.37
Companies controlled by actual controlling company	50,045,772.00	38,992,120.81
Total	50,054,513.92	39,011,234.18
Purchased of raw materials and parts		
Companies controlled by the same parent company	1,314,355.96	136,611,350.36
Associates	87,997,310.24	7,535,435.48
Companies in which key personnel of subsidiaries has significant influence	395,536,579.82	336,134,007.47
Companies controlled by actual controlling company	4,228,025.62	271,433.85
Total	489,076,271.64	480,552,227.16
Purchased of finished goods		
Companies controlled by the same parent company	2,779.60	
Companies in which key personnel of subsidiaries has significant influence	144,649,924.58	420,638.46
Companies controlled by actual controlling company	426,414,994.04	386,595,965.93
Total	571,067,698.22	387,016,604.39
Processing expenses		
Associates	9,112.00	
Companies controlled by the same parent company	202,268.18	33,683,079.45
Companies in which key personnel of subsidiaries has significant influence	7,006,175.45	6,496,583.25
Total	7,217,555.63	40,179,662.70
Transportation services expenses		
Companies controlled by the same parent company	4,078,514.65	3,993,624.71
Companies controlled by actual controlling company	765.00	
Total	4,079,279.65	3,993,624.71
Repair and maintenance expenses		
Associate	15,813,596.30	
Companies controlled by the same parent company	4,109,871.96	11,175,636.94
Total	19,923,468.26	11,175,636.94
Other supporting service expenses		
Associate	1,318,382.91	
Companies controlled by the same parent company	4,512,374.45	5,398,734.75
Companies in which key personnel of subsidiaries has significant influence	2,343,342.24	7,931,210.25
Companies controlled by actual controlling company	713,514.97	
Total	8,887,614.57	13,329,945.00

Notes to the Financial Statements
For the year ended 31 December 2011

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

IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related party transactions (continued)

(2) Equity transactions

a. Dispose of equity

Beijing Jingpeng Investment Management Company Limited, Yichang Jingwei Textile Machinery Company Limited, the subsidiaries of the Company, transferred its equity in Yichang Hengtian Development Property Company Limited to Beijing Bohong Real Estate Development Company Limited with the consideration of RMB18,000,000 for 90% share and of RMB2,000,000 for 10% share respectively.

b. Purchase of equity

Jingwei Machinery Group Company Limited, an associate of the Company transferred its 51% share in Jinzhong Jingwei Chemical Fiber Machinery Company Limited to the Company with the consideration of RMB18,810,000.

(3) Amount due from/to related parties

Item	Relation	31-Dec-2011	1-Jan-2011
Accounts receivable	Associates	78,686,321.80	114,317,931.83
	Companies controlled by the same parent company	147,641.73	140,641.73
	Ultimate holding company	63,998.00	63,998.00
	Companies controlled by actual controlling company	7,748,690.35	17,565,659.90
	Companies in which key personnel of subsidiaries has significant influence	1,724,371.69	897,913.81
	Total	88,371,023.57	132,986,145.27
Bills receivable	Associates	75,542,839.36	70,528,020.00
	Companies controlled by actual controlling company	6,657,000.00	
	Companies controlled by the same parent company	100,000.00	1,320,000.00
	Companies in which key personnel of subsidiaries has significant influence	2,700,000.00	14,891,103.20
	Total	84,999,839.36	86,739,123.20
Advances to suppliers	Associates		6,323,645.31
	Companies controlled by the same parent company		98,263.00
	Companies in which key personnel of subsidiaries has significant influence	43,062,769.39	43,637,569.58
	Companies controlled by actual controlling company	12,899,631.74	18,354,220.71
	Total	55,962,401.13	68,413,698.60
Other receivables	Associates	50,668,561.91	114,468,561.91
	Total	50,668,561.91	114,468,561.91
Dividend receivable	Companies in which key personnel of subsidiaries has significant influence	2,880,000.00	
	Total	2,880,000.00	

Notes to the Financial Statements
For the year ended 31 December 2011

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

IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related party transactions (continued)

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

Item	Relation	31-Dec-2011	1-Jan-2011
Accounts payable	Holding Companies	6,301,379.63	6,301,379.63
	Associates	11,515,915.93	42,864,727.42
	Companies controlled by the same parent company	911,386.53	3,130,771.92
	Companies controlled by actual controlling company	156,013,164.57	217,852,240.01
	Companies in which key personnel of subsidiaries has significant influence	184,457,787.80	174,649,146.83
	Total	359,199,634.46	444,798,265.81
Bills payable	Associates	5,900,000.00	14,250,000.00
	Companies in which key personnel of subsidiaries has significant influence	60,536,656.00	23,883,655.00
	Companies controlled by actual controlling company		12,547,583.40
	Total	66,436,656.00	50,681,238.40
Advance from customers	Associates	14,663,635.49	691,096.81
	Companies controlled by the same parent company	367,581.11	367,581.11
	Companies controlled by actual controlling company	506,589.60	293,785.40
	Companies in which key personnel of subsidiaries has significant influence	303,545.26	302,146.85
	Holding Companies	1,000,087.16	1,000,087.16
	Total	16,841,438.62	2,654,697.33
Other payables	Holding company	20,231,020.72	20,231,020.72
	Company controlled by actual controlling person	613,917.34	
	Associates	4,479,109.68	136,605.76
	Companies controlled by the same parent company	26,742,430.40	32,373,942.26
	Companies controlled by actual controlling company	97,727,466.49	60,000,000.00
	Total	149,793,944.63	112,741,568.74
Dividend payables	Companies controlled by the same parent company	2,251,856.06	1,150,783.00
	Companies in which key personnel of subsidiaries has significant influence	219,886.42	205,886.00
	Total	2,471,742.48	1,356,669.00

(4) Leasing service received and provided from/to related parties

(a) The Group as lessor

Lessor Name	Lessee name	Types of leased assets	Inception of the lease	Lease termination date	Pricing based on rental income	Annual rental income recognized
Zhengzhou Hongda New Textile Machinery Company Limited	CHTC Heavy Industry Company Limited	Machinery	2011/1/1	2013/12/31	Agreement Price	3,380,038.88

Notes to the Financial Statements
For the year ended 31 December 2011

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

IX. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Related party transactions (continued)

(4) Leasing service received and provided from/to related parties (continued)

(b) The Group as lessee

Lessor Name	Lessee name	Types of leased assets	Inception of the lease	Lease termination date	Pricing based on rental income	Annual rental income recognized
Qingdao Textile Machinery Manufacturing Company Limited	Qingdao Hongda Textile Machinery Company Limited	Buildings	2011/01/01	2011/12/31	Agreement Price	3,760,990.00
Qingdao Textile Machinery Manufacturing Company Limited	Qingdao Hongda Textile Machinery Company Limited	Land use right	2011/01/01	2015/12/31	Agreement Price	2,844,216.00
Tianjin Textile Machinery Company Limited	Tianjin Hongda Textile Machinery Company Limited	Buildings	2011/01/01	2011/12/31	Agreement Price	2,959,566.006
Jingwei Jixie Group Co.,Ltd	Jingwei Textile Machinery Company Limited	Buildings	2011/01/01	2013/12/31	Agreement Price	477,777.885
Changde Textile Machinery Factory	Changde Textile Machinery Company Limited	Buildings	2011/01/01	2011/12/31	Agreement Price	252,000.00
CHTC Heavy Industry Company Limited	Jingwei Textile Machinery Company Limited	Buildings	2011/01/01	2013/12/31	Agreement Price	176,704.16

(5) Compensation of key management personnel

	2011	2010
Compensation of key management personnel	5,592,140.00	4,569,229.00

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

Notes to the Financial Statements
For the year ended 31 December 2011

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

X. CONTINGENT LIABILITIES

1. Guarantees

		31-Dec-2011	1-Jan-2011
(1)	Guarantees to third parties:		
	Guarantee provided for bank borrowings of a third party (Note 1)	150,000,000.00	150,000,000.00
(2)	Guarantees to subsidiaries:		
	Guarantee provided for banking facilities granted to the subsidiaries (Note 2)	95,000,000.00	145,000,000.00
	Guarantee provided for issuing small-and-medium sized enterprises collective bonds (Note 3)	60,000,000.00	60,000,000.00
	Provision of joint liability guarantee for lease acquired by subsidiaries (Note 4)	5,000,000.00	
Total		310,000,000.00	355,000,000.00

Note 1: The Group provided guarantee for Beijing Hualian Group Investment Holding Company for a one-year bank loan amounted to RMB150,000,000.00. Meanwhile, as a consideration, certain related parties of Beijing Hualian Group Investment Holding Company provided guarantee for the Group's credit limit of RMB150,000,000.00.

Note 2: The Company has provided guarantees for its subsidiaries such as Tianjin Hongda Textile Machinery Company Limited, Changde Textile Machinery Company Limited and Yichang Jingwei Textile Machinery Company Limited to obtain comprehensive credit facilities, of which RMB28,170,000.00 was used. Accordingly, the land use rights and property, plant and equipment are provided by the said subsidiaries for counter guarantee to the Company.

Note 3: At 6 July 2010, Beijing Jingwei Textile Machinery New Technology Company Limited has signed "Contract of Guarantee Credit and Recovery" with Beijing Shouchuang Investment Guarantee Company Limited for issuing small-and-medium sized enterprise collective bonds.

Note 4: At 31 December 2011, Beijing Jingwei Textile Machinery New Technology Company Limited, a subsidiary of the Company, has provided the irrevocable joint liability guarantee for the leasing contract between Shanghai Huayuan Hyperthermia Technology Company Limited ("Shanghai Huayuan"), another subsidiary of the Company, and Fenghui Leasing Co.,. Shanghai Huayuan has pledged the 49% of shareholding from the minority shareholders for any losses resulting from the guarantee.

2. Letter of credit

		2011	
Category	Currency	Original currency	RMB equivalents
Incomplete non-cancellable letter of credit	CHF	6,619,494.49	44,540,592.57
	Euro	3,624,636.48	29,586,095.27
	USD	2,758,606.84	17,381,705.82
	HKD	1,076,683.81	872,867.57
Total			92,381,261.23

XI. COMMITMENTS

1. Significant commitments

(1) Capital commitments

	31-Dec-2011	1-Jan-2011
Contracted but not recognized in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	96,815,669.22	166,073,338.03
Total	96,815,669.22	166,073,338.03

Note: The amount above represents capital expenditure in respect of the acquisition of fixed assets to be settled within next two years.

Notes to the Financial Statements
For the year ended 31 December 2011

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

XI. COMMITMENTS (CONTINUED)

1. Significant commitments (continued)

(2) Finance lease commitments

At the balance sheet date, the Group has commitments in respect of non-cancellable finance leases which fall due as follows:

	31-Dec-2011	1-Jan-2011
Minimum lease payments under non-cancellable finance leases:		
The first year subsequent to the balance sheet date	34,575,606.65	34,248,681.12
The second year subsequent to the balance sheet date	34,920,170.95	34,248,681.12
The third year subsequent to the balance sheet date	25,686,510.84	34,248,681.12
Subsequent periods		25,686,510.84
Total	95,182,288.44	128,432,554.20

Note: For more details, please refers to VIII (37)

XII. EVENTS AFTER REPORTING DATE

1. Profit distribution plan

The net profit of the Company of year 2011 is RMB116,239,230.81, according to the profit allocation proposal approved by the fifth meeting of the sixth session of Board of Directors. In accordance with the Articles of Association, the Company will abstract 10% of net profit as statutory surplus reserve, i.e., RMB11,623,923.08. After the provision of statutory surplus reserve, the Company's distributable profit of year 2011 is RMB104,615,307.73 and the total distributable profit to shareholders is RMB200,814,751.50. The proposal suggested to distribute cash dividends of RMB0.06 per share, i.e., RMB36,228,000.00 after taking into consideration of shareholders' interest and the Company's long-term development. The un-appropriated profit of RMB164,586,751.50 will be carried forward to next year.

2. Non-public offering shares

The Company will issue A share no more than 101,670 thousand shares (including 101,670 thousand shares) to the special targets within 6 months after being approved by the China Securities Regulatory Commission ("CSRC"). The special targets are no more than 10 companies which include China Hi-tech Group Corporation ("China Hi-tech"), the actual controlling company of the Group, China Textile Machinery (Group) Company Limited ("CTMC"), the holding company of the Group. Besides China Hi-teck and CTMC, other special targets are lawful investors complying with regulatory of CSRC, including securities investment fund management companies, securities companies, trust investment companies, financial companies, insurance institutional investors, qualified foreign institutional investors and other legal person, legal party complying with relevant regulatory.

The funds raised by the non-public offering A shares will be mainly used for the working capital of Zhongrong International Trust Company Limited, a subsidiary of the Company. The non-public offering A shares will not lead to the change of the controlling company of the Company.

3. Share capital increase of Zhongrong International Trust Company Limited, a subsidiary of the Company

Zhongrong International Trust Company Limited ("Zhongrong Trust"), a subsidiary of the Company, received "the Reply for approving Zhongrong International Trust Company Limited to increase its share capital, adjust its equity structure and amend its Articles of Association from China Banking Regulatory Commission Heilongjiang Supervision bureau" at 27 February 2012. According to the reply, Zhongrong Trust will implement its second phase of capital increase of RMB1,000 million, which will be invested by the Company, Zhongzhi Enterprise Group Company Limited and Shenyang Antaida Trading Company Limited. The registered capital of Zhongrong Trust will increased from RMB1,475,000,000 to RMB1,600,000,000.00 accordingly.

4. Disposal of equity shares of the subsidiaries

At 11January 2012, the Company signed an equity transfer agreement with Beijing Jingwei Textile Machinery New Technology Company Limited and Beijing Bohong Real Estate Development Company Limited. The Company will sell the 75% equity interest in Xianyang Jingwei Machinery Manufacturing Company Limited to Beijing Bohong Real Estate Development Company Limited with a consideration of RMB82,360,000.00. After the disposal, Beijing Bohong Real Estate Development Company Limited holds 75% equity interests, the Company holds 24.33% equity interests and Beijing Jingwei New Textile Company Limited hold 0.67% equity interests of the disposal company respectively.

Notes to the Financial Statements
For the year ended 31 December 2011

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

XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include borrowings, other long-term assets accounts receivable accounts payable and other financial assets. Details of these financial instruments are disclosed in Note VIII. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

1. Financial risk management objectives and policies

The Group's objectives of risk management are to balance between the risks and benefits, while reducing the risks on the Group's results of operations to a minimal level and maximizing the interests of shareholders and other investors. The basic risk management policies are to identify and analyze the various risks that the Group face. In addition, then establish appropriate minimal risk tolerance level and monitor various risks timely and reliably in order to control the risk within the limited scope.

(1) Market risk

(a) Currency risk

Foreign exchange risk refers to losses arising from fluctuations of currency exchange rate. The functional currency of the Group entities is mainly RMB in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Group entities at the balance sheet date are as follows:

			31-Dec-2011			1-Jan-2011	
		Amount in original currency	Exchange rate	RMB	Amount in original currency	Exchange rate	RMB
Cash and cash equivalents	USD	2,260,037.40	6.3009	14,240,269.69	2,640,553.16	6.6227	17,487,591.44
	HKD	2,955,186.50	0.8107	2,395,769.70	5,184,972.31	0.8509	4,411,892.94
	Euro	121,395.39	8.1625	990,889.84	361,720.08	8.8065	3,185,487.88
	CHF	153,036.11	6.7287	1,029,734.06	152,548.86	7.0562	1,076,415.26
	GBP	1,050.00	9.7116	10,197.17	1,050.00	10.2182	10,729.11
	JPY	375,163.87	0.0811	30,425.79	70,115.50	0.0813	5,700.39
	CAD	40.00	6.1777	247.11	40.00	6.6043	264.17
Advances to suppliers	USD	1,361,576.44	6.3009	8,579,156.97	746,068.21	6.6227	4,940,985.92
	Euro	3,257,627.61	8.1625	26,590,385.33	3,947,427.84	8.8065	34,763,023.24
	JPY	45,459,618.74	0.0811	3,686,775.08	167,972,931.00	0.0813	13,656,199.29
	CHF	1,081,809.46	6.7287	7,279,171.33			
Other receivables	HKD				104,978.85	0.8509	89,326.50
Accounts payables	USD	372,164.16	6.3009	2,344,969.15			
	Euro	85,073.94	8.1625	694,416.00			
	CHF						
	JPY						
Advanced from customers	USD	830,589.64	6.3009	5,233,462.24			
	Euro	38,111.65	8.1625	311,086.32			
Other payables	USD	163,442.62	6.3009	1,029,835.62	225,372.46	6.6227	1,492,574.18
	HKD				6,820,181.38	0.8509	5,803,292.34
Short-term borrowings	USD	32,125,647.79	6.3009	202,420,494.16	42,620,324.72	6.6227	282,261,624.52
	Euro	2,981,001.00	8.1625	24,332,420.66			
	CHF	8,953,963.70	6.7287	60,248,535.55			
Foreign exchange exposure	USD	-29,870,230.37	6.3009	-188,209,334.51	-39,459,075.81	6.6227	-261,325,621.34
Foreign exchange exposure	HKD	2,955,186.50	0.8107	2,395,769.70	-1,530,230.22	0.8509	-1,302,072.90
Foreign exchange exposure	Euro	274,836.41	8.1625	2,243,352.19	4,309,147.92	8.8065	37,948,511.12
Foreign exchange exposure	JPY	45,834,782.61	0.0811	3,717,200.87	168,043,046.49	0.0813	13,661,899.68
Foreign exchange exposure	CHF	-7,719,118.13	6.7287	-51,939,630.16	152,548.86	7.0562	1,076,415.26
Foreign exchange exposure	GBP	1,050.00	9.7116	10,197.17	1,050.00	10.2182	10,729.11
	CAD	40.00	6.1777	247.11			

The Group pays close attention on the influence from exchange rate.

Notes to the Financial Statements
For the year ended 31 December 2011

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

XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Financial risk management objectives and policies (continued)

(1) Market risk (continued)

(a) Currency risk (continued)

Interest rate risk-the cash flow interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable interest rate of bank borrowings which mainly float at rate offered by the People's Bank of China and bank balances carry interests at prevailing market rates.

Interest rate risk-The fair value interest rate risk

The fair value interest rate risk relates primarily to fixed-rate short-term bank time deposits and fixed-rate bank loans. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate risk and will consider hedging for significant interest rate risk when it is necessary should the need arise.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2011 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in Note X.

The Group has concentration of credit risk. The amount and rightists proportion of major customers and related parties are disclosed in Note VIII (4) and Note VIII (8).

In order to minimize the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the Group entitles are mainly banks with good reputation in the PRC.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2011, the Group has available unutilized borrowing facilities of approximately RMB2,416,307,531.17 (2010: RMB1,335,623,375.48).

(2) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and the fair values of other financial assets and financial liabilities (derivative instrument not included) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or the value from observable current market transactions.

Notes to the Financial Statements
For the year ended 31 December 2011

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

XIII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Financial risk management objectives and policies (continued)

(3) Sensitivity analysis

The Group adopts sensitivity analysis techniques to analyze how the entity's profit and loss for the period and owners' equity would have been affected by changes in the relevant risk variables that were reasonably possible. As it is unlikely that risk variables will change in an isolated manner, and the interdependence between risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following items are based on the assumption that each risk variable has changes on a stand-alone basis.

(a) Currency risk

The table below describes the Group's sensibility to 5% change in foreign currency rates

		2011		2010	
Currency	**Change in exchange rate against RMB**	**Effect on net profits**	**Effect on shareholders' equity**	**Effect on net profits**	**Effect on shareholders' equity**
USD	Decrease by 5%	7,998,896.72	7,998,896.72	11,106,338.91	11,106,338.91
Euro	Decrease by 5%	-95,342.47	-95,342.47	-1,612,811.72	-1,612,811.72
HKD	Decrease by 5%	-101,820.21	-101,820.21	55,338.10	55,338.10
JPY	Decrease by 5%	-157,981.04	-157,981.04	-580,630.74	-580,630.74
CHF	Decrease by 5%	2,207,434.28	2,207,434.28	-45,747.65	-45,747.65
GBP	Decrease by 5%	-433.38	-433.38	-455.99	-455.99
CAD	Decrease by 5%	-10.50	-10.50		

(b) Interest rate risk sensitivity analysis

The sensitivity analysis on interest rate risk is based on the following assumptions:

Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments;

Changes in the fair value of financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonable possible changes in the interest rate may have the following effect on the net profit or loss for the period or equity:

		2011		2010	
Item	**Change in interest rate**	**Effect on net profits**	**Effect on shareholders' equity**	**Effect on net profits**	**Effect on shareholders' equity**
Floating rate loans	Decrease by 1%	9,633,657.33	9,633,657.33	9,387,981.61	9,387,981.61

Notes to the Financial Statements
For the year ended 31 December 2011

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

XIV. LEASE

1. Minimum lease receipts of finance lease as lessor:

To be expired in	Minimum lease receipts
Less than 1 year	34,575,606.65
1-2 years	34,920,170.95
2-3 years	25,686,510.84
Over 3 years	
Total	95,182,288.44

2. Minimum lease payment of finance lease as lessee

To be expired in	Minimum lease payments
Less than 1 year	37,702,488.98
1-2 years	32,460,039.74
2-3 years	21,802,784.36
Over 3 years	10,548,919.44
Total	102,514,232.52

XV. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Item	Opening balance	Gain or loss in fair value during the year	Cumulative fair value changes included in equity	Provision for impairment for current year	Closing balance
Financial assets					
1. Financial assets measured at fair value through profit and loss for the current period (derivative financial assets exclude)	84,349,920.20	-137,726,693.69			253,226,491.88
2. Derivative financial assets					
3. Available-for-sale financial assets	954,209,347.83		-171,370,512.63		589,545,330.98
Sub-total of financial assets	1,038,559,268.03	-137,726,693.69	-171,370,512.63		842,771,822.86
Investment properties					
Productive biological assets					
Others					
Total	1,038,559,268.03	-137,726,693.69	-171,370,512.63		842,771,822.86
Financial liabilities					

XVI. FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Item	Opening balance	Gain or loss due to change in fair value during the year	Cumulative change in fair value included in equity	Provision for impairment during the year	Closing balance
Financial assets					
Loans and receivables	53,360,208.45				46,135,488.71
Sub-total of financial assets	53,360,208.45				46,135,488.71
Other financial liabilities	283,754,198.70				296,615,219.70
Sub-total of financial liabilities	283,754,198.70				296,615,219.70

Notes to the Financial Statements
For the year ended 31 December 2011

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

XVII. SEGMENT REPORT

Segment report of year 2011:

Item	Segment: Textile machinery Amount	Segment: Provision of trust and fiduciary services Amount	Others Amount	Elimination Amount	Total Amount
1. External sales	6,940,576,410.80	3,064,013,381.05	246,058,610.59		10,250,648,402.44
2. Inter-segment sales	5,975,335.53			5,975,335.53	
3. Share of profit of associates	8,426,713.68	-32,689.12			8,394,024.56
4. Impairment loss in respect of assets	32,642,996.75		2,590,232.53		35,233,229.28
5. Depreciation and amortization	135,933,018.61	15,019,786.38	8,178,610.12		159,131,415.11
6. Profit/(Loss) before tax	211,039,557.66	1,339,283,268.28	-8,516,304.79		1,541,806,521.15
7. Income tax	25,169,661.11	352,668,495.26	808.67		377,838,965.04
8. Net profit/(loss)	185,869,896.55	986,614,773.02	-8,517,113.46		1,163,967,556.11
9. Total assets	7,553,615,519.04	5,045,245,100.4	396,970,924.09	26,002,817.66	12,969,828,725.87
10. Total Liabilities	4,755,204,414.38	2,385,301,763.92	124,021,426.80	26,002,817.66	7,238,524,787.44
11. Other important non-cash items					
(1) Depreciation and amortization expenses other than the non-cash					
(2) Associates and joint ventures in the long-term equity investments	108,371,646.59	6,467,310.88			114,838,957.47
(3) Increase amount of non-current assets other than long-term equity investments	376,476,583.87	35,008,460.34	35,616,739.63		447,101,783.84

Segment report of year 2010:

Item	Segment: Textile machinery Amount	Segment: Provision of trust and fiduciary services Amount	Others Amount	Elimination Amount	Total Amount
1. External sales	5,939,583,186.48	940,652,067.01	406,997,315.22		7,287,232,568.71
2. Inter-segment sales	1,878,821.16			1,878,821.16	
3. Share of profit of associates	3,344,253.91		-725,458.25		2,618,795.66
4. Impairment loss in respect of assets	39,334,725.19		2,000,473.09		41,335,198.28
5. Depreciation and amortization	124,141,929.00	10,300,558.22	3,777,049.55		138,219,536.77
6. Profit/(Loss) before tax	124,609,866.93	498,576,585.34	45,404,959.06		668,591,411.33
7. Income tax	24,521,333.98	113,835,284.54	19,742,425.92		158,099,044.44
8. Net profit/(loss)	100,088,532.95	384,741,300.80	25,662,533.14		510,492,366.89
9. Total assets	8,897,802,359.42	2,043,313,997.82	420,541,203.35	21,198,517.56	11,340,459,043.03
10. Total Liabilities	6,416,141,492.08	504,004,868.34	122,995,947.96	21,198,517.56	7,021,943,790.82
11. Other important non-cash items					
(1) Depreciation and amortization expenses other than the non-cash					
(2) Associates and joint ventures in the long-term equity investments	92,227,174.58				92,227,174.58
(3) Increase amount of non-current assets other than long-term equity investments	484,134,848.27	9,225,429.21	9,832,088.19		503,192,365.67

Notes to the Financial Statements
For the year ended 31 December 2011

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

XVIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) By categories

	31-Dec-2011				1-Jan-2011			
	Amount	Proportion	Allowance for bad debt	Proportion	Amount	Proportion	Allowance for bad debt	Proportion
Significant balance under assessment of impairment individually	76,864,789.87	16.37%						
Aggregate balance under assessment by category of:								
Aging analysis	389,808,108.95	83.02%	13,621,970.30	3.49%	319,370,118.30	98.70%	16,986,236.17	5.32%
Subtotal	389,808,108.95	83.02%	13,621,970.30	3.49%	319,370,118.30	98.70%	16,986,236.17	5.32%
Insignificant balance under assessment of impairment individually	2,881,157.79	0.61%	1,805,903.42	62.68%	4,219,448.88	1.30%	2,680,317.89	63.52%
Total	469,554,056.61	100.00%	15,427,873.72		323,589,567.18	100.00%	19,666,554.06	

(2) Aging analysis of accounts receivable for impairment assessment on a portfolio basis

	31-Dec-2011				1-Jan-2011			
Aging	Amount	Proportion	Allowance for bad debt	Proportion	Amount	Proportion	Allowance for bad debt	Proportion
Less than 1 year	372,343,387.32	95.52%			299,219,800.72	93.69%		
1-2 years	4,766,285.04	1.22%	953,257.01	20.00%	3,768,303.55	1.18%	753,660.71	20.00%
2-3 years	59,446.60	0.02%	29,723.30	50.00%	298,877.13	0.09%	149,438.56	50.00%
Over 3 years	12,638,989.99	3.24%	12,638,989.99	100.00%	16,083,136.90	5.04%	16,083,136.90	100.00%
Total	389,808,108.95	100.00%	13,621,970.30		319,370,118.30	100.00%	16,986,236.17	

(3) Insignificant balance under assessment of impairment individually:

The contents of accounts receivable	Amount RMB	Provision for bad debt	Proportion	Provision grounds
Haiyan New Textile Printing and Dyeing Company Limited	1,817,496.62	1,138,554.61	62.64%	Confirmed by the irrecoverable amount
China Texmatech Company Limited	643,180.85	643,180.85	100.00%	Contractual dispute, expected to be irrecoverable
Dongying Tianxin Textile Company Limited	224,753.50			Payment agreement signed, regular repayment
Wuxi Jingwei Textile Technology Test Company Limited	135,557.41			Subsidiary, expected to be recoverable
Xinjiang Ailize Textile Company Limited	45,007.00	9,005.55	20.00%	Confirmed by the irrecoverable amount
Huafang Group Cotton Spinning Company Limited	15,162.41	15,162.41	100.00%	Expected to be irrecoverable
Total	2,881,157.79	1,805,903.42		

(4) Accounts receivable written off in 2011

Accounts receivable be written off by the Company is RMB 1,016,615.77 for the current year.

Notes to the Financial Statements
For the year ended 31 December 2011

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

XVIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (continued)

(5) There are no accounts receivable due from shareholders who hold 5% or more of voting share power in the Company. The accounts receivable include amount due from subsidiaries of RMB227,234,789.21, associates of RMB56,694,501.62, the actual controller of the Company of RMB581,844.00, and companies controlled or influenced by the key management personnel of the Company of RMB33,430.00.

(6) Top five accounts receivable as at 31 December 2011

Name	Relationship with the Company	Balance	Period	Proportion
Beida Xianxing Taian Technology Industry Corporation	Third party	62,182,150.00	1-2 years	13.24%
Beijing New Century Hongji Investment Guarantee Company Limited	Third party	40,000,000.00	Less than 1 year	8.52%
China Texmatech Company Limited	Associate	29,456,220.40	Less than 1 year	6.27%
Jingwei Machinery Group Company Limited	Associate	27,201,408.11	Less than 1 year	5.79%
Yichang Jingwei Textile Machinery Company Limited	Subsidiary	43,459,661.74	Less than 1 year	9.26%
Total		202,299,440.25		43.08%

2. Other receivables

(1) By categories

	31-Dec-2011				1-Jan-2011			
	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Significant balance under assessment of impairment individually	474,887,523.72	88.57%			190,368,561.91	35.63%		
Aggregate balance under assessment by category of:								
Aging analysis	25,069,774.99	4.68%	103,447.70	0.41%	342,914,806.21	64.17%	50,000.00	0.01%
Subtotal	25,069,774.99	4.68%	103,447.70	0.41%	342,914,806.21	64.17%	50,000.00	0.01%
Insignificant balance under assessment of impairment individually	36,241,018.96	6.75%	39,976.10	0.11%	1,064,083.22	0.20%	15,000.00	1.41%
Total	536,198,317.67	100.00%	143,423.80		534,347,451.34	100.00%	65,000.00	

(2) Aging analysis of other receivables under impairment assess on a portfolio basis

	31-Dec-2011				1-Jan-2011			
Aging	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Less than 1 year	24,752,536.49	98.73%			342,864,806.21	99.99%		
1-2 year	267,238.50	1.07%	53,447.70	20.00%				
Over 3 years	50,000.00	0.20%	50,000.00	100.00%	50,000.00	0.01%	50,000.00	100.00%
Total	25,069,774.99	100.00%	103,447.70		342,914,806.21	100.00%	50,000.00	

Notes to the Financial Statements
For the year ended 31 December 2011

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

XVIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(3) Insignificant balance under assessment of impairment individually

The contents of other receivables	Amount RMB	Provision for bad debt	Proportion	Provision grounds
Zhaoyin financial leasing company limited	7,500,000.00			Earnest money, expected to be recoverable
Subsidiary of Jingwei	28,420,634.57			Expected to be recoverable
Retention money	236,432.20			Expected to be recoverable
Others	83,952.19	39,976.10	47.62%	
Total	36,241,018.96	39,976.10		

(4) There are no other receivables due from shareholders with 5% or more voting share power in the Company. At the balance sheet date, the other receivables include the amount due from subsidiaries of RMB438,038,639.53, associates of RMB50,668,561.91, and companies controlled by the same parent company of the Company of RMB25,051.86.

(5) Top five other receivables as at 31 December 2011

Name	Relationship with the Company	Balance	Nature of receivables	Period	Proportion
Tianjin Hongda Textile Machinery Company Limited	Subsidiary	201,566,278.12	Loan	Within 3 year	37.59%
Wuxi Jingwei Textile Technology Testing Company Limited	Subsidiary	57,295,188.00	Inter Company Funds	Within 2 year	10.69%
Anhui Huamao Jingwei New Type Textile Company Limited	Associate	50,668,561.91	Loan	3-4 years	9.45%
Xianyang Jingwei Machinery Manufacturing Company Limited	Subsidiary	34,385,378.98	Inter Company Funds	Within 2 years	6.41%
Beijing Liangyou Investment Government Company Limited	Third party	29,200,000.00	Equity transfer	2-3years	5.45%
Total		373,115,407.01			69.59%

Notes to the Financial Statements
For the year ended 31 December 2011

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

XVIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment

(1) Listed by details

Name of Investee	Cost	As at 1 January 2011	Increase during the year	Decrease during the year	As at 31 December 2011	Proportion of ownership (%)	Accumulated Impairment	Impairment for the year	Cash dividends
1. Equity method									
China Texmatech Company Limited	30,000,000.00	59,467,090.94	5,408,700.50	2,501,819.72	62,373,971.72	25.00			2,501,819.72
Hongda Research Company Limited	20,000,000.00	11,866,671.36	20,794.46		11,887,465.82	40.00			
Jingwei Jixie Group Co., Ltd.	8,000,000.00	8,000,000.00	2,316,833.68		10,316,833.68	20.00			
Beijing Hengtian Fortune Investment Management Company Limited	10,000,000.00		15,597,017.50		15,597,017.50	20.00			
2. Cost method									
Hongda investment Company Limited	24,866,602.17	24,866,602.17			24,866,602.17	9.38	14,823,871.42	2,150,000.00	
Beijing Jingpeng Investment Management Company Limited	96,000,000.00	96,000,000.00			96,000,000.00	96.00			1,268,214.30
Shenyang Hongda Textile Machinery Company Limited	69,580,000.00	81,301,993.00			81,301,993.00	98.00			4,628,092.52
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			15,415,022.83
Yichang Jingwei Textile Machinery Company Limited	15,000,000.00	15,000,000.00			15,000,000.00	75.00			42,383,071.78
Tianjin Hongda Textile Machinery Company Limited	76,930,000.00	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			5,827,441.06
Qingdao Hongda Textile Machinery Company Limited	44,100,000.00	96,009,790.51			96,009,790.51	97.66			32,932,199.64
Shanghai Chuangan Trading Company Limited	1,800,000.00	1,800,000.00			1,800,000.00	90.00			151,660.40
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			23,319,772.79
Wuxi Hongda Textile Machinery and Special Parts Company Limited	2,000,000.00	4,765,534.00			4,765,534.00	10.00			1,000,000.00
Wuxi Jingwei Textile Technology Testing Company Limited	32,960,000.00	34,152,507.00			34,152,507.00	66.55			
Wuxi Jingwei Textile Technology Sales Company Limited	4,793,503.17	4,793,503.17			4,793,503.17	100.00			
Xianyang Jingwei Machinery Manufacturing Company Limited	57,468,693.00	61,469,929.00			61,469,929.00	99.33			
Zhengzhou Hongda New Textile Machinery Company Limited	23,010,000.00	80,805,191.00			80,805,191.00	98.00			651,473.35
Jingwei Textile Machinery Yuci Material Company Limited	4,960,000.00	5,000,000.00			5,000,000.00	99.92			147,657.47
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	35,850,000.00	35,860,000.00			35,860,000.00	89.65			98,507.43
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	7,051,007.42		
Jinzhong Jingwei Foundry Company Limited	17,200,000.00	17,200,000.00			17,200,000.00	68.80			
Xianyang Jingwei Textile Machinery Company Limited	48,200,000.00	48,200,000.00			48,200,000.00	97.33			
Hubei Xinchufeng Automobile Company Limited	150,000,000.00	100,000,000.00	50,000,000.00		150,000,000.00	75.00			
Anshan Jingwei Haihong Agricultural Machinery Company Limited	38,855,400.00	38,855,400.00			38,855,400.00	51.00			
Zhongrong International Trust Company Limited	1,585,565,021.62	1,191,016,921.62	394,548,100.00		1,585,565,021.62	36.60			
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	18,810,000.00		18,810,000.00		18,810,000.00	51.00			
Total		2,412,792,506.15	486,701,446.14	2,501,819.72	2,896,992,132.57		21,874,878.84	2,150,000.00	130,324,933.29

Notes to the Financial Statements
For the year ended 31 December 2011

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

XVIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Operating income and operating costs

(1) Operating income/costs

Item	2011	2010
Principal operating income	3,888,401,722.91	3,334,660,874.92
Other operating income	1,284,403,389.10	1,105,002,939.82
Total	5,172,805,112.01	4,439,663,814.74
Principal operating costs	3,608,412,558.99	3,180,462,523.04
Other operating costs	1,232,377,565.80	1,044,519,203.14
Total	4,840,790,124.79	4,224,981,726.18

(2) Classified by product and industry

	2011		2010	
Industry name	Operating income	Operating costs	Operating income	Operating costs
Principal operating activities	3,888,401,722.91	3,608,412,558.99	3,334,660,874.92	3,180,462,523.04
Including: Textile machinery	3,888,401,722.91	3,608,412,558.99	3,334,660,874.92	3,180,462,523.04
Other operating activities	1,284,403,389.10	1,232,377,565.80	1,105,002,939.82	1,044,519,203.14
Including: Textile machinery	1,284,403,389.10	1,232,377,565.80	1,105,002,939.82	1,044,519,203.14
Total	5,172,805,112.01	4,840,790,124.79	4,439,663,814.74	4,224,981,726.18

(3) Classified according to regions

	2011		2010	
Region	Operating income	Operating costs	Operating income	Operating costs
Principal operating activities	3,888,401,722.91	3,608,412,558.99	3,334,660,874.92	3,180,462,523.04
Domestic income	3,565,158,523.02	3,297,331,379.31	3,012,723,191.75	2,888,769,395.41
Oversea income	323,243,199.89	311,081,179.68	321,937,683.17	291,693,127.63
Other operating activities	1,284,403,389.10	1,232,377,565.80	1,105,002,939.82	1,044,519,203.14
Domestic income	1,284,403,389.10	1,232,377,565.80	1,105,002,939.82	1,044,519,203.14
Total	5,172,805,112.01	4,840,790,124.79	4,439,663,814.74	4,224,981,726.18

(4) Top five customers for the year ended at 31 December 2011

Customers	Operating income	Proportion
Qingdao Hongda Textile Machinery Company Limited	456,786,263.20	8.83%
China Texmatech Company Limited	262,355,264.84	5.07%
Yichang Jingwei Textile Machinery Company Limited	175,525,390.70	3.39%
Huafang Xiuwu Textile Company Limited	145,766,191.05	2.82%
Xinjiang Liufu Textile Industrial Area Company Limited	132,202,564.13	2.56%
Total	1,172,635,673.92	22.67%

Notes to the Financial Statements
For the year ended 31 December 2011

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

XVIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Investment income

(1) Disclosure of investment income by item is as follows:

source of investment income	2011	2010
Investment income under cost method	127,823,113.57	93,880,000.00
Investment income under equity method	12,519,195.98	-6,760,718.37
Gain on disposal of long-term equity investment		-12,953,031.96
Gain on disposal of held-for-trading financial assets	569,732.40	321,635.05
Total	140,912,041.95	74,487,884.72

(2) Investment income under the cost method

Name of investee	2011	2010	Reason of change
Beijing Jingwei Textile Machinery New Technology Co., Ltd.		93,480,000.00	No dividend distribution during this year
Wuxi Hongda Textile Machinery and Special Parts Company Limited	1,000,000.00	400,000.00	Distribute dividend
Yichang Jingwei Textile Machinery Company Limited	42,383,071.78		Distribute dividend
Qingdao Hongda Textile Machinery Company Limited	32,932,199.64		Distribute dividend
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	23,319,772.79		Distribute dividend
Changde Textile Machinery Company Limited	15,415,022.83		Distribute dividend
Tianjin Jingwei New Type Textile Machinery Company Limited	5,827,441.06		Distribute dividend
Shenyang Hongda Textile Machinery Company Limited	4,628,092.52		Distribute dividend
Beijing Jingpeng Investment Management Company Limited	1,268,214.30		Distribute dividend
Zhengzhou Hongda New Textile Machinery Company Limited	651,473.35		Distribute dividend
Shanghai Chuangan Trading Company Limited	151,660.40		Distribute dividend
Jingwei Textile Machinery Yuci Material Company Limited	147,657.47		Distribute dividend
Shanxi Jingwei Textile Machinery and Special Parts Co., Ltd.	98,507.43		Distribute dividend
Total	127,823,113.57	93,880,000.00	

Notes to the Financial Statements
For the year ended 31 December 2011

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

XVIII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Investment income (continued)

(3) Investment income under the equity method

Name of investee	2011	2010	Reason of change
China Texmatech Company Limited	4,560,084.74	7,715,811.03	Profit under normal operation change
Hongda Research Company Limited	45,260.06	-13,731,812.56	Significant loss incurred in previous year
Jingwei Machinery Group Company Limited	2,316,833.68		Profit under normal operation
Beijing Hengtian Fortune Investment Management Company Limited	5,597,017.50		Profit under normal operation
Zhengzhou Hongda Non-woven Fabric Company Limited		-992,197.58	The company was disposed last year
Hengyang Textile Machinery Company Limited		247,480.74	The company was disposed last year
Total	12,519,195.98	-6,760,718.37	

Note: No restriction in receiving investment income

6. Supplementary information of the cash flow statement

Category	2011	2010
Reconciliation of net profit to cash flow from operating activities:		
Profit before taxation	116,239,230.81	12,381,104.48
Add: Impairment loss	3,160,737.70	32,816,831.68
Depreciation of fixed assets	36,064,378.51	33,609,648.71
Amortization of intangible assets	4,196,411.18	4,647,472.78
Amortization of long-term deferred payment		
Gains on disposal of fixed assets	-962,010.55	11,111,068.96
Loss on fair value change	121,180.99	
Finance cost	80,077,752.38	63,577,452.41
Investment losses	-140,912,041.95	-74,487,884.72
Decrease in deferred tax assets		
Decrease in inventories	-41,849,862.14	31,831,321.34
Decrease (Increase) in trade receivables	53,714,262.73	-1,176,628,812.80
Decrease (Increase) in trade payables	7,527,838.95	1,175,294,511.49
Others		
Net cash flow from operating activities	117,377,878.61	114,152,714.33
Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	431,749,529.22	1,066,843,362.54
Less: Opening balance of cash and cash equivalents	1,066,843,362.54	1,024,391,879.25
Net increase in cash and cash equivalents	-635,093,833.32	42,451,483.29

Notes to the Financial Statements
For the year ended 31 December 2011

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

XIX. SUPPLEMENTARY INFORMATION

1. Details of non-recurring profit or loss during the reporting period

Detail of non-recurring profit or loss items	**2011**	**2010**
(1) Gains/losses from disposal of fixed assets	4,905,453.69	83,109,874.79
(2) Tax refund or exemption from unauthorized approval or non-official approved document or contingency	1,173,570.00	
(3) Government grant which recorded into profit/loss of current year except that relevant to enterprise operation and in compliance with government policies	16,760,245.56	60,483,494.60
(4) Capital occupation income from non-financial enterprise credited to current income statement		
(5) Gains from the excess of the enterprise share of the net fair value of identifiable net assets over the cost of acquisition of the subsidiary, jointly controlled entity and associate		
(6) Gains/losses from the exchange of non-monetary assets		
(7) Gains/losses from trusted investment or assets of management		
(8) Losses on provision for impairment of assets due to force majeure i.e. natural disaster		
(9) Debt restructuring gains/losses	-405,099.64	1,430,885.64
(10) Restructuring expense, i.e. employee placement, integration costs etc.	-12,930,746.84	
(11) Gains/losses from the excess over fair value of an unfair transaction		
(12) Current net profit/loss of subsidiary under the common control from the beginning of the year of consolidation to the consolidation date		
(13) Gains/Losses from contingencies irrelevant to the normal operations		
(14) Investment income from disposal of held-for-trading financial assets, trading financial liabilities and available-for-sale financial assets and gains/losses from fair value change of held-for-trading financial assets, trading financial liabilities and available-for-sale financial assets except the hedging relevant to the principal business	-95,168.47	3,963,877.12
(15) Reversal of the provision for impairment of accounts receivable under the independent test	-2,531,302.34	
(16) Gains/losses from trusted loan		
(17) Gains/loss from variation of fair value of investment property		
(18) Effects of one-off adjustment on current profit/loss in accordance with taxation and accounting regulations		
(19) Hosting income from entrusted operations		
(20) Other non-operating income and expense Except above	-480,579.13	4,137,428.65
(21) Other extraordinary gains/losses		
Total non-recurring profit or loss	6,396,372.83	153,125,560.80
Less: Effect on taxation	425,982.30	16,637,253.24
Effect on minority interest (after tax)	262,169.57	12,537,039.48
Total	5,708,220.96	123,951,268.08

2. The differences between financial statements prepared under ASBE and IFRS

	Net profit		**Net Assets**	
	2011	**2010**	**Ending balance**	**Beginning balance**
Under ASBE	1,163,967,556.11	510,492,366.89	5,731,303,938.43	4,318,515,252.21
Under IFRS	1,163,967,556.11	510,492,366.89	5,731,303,938.43	4,318,515,252.21

There is no difference in net profit and net assets in the financial statements prepared by the Group in accordance with ASBE and IFRS.

Notes to the Financial Statements
For the year ended 31 December 2011

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

XIX. SUPPLEMENTARY INFORMATION (CONTINUED)

3. Rate of return on net assets and earnings per share

This rate of return on net assets table was prepared by the company in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and disclosures for the rate of return on net assets and earnings per share" (as amended in 2010) issued by the China Securities Regulatory Commission.

2011	Weighted average rate of return on net assets		Earnings/Losses per share			
			Basic EPS		Diluted EPS	
	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2011
Net profit attributable to ordinary shares	15.09%	8.46%	0.81	0.41	0.81	0.41
Net profit (excluding non-operating profit) attribute to ordinary shares	14.91%	4.18%	0.80	0.20	0.80	0.20

Calculation:

ROE's computational formula: ROE=P/(EO+NP/2+Ei*Mi/MO-Ej*Mi/MO). Where P, are profits during the period; NP, net profits during the period; EO, net assets at the beginning of the period. Ei, new net assets from issue of shares or debt to equity during the period; Ej, decrease in net assets due to repurchase or cash dividends during the period; MO, months during the period; Mi, months from the next month of increasing net asset to the end of the reporting period; Mj, months from the next month of decreasing net asset to the end of the reporting period.

Basic EPS = P÷S= P/(S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk) Where: P refers to net profit attributable to ordinary shares and net profit (excluding non-operating profit) attributable to ordinary shares; S refers to weighted average amount of ordinary shares issued;S0 refers to the sum of shares at the beginning of the period;S1 refers to the increases of shares due to transferred from capital reserve or share dividend; Si refers to the increases of shares due to right issue or convertible bond; Sj refers to the decreases of shares due to shares repurchase; Sk refers to the decreases of shares due to stock reserve split-up in the reporting period; M0 refers to the amount of months in the reporting period; Mi refers to the amount of months from the next month of that increase of shares to the end of the period; Mj refers to the amount of months from the next month of that decrease of shares to the end of the period;

Diluted EPS = P1÷(S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk+increase of weighted average amount of ordinary shares due to warrant, share option or convertible bond). Where: P1 refers to net profit attributable to ordinary shares and net profit (exclusive of non-operation profit) attributable to ordinary shares, consider the effects of the dilution potential ordinary shares and modulate it according to "Enterprise Accounting Principle" and the relevant regulations. When calculating the diluted earnings per share, all effects of diluted potential ordinary shares on P1 and weighted average shares shall be taken into consideration. The dilution potential ordinary shares shall be included in diluted EPS according to the degree of dilution in descending order, until the diluted earnings per share reach the minimum amount.

Notes to the Financial Statements
For the year ended 31 December 2011

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

XIX. SUPPLEMENTARY INFORMATION (CONTINUED)

4. Analysis on Changes of financial statements items

The following analysis on changes of items in the financial statements was prepared by the company in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 15) – General Requirements for Financial Reports" (as amended in 2007) issued by the China Securities Regulatory Commission.

Item	31-Dec-2011	1-Jan-2011	Variance	Notes
Cash and cash equivalents	3,988,190,008.10	2,415,614,051.14	65.10%	Note1
Held-for-trading financial assets	253,226,491.88	84,349,920.20	200.21%	Note2
Interest receivable		3,637,500.00	-100.00%	Note3
Sales and buy back of financial assets		24,000,000.00	-100.00%	Note3
Inventory	1,515,923,991.98	1,161,955,806.98	30.75%	Note4
Other current assets	1,225,749.22	19,070,000.00	-93.57%	Note5
Available-for-sale financial assets	589,545,330.98	954,209,347.83	-38.22%	Note6
Long-term receivables	14,693,407.10	62,039,867.83	-76.32%	Note7
Long-term equity investments	180,711,961.60	304,589,878.71	-40.49%	Note8
Construction in progress	315,096,741.08	225,737,563.46	39.59%	Note9
Material held for construction	12,086,403.58	1,204,820.00	903.17%	Note10
Deferred tax assets	182,942,787.89	23,998,702.36	662.30%	Note11
Long-term deferred payments	18,618,554.54	9,225,429.21	101.82%	Note12
Short-term borrowings	1,715,651,450.37	929,296,030.62	84.62%	Note13
Bills payable	399,241,466.37	225,171,544.61	77.31%	Note14
Employee benefits payables	670,416,772.39	358,613,366.48	86.95%	Note15
Dividends payables	4,057,201.21	2,149,115.58	88.78%	Note16
Other payables	414,136,932.51	925,428,565.13	-55.25%	Note17
Long-term borrowings	60,000,000.00	218,370,000.00	-72.52%	Note18
Long-term payables	125,863,655.09	247,966,078.34	-49.24%	Note19
Total Operating revenues	7,272,369,776.75	6,346,580,501.70	14.59%	Note20
Operating costs	6,115,704,282.02	5,502,328,724.76	11.15%	Note20
Interest income	96,264,639.94	19,371,650.39	396.94%	Note21
Fee and commission income	2,882,013,985.75	921,280,416.62	212.83%	Note21
Interest expense	1,066,625.00	328,562.50	224.63%	Note21
Sales taxes and levies	201,594,406.20	83,524,130.83	141.36%	Note22
Administrative expenses	2,022,031,683.81	993,848,984.25	103.45%	Note23
Finance cost	73,769,625.44	43,800,050.23	68.42%	Note24
Impairment loss	35,233,229.28	41,335,198.28	-14.76%	Note25
Gains on fair value change	-137,726,693.69	27,119,250.36	-607.86%	Note26
Investment income	21,690,921.42	116,896,898.27	-81.44%	Note27
Non-operating revenue	33,076,219.78	92,747,920.69	-64.34%	Note28
Non-operating expenses	11,737,332.19	23,726,719.07	-50.53%	Note29
Income tax	377,838,965.04	158,099,044.44	138.99%	Note27
Other comprehensive income	-170,875,025.33	161,212,065.96	-205.86%	Note31

Note 1: Cash and cash equivalent increased at the end of 2011 compared with 2010. The increasing in operating income contributed to more net operating cash inflow. Meanwhile, the increase of short-term borrowings was another reason for the increase of cash and cash equivalent.

Note 2: Held-for-trading financial assets increased at the end of 2011 compared with 2010, mainly because Zhongrong International Trust Company Limited increases the self operated securities business

Note 3: Interest receivable has decreased to zero at the end of the year 2011 compared to last year. Interest receivables included provision of interest income from sale-and-buy-back financial assets. During the year, the asset was fully disposed and interest income was received. Therefore interest receivable is zero at the year end.

Note 4: Due to the decrease in the demand of thread spinning machine and the relevant storing of inventories increasing, the inventories increased at the end of the year compared to 2011.

Note5: Other financial assets are the broken even financial product which has been expired and taken back, while other financial assets present the prepaid enterprise income tax in current year.

Note 6: The main reason for available-for-sale financial assets decreased at the end of 2011 compare to 2010. It is that the financial assets bought last year has been taken back. Moreover, the other reason was the financial assets incurred a substantial loss on fair value change at the end of the year.

Note 7: Long-term receivables decreased at the end of 2011 compared to 2010 mainly due to settlement received from installment sales incurred in previous year.

Note 8: Long-term equity investments decreased at the end of 2011 compared with 2010, mainly due to the dispose of an investment in the company of Hengtian Real Estate Company Limited.

Notes to the Financial Statements
For the year ended 31 December 2011

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

XIX. SUPPLEMENTARY INFORMATION (CONTINUED)

4. Analysis on Changes of financial statements items (continued)

Note 9: Construction in progress increased at the end of 2011 compared with 2010, mainly due to the expenditure of textile machinery project constructed this term increased.

Note10: Compared to 2010, the material held for construction increased at the end of 2011, which is mainly due to the prepayment for the acquisition of machinery of the textile and machinery project.

Note 11: The deferred tax assets increased compared with last year mainly due to the increased deductable temporary difference which leads to the increasing in the relevant deferred tax assets.

Note12: Long term deferred payment increased at the end of year 2011 compared to 2010. It was because of increase of refurbishment expense for fixed assets leased out under operating lease.

Note 13: Short term borrowing increased at the end of year 2011 compared to 2010. It was because the Group needs more for furnish the increase of purchase due to the increase of sales demand.

Note 14: Bills payable increased at the end of year 2011 compared to 2010. It was because of the increase of purchase due to the increase of sales demand.

Note 15: Employee benefits payables increased at the end of 2011 compared to 2010. It was mainly because of the multiplied employee benefits.

Note 16: Dividend payables increased at the end of 2011 compared to 2010 mainly because the dividends proposed during this year were not yet settled before the year end.

Note17: Dividend payables decreased at the end of 2011 compared to 2010. It was because of the settlement of contingent consideration of RMB500,000,000.00 for acquisition of Zhongrong International Trust Company Limited in 2010.

Note 18: Long term borrowing decreased at the end of 2011 compared to 2010. It was mainly due to repayment of the bank borrowings.

Note 19: Long term payables decreased at the end of 2011 compared to 2010. It was reclassification of the contingent consideration for the acquisition of Zhongrong International Trust Company Limited into other non-current liabilities due within one year.

Note 20: Operating income and operating costs increased for 2011 compared to 2010 mainly because the sales demand of the Group increased, hence the operating cost relatively increased.

Note 21: Interest income and fee and commission income increased for 2011 compared to 2010. It is mainly due to the consolidation of Zhongrong International Trust Company Limited's annual income statement for the merge in the medium term of last year which is consolidated from the date of merge to the year end.

Note 22: Sales taxes and levies increased for 2011 compared to 2010. It is mainly due to the consolidation of Zhongrong International Trust Company Limited's annual income statement for the merge in the medium term of last year which is consolidated from the date of merge to the year end.

Note 23: Administrative expenses increased for 2011 compared to 2010. It is for the reason of better economic benefits with higher employee cost of Zhongrong International Trust Company Limited. Besides, the Group has consolidated the annual income statement for the merge in the medium term of last year which is consolidated from the date of merge to the year end.

Note 24: Interest expenses increased for 2011 compared to 2010. It is for the reason that both borrowing principals and interest rate increased which lead to the higher of interest expenses.

Note 25: Impairment loss in respect of assets increased for 2011 compared to 2010. It is mainly because the Group provided less impairment losses for the assets with impairment indicators.

Note 26: Gains on fair value changes decreased for 2011 compared to 2010. It is due to the fair value's downturn of self-supporting buy shares of Zhongrong International Trust Company Limited.

Note 27: The gains on disposing of share equity decreased for 2011 compared to 2010. Meanwhile, investment loss on disposing of held-for –trading financial assets is large.

Note 28: Non-operating revenue decreased for 2011 compared to 2010. It is due to the decrease in government grant.

Note 29: Non-operating expenditure decreased for 2011 compared to 2010. It is due to the decrease in the loss of disposing of non-current assets.

Note 30: Taxes for 2011 compared to 2010. It is due to a better sale situation.

Note 31: Other comprehensive income decreased for 2011 compared to 2010. The main reasons for which is that the fair value of available-for-sale financial assets of Zhongrong Trust Company Limited, the subsidiaries of the Company, decreased largely and the capital reserve decreased meanwhile.

Chapter XII Independent Auditor's Report

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
2nd Floor, 625 King's Road
North Point, Hong Kong
香港北角英皇道625號2樓

TO THE MEMBERS OF JINGWEI TEXTILE MACHINERY COMPANY LIMITED
(Incorporated in People's Republic of China with limited liability)

We have audited the consolidated financial statements of Jingwei Textile Machinery Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 165 to 242, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 March 2012

Lo Wing See
Practising certificate number P04607

Chapter XIII Accounts Prepared in Accordance with Hong Kong Financial Reporting Standards

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	Note	2011 *RMB'000*	2010 *RMB'000*
Continuing operations			
Turnover	5	10,201,720	6,987,647
Cost of sales		(6,295,158)	(5,376,064)
Gross profit		3,906,562	1,611,583
Other income	7	133,477	170,113
(Loss)/gain on fair value changes of financial assets at fair value through profit or loss		(137,727)	27,119
Distribution and selling expenses		(164,185)	(149,417)
Administrative expenses		(2,101,666)	(1,052,663)
Finance costs	8	(103,049)	(76,754)
Share of profit of associates		8,394	3,344
Profit before taxation	9	1,541,806	533,325
Income tax expense	10	(377,839)	(124,192)
Profit for the year from continuing operations		1,163,967	409,133
Discontinued operations			
Profit for the year from discontinued operations	11	–	101,360
Profit for the year		1,163,967	510,493
Other comprehensive income	12		
Exchange difference on translation of a foreign operation		(329)	(146)
Fair value (loss)/gain on available-for-sale financial assets		(228,493)	214,874
Share of other comprehensive income of associates		825	203
Income tax relating to components of other comprehensive income		57,123	(53,719)
Other comprehensive (expense)/income for the year, net of income tax		(170,874)	161,212
Total comprehensive income for the year		993,093	671,705
Profit for the year attributable to:			
Owners of the Company		490,793	244,717
Non-controlling interests		673,174	265,776
		1,163,967	510,493
Total comprehensive income attributable to:			
Owners of the Company		428,705	302,788
Non-controlling interests		564,388	368,917
		993,093	671,705
Earnings per share	15		
From continuing and discontinued operations – Basic and diluted		RMB0.81	RMB0.41
From continuing operations – Basic and diluted		RMB0.81	RMB0.25

The notes on page 170 to 242 form part of these consolidated financial statements.

Consolidated Statement of Financial Position
At 31 December 2011

	Note	2011 *RMB'000*	2010 *RMB'000*
Non-current assets			
Property, plant and equipment	16	1,925,234	1,679,631
Prepaid lease payments	17	482,390	436,147
Intangible assets	18	24,289	26,521
Goodwill	19	845,633	843,157
Interests in associates	20	114,839	92,227
Available-for-sale financial assets	21	655,418	1,166,572
Deferred tax assets	22	182,943	23,999
Other non-current assets	23	14,693	62,040
		4,245,439	4,330,294
Current assets			
Inventories	24	1,515,924	1,161,956
Trade and other receivables	25	2,718,958	2,975,709
Prepaid lease payments	17	11,470	10,286
Amounts due from a holding company	26	64	64
Amounts due from fellow subsidiaries	26	30,433	37,479
Amounts due from associates	26	204,900	305,638
Current tax assets		1,225	–
Financial assets at fair value through profit or loss	27	253,226	103,420
Pledged bank deposits	28	180,339	65,022
Cash and cash equivalents	28	3,807,851	2,350,592
		8,724,390	7,010,166
Current liabilities			
Trade and other payables	29	4,328,922	4,280,894
Amounts due to holding companies	26	27,532	27,532
Amounts due to fellow subsidiaries	26	284,520	327,717
Amounts due to associates	26	36,559	57,942
Current tax liabilities		150,696	134,972
Borrowings-amount due within one year	30	1,984,022	1,450,133
Obligations under finance leases	31	31,347	28,915
		6,843,598	6,308,105
Net current assets		1,880,792	702,061
Total assets less current liabilities		6,126,231	5,032,355
Non-current liabilities			
Borrowings-amount due after one year	30	60,000	278,370
Obligations under finance leases	31	57,834	87,620
Other non-current liabilities	32	277,092	347,849
		394,926	713,839
		5,731,305	4,318,516
Capital and reserves			
Share capital	33	603,800	603,800
Reserves		2,794,587	2,460,319
Equity attributable to owners of the Company		3,398,387	3,064,119
Non-controlling interests		2,332,918	1,254,397
		5,731,305	4,318,516

The consolidated financial statements on pages 3 to 108 were approved by the Board of Directors on 28 March 2012 and are signed on its behalf by:

Ye Maoxin
Director

Yao Yuming
Director

The notes on page 170 to 242 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2011

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note 34(b))	Discretionary surplus reserve RMB'000 (note 34(c))	Regulatory reserve RMB'000 (note 34(d))	Investment revaluation reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010	603,800	1,244,376	396,772	177,764	–	–	(2,887)	337,092	2,756,917	165,974	2,922,891
Profit for the year	–	–	–	–	–	–	–	244,717	244,717	265,776	510,493
Other comprehensive income for the year, net of income tax	–	–	–	–	–	58,217	(146)	–	58,071	103,141	161,212
Total comprehensive income for the year	–	–	–	–	–	58,217	(146)	244,717	302,788	368,917	671,705
Appropriation to reserve	–	–	28,072	–	7,715	–	–	(35,787)	–	–	–
Non-controlling interests arising on business combination (note 37(a))	–	–	–	–	–	–	–	–	–	760,902	760,902
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	66,720	66,720
Disposal of a subsidiary (note 38)	–	–	–	–	–	–	–	–	–	(106,452)	(106,452)
Changes in ownership interest in a subsidiary that do not result in a loss of control (note 37(b))	–	4,414	–	–	–	–	–	–	4,414	936	5,350
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,600)	(2,600)
At 31 December 2010	603,800	1,248,790	424,844	177,764	7,715	58,217	(3,033)	546,022	3,064,119	1,254,397	4,318,516
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 for the year	–	–	–	–	–	–	–	490,793	490,793	673,174	1,163,967
Other comprehensive loss for the year, net of income tax	–	–	–	–	–	(61,759)	(329)	–	(62,088)	(108,786)	(170,874)
Total comprehensive income for the year	–	–	–	–	–	(61,759)	(329)	490,793	428,705	564,388	993,093
Appropriation to reserve	–	–	67,530	1,144	18,798	–	–	(87,472)	–	–	–
Non-controlling interests arising on business combination (note 37(a))	–	–	–	–	–	–	–	–	–	15,694	15,694
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	572,400	572,400
Changes in ownership interest in a subsidiary that do not result in a loss of control (note 37(b))	–	(52,171)	–	–	–	–	–	–	(52,171)	(64,777)	(116,948)
Payment of dividends approved in respect of previous year (note 14)	–	–	–	–	–	–	–	(42,266)	(42,266)	–	(42,266)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(9,184)	(9,184)
At 31 December 2011	603,800	1,196,619	492,374	178,908	26,513	(3,542)	(3,362)	907,077	3,398,387	2,332,918	5,731,305

The notes on page 11 to 108 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2011

	Note	2011 *RMB'000*	2010 *RMB'000*
Operating activities			
Profit before taxation including discontinued operations		1,541,806	671,012
Adjustments for:			
Depreciation of property, plant and equipment		141,310	124,722
(Gain)/loss on disposal of property, plant and equipment		(803)	12,193
Amortisation of intangible assets		6,963	5,461
Amortisation of prepaid lease payments		10,859	9,718
Interest income		(15,862)	(32,967)
Interest expenses		97,635	77,667
Fair value changes of contingent consideration liability for business combination		5,414	2,167
Gain on disposal of a subsidiary		(5,095)	(86,517)
Impairment loss recognised in respect of trade and other receivables, net		5,466	2,841
Impairment loss recognised in respect of available-for-sale financial assets		2,150	–
Loss on disposal of associates		–	5,585
Share of results of associates		(8,394)	(2,619)
Dividend income from available-for-sale financial assets		(16,050)	(2,232)
Write-down of inventories		27,618	19,210
Impairment loss recognised in respect of property, plant and equipment		–	7,034
Loss/(gain) on disposal of available-for-sale financial assets		540	(1,297)
Loss/(gain) on disposal of financial assets at fair value through profit or loss		23,089	(24,776)
Gain on disposal of prepaid lease payments		–	(12,877)
Loss on disposal of intangible assets		708	–
Waiver of trade and other payables		(991)	(1,431)
Unrealised exchange gain		(17,826)	(5,291)
Operating cash flows before movements in working capital		1,798,537	767,603
Decrease in properties under development for sale		–	116,258
Increase in completed properties for sale		–	(62,425)
Increase in inventories		(337,140)	(85,298)
Decrease/(increase) in trade and other receivables		170,572	(1,157,150)
Decrease in amounts due from fellow subsidiaries		7,046	50,437
Decrease/(increase) in amounts due from associates		100,738	(138,381)
(Increase)/decrease in financial assets at fair value through profit or loss		(172,895)	87,461
(Decrease)/increase in trade and other payables		(30,910)	1,554,789
Increase in amounts due to holding companies		–	3,600
(Decrease)/increase in amounts due to fellow subsidiaries		(80,775)	283,605
(Decrease)/Increase in amounts due to associates		(21,383)	44,790
Increase/(decrease) in retirement benefit obligations		729	(2,098)
Increase/(decrease) in deferred income and others		11,198	(1,882)
Cash generated from operations		1,445,717	1,461,309
PRC Enterprise Income Tax paid		(465,689)	(58,759)
Net cash generated from operating activities		980,028	1,402,550

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2011

	Note	2011 *RMB'000*	2010 *RMB'000*
Investing activities			
Purchase of property, plant and equipment		(490,229)	(433,359)
Purchase of available-for-sale financial assets		(78,200)	(523,802)
(Increase)/decrease in pledged bank deposits		(115,317)	5,298
Decrease/(increase) in other receivables		47,347	(12,772)
Additions of prepaid lease payments		(53,442)	(17,157)
Acquisition of associates		(16,500)	(12,400)
Purchase of intangible assets		(5,439)	(9,193)
Proceeds from disposal of property, plant and equipment		124,605	84,580
Proceeds from disposal of available-for-sale financial assets		358,171	2,468
Proceeds from disposal of prepaid lease payment		–	16,674
Interest received		15,862	32,967
Dividend received from an associate		2,502	2,432
Dividend received from available-for-sale financial assets		16,050	2,232
Proceeds from disposal of a subsidiary	38	12,841	(98,287)
Proceeds from acquisitions of subsidiaries	37(a)	13,262	4,793
Proceeds from disposal of associates		–	17,619
Net cash used in investing activities		(168,487)	(937,907)
Financing activities			
New borrowings raised		1,898,758	1,204,070
Increase in borrowings related to discounted bills		5,650	109,035
Repayments of bank loans		(1,548,134)	(650,941)
Grant and allowance received from government		10,361	69,009
Interest paid		(91,507)	(76,738)
Capital injection from non-controlling interests		572,400	66,720
Dividends paid to non-controlling interests		(7,276)	(1,999)
Dividends paid		(42,266)	(17,608)
Proceeds from changes in ownership interests in a subsidiary that do not result in a loss of control		–	5,350
Acquisition of additional interests in subsidiaries		(116,948)	–
Capital element of finance lease rental paid		(28,704)	(20,681)
Interest element of finance lease rental paid		(6,020)	(6,784)
Net cash generated from financing activities		646,314	679,433
Net increase in cash and cash equivalents		1,457,855	1,144,076
Cash and cash equivalents at beginning of the reporting period		2,350,592	1,207,372
Effect of foreign exchange rate changes		(596)	(856)
Cash and cash equivalents at end of the reporting period		3,807,851	2,350,592
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents		3,807,851	2,350,592

The notes on page 170 to 242 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

1 GENERAL INFORMATION

Jingwei Textile Machinery Company Limited (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 of Hong Kong”) and Shenzhen Stock Exchange. Its immediate substantial shareholder is China Textile Machinery (Group) Company Limited (“CTMC”), a company established in the PRC which holds 33.83% of the equity interest in the Company with controlling interest. The remaining 66.17% of the Company’s shares are widely held. The directors regard the Company’s parent company is CTMC and the Company’s ultimate holding company is China Hengtian Group Company (“China Hengtian”). China Hengtian is a state-owned enterprise established in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Company.

The Company and its subsidiaries (the “Group”) are principally engaged in manufacturing and sales of textile machinery and provision of trust and fiduciary services mainly in the PRC.

The Group disposed of its major business line of property development during year 2010 and such business is classified as discontinued operations.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

In the current year, the Group has applied the following Amendments and Interpretations (“new and revised HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (As revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 24 (Revised), “Related Party Disclosures” is effective for annual periods beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with requirement to disclose:

– The name of the government and the nature of their relationship;

– The nature and amount of any individually significant transactions; and

– The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. Please refer to note 44 for disclosures of transactions among government related entities.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements (2011)[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures (2011)[4]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

The amendments to HKFRS 7 titled Disclosures – *Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors anticipate that the application of the amendments may result in more extensive disclosures about transferred financial assets (e.g. endorsed bills receivable and discounted bills receivable) in the financial statements.

The amendments to HKFRS 7 titled *Disclosure – Offsetting Financial Assets and Liabilities* issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

New and revised HKFRSs issued but not yet effective (continued)

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of HKFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, which is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement.

The directors anticipate that the application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12.

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 Financial Instruments: Disclosures. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements.

The directors anticipate that the application of HKFRS 13 may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The directors anticipate that the application of the amendments to HKAS 1 modifies the presentation of items of other comprehensive income accordingly.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

New and revised HKFRSs issued but not yet effective (continued)

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The directors anticipate that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The directors anticipate that the above new and revised HKFRSs issued but not yet effective will be adopted in the Group's financial statements for the annual period when they become effective.

Other than as described above, the directors of the Company anticipate that the application of other new and revised Standards, Amendments and Interpretations will have no material impact on the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the significant accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRSs.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

When the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investment in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Fiduciary activities

The Group's fiduciary business refers to the management of trusted assets for customers in accordance with custody agreements signed by the Group and securities investment funds and other institutions. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as items out of the consolidated statement of financial position.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, returns and sales related taxes. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Revenue from the sales of properties in ordinary course of business is recognised when the significant risks and rewards of ownership of the properties are transferred to buyers. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Subcontracting service income is recognised when such services are rendered.

Trust fee and performance fee income is recognised in profit or loss when the corresponding trust and fiduciary service is provided. Trust fee income represents amounts receivable for services in relation to the management of trusted assets, net of sales related taxes. Performance fee income arising from the management of trusted assets, which is recognised when the amount can be measured reliably and it is probable that future economic benefit will flow to the Group, taking into consideration the performance of trusted assets and the relevant basis of calculation.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land held for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "foreign currency translation reserve".

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of "foreign currency translation reserve".

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Companies within the Group, which were established in the PRC, contribute to defined contribution retirement schemes established by the relevant local municipal government who undertakes the retirement benefit obligations of all existing and future retired employees employed by the Group. Contributions to these schemes are charged to the consolidated statement of comprehensive income as incurred.

A subsidiary of the Group, which was incorporated in Hong Kong, operates a defined contribution scheme for certain employees in Hong Kong. Contributions to this scheme are calculated based on certain percentage of the employee's monthly salary. The assets of this scheme are held separately from the subsidiary in an independently administered fund. Contributions to this scheme are charged to the consolidated statement of comprehensive income as incurred.

Payments to defined contribution retirement benefit are recognised as an expense when employees have rendered services entitling them to the contributions.

Retirement benefit costs

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual values over their useful lives using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified in the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately, including patents and licenses and software, are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any accumulated impairment losses.

Internally-generated intangible assets-research and development expenditure

Research expenditure is recognised as an expense when incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the specified categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other income.

Financial assets at FVTPL

Financial assets at FVTPL of the Group represent financial assets held for trading which has been acquired principally for the purpose of selling in the near term. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instrument.

At each end of the reporting period subsequent to initial recognition, financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in consolidated statement of comprehensive income excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a holding company, fellow subsidiaries and associates, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

AFS financial assets

AFS financial assets are non-derivatives that are designated as AFS or are not classified as other categories of financial assets.

AFS financial assets are stated at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in equity under the heading of "investment revaluation reserve", until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

AFS financial assets (continued)

AFS equity and trust investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity and trust investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables from third parties and related parties, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity and trust investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in equity under the heading of "investment revaluation reserve".

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to holding companies, fellow subsidiaries and associates, borrowings and obligation under finance leases) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is initially measured at its fair value. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collaterised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separated major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Related parties

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the Group's parent.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of property, plant and equipment. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the property, plant and equipment. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is RMB845,633,000 (2010: RMB843,157,000). Details of the recoverable amount calculation are disclosed in note 19.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated net realisable value of inventories

The determination of net realisable value of inventories requires significant judgment. In making this judgment, the Group estimates the selling prices in the ordinary course of business, the costs of completion and the costs necessary to make the sale.

Provision for employee retirement benefits

The Group is obligated to pay employee retirement benefits for the qualifying retired employees and certain early retired employees (i.e. retired before their statutory retirement dates) for their life time or up to their statutory retirement dates, respectively. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees and post-retirement supplemental benefits to its qualifying retired employees in accordance with various employee benefits schemes. The estimation of the provision requires subjective assumptions; any change to the assumptions can materially affect the fair value of the provision for employee retirement benefits. As at 31 December 2011, total provision for the employee retirement benefits is RMB41,058,000 (2010: RMB40,329,000).

Deferred tax assets

As at 31 December 2011, a deferred tax asset of RMB182,943,000 (2010: RMB23,999,000) in relation to temporary timing differences and unused tax losses have been recognised in the consolidated statement of financial position. The recognition of the deferred tax assets mainly depends on whether sufficient taxable temporary differences or future assessable profits will be available in the future. In cases where the actual future assessable profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated statement of comprehensive income in the period such a reversal takes place.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

4 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 21, 32 and 36 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5 TURNOVER

Turnover from continuing operations represents the amount received and receivable for goods sold and provision of trust and fiduciary activities by the Group to outsiders for the year and is analysed as follows:

	2011	**2010**
	RMB'000	*RMB'000*
Manufacture and sales of textile machinery and related material, parts and component	6,895,445	5,886,382
Provision of trust and fiduciary services	3,064,013	940,652
Manufacture and sales of other non-textile products	242,262	160,613
	10,201,720	6,987,647

6 BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For management reporting purposes, the Group is currently organised into three divisions: (a) manufacture and sales of textile machinery and related material, parts and component; (b) provision of trust and fiduciary services, and; (c) manufacture and sales of other non-textile products.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of other income/(expenses), finance costs, gain/(loss) on fair value changes of financial assets at fair value through profit or loss and share of profits of associates. This is the measure reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates and available-for-sale financial assets and unallocated corporate assets (if any). Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and

– all liabilities are allocated to reportable segments other than unallocated corporate liabilities (if any).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments

Segment information about these businesses is presented below:

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2011					
TURNOVER					
External sales	6,895,445	3,064,013	242,262	–	10,201,720
Inter-segment sales	5,975	–	–	(5,975)	–
Total from continuing operations	6,901,420	3,064,013	242,262	(5,975)	10,201,720

Inter-segment sales are charged at prevailing market rates.

RESULT					
Segment result (continuing operations)	290,997	1,476,156	(8,827)	–	1,758,326
Unallocated income					15,862
Finance costs					(103,049)
Loss on fair value changes of financial assets at fair value through profit or loss					(137,727)
Share of profit of associates					8,394
Profit before taxation (continuing operations)					1,541,806
Income tax expense					(377,839)
Profit for the year (continuing operations)					1,163,967

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities from continuing operations as at 31 December 2011					
ASSETS					
Segment assets	7,379,371	4,449,232	396,972	(26,003)	12,199,572
Interests in associates					114,839
Available-for-sale financial assets					655,418
Consolidated total assets					12,969,829
LIABILITIES					
Segment liabilities	4,755,204	2,385,303	124,020	(26,003)	7,238,524
Consolidated total liabilities					7,238,524
Other information from continuing operations as at 31 December 2011					
Additions to non-current assets	479,199	35,643	35,617	–	550,459
Depreciation of property, plant and equipment	124,298	13,814	3,198	–	141,310
Amortisation of intangible assets	2,755	1,206	3,002	–	6,963
Amortisation of prepaid lease payments	8,880	–	1,979	–	10,859

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

Segment information about these businesses is presented below:

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2010					
TURNOVER					
External sales	5,886,382	940,652	160,613	–	6,987,647
Inter-segment sales	1,879	–	–	(1,879)	–
Total from continuing operations	5,888,261	940,652	160,613	(1,879)	6,987,647

Inter-segment sales are charged at prevailing market rates.

RESULT					
Segment result (continuing operations)	84,409	471,031	(4,046)	–	551,394
Unallocated income					28,222
Finance costs					(76,754)
Gain on fair value changes of financial assets at fair value through profit or loss					27,119
Share of profit of associates					3,344
Profit before taxation (continuing operations)					533,325
Income tax expense					(124,192)
Profit for the year (continuing operations)					409,133

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

6 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities from continuing operations as at 31 December 2010					
ASSETS					
Segment assets	8,805,575	876,742	420,542	(21,198)	10,081,661
Interests in associates					92,227
Available-for-sale financial assets					1,166,572
Consolidated total assets					11,340,460
LIABILITIES					
Segment liabilities	6,416,141	504,005	122,996	(21,198)	7,021,944
Consolidated total liabilities					7,021,944
Other information from continuing operations as at 31 December 2010					
Additions to non-current assets	409,122	13,155	34,990	–	457,267
Depreciation and impairment loss recognised in respect of property, plant and equipment	120,394	9,689	1,269	–	131,352
Amortisation of intangible assets	3,931	612	918	–	5,461
Amortisation of prepaid lease payments	8,533	–	1,185	–	9,718

(b) The Group's operations and assets are principally carried out and located in the PRC, including Hong Kong and Mainland China, no geographical segment analysis is presented.

(c) No single customer accounted for 10% or more of the total revenue for the year ended 31 December 2011 and 2010.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

7 OTHER INCOME

Continuing operations

	2011 *RMB'000*	**2010** *RMB'000*
Interest income from banks	9,617	13,934
Interest income from other receivables and related parties	6,245	14,288
Government subsidies (Note)	20,701	56,598
Gain on disposal of a subsidiary (note 38)	5,095	–
Gain on disposal of available-for-sale financial assets carried at cost	–	1,297
Gain on disposal of held for trading investment	–	25,202
Gain on disposal of prepaid lease payments	–	12,877
Gain on disposal of property, plant and equipment	803	–
Net foreign exchange gains	17,497	5,145
Rental income	5,362	4,523
Dividend income from available-for-sale financial assets	16,050	2,232
Written back of allowance for bad debts	9,333	1,912
Waiver of urban land use tax	–	4,999
Available-for-sale financial assets carried at fair value: reclassified from other comprehensive income (note 12(b)) – gain on disposal	14,034	–
Others	28,740	27,106
	133,477	170,113

Note: Government subsidies mainly represent subsidies received from local authorities to support the project constructions, repayment of interests from bank loans, research and development activities carried out by the Group in relation to textile industry.

8 FINANCE COSTS

Continuing operations

	2011 *RMB'000*	**2010** *RMB'000*
Interest expenses on borrowings wholly repayable within five years	97,635	74,587
Fair value changes of contingent consideration liability for business combinations	5,414	2,167
	103,049	76,754

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

9 PROFIT BEFORE TAXATION

Continuing operations

	2011 *RMB'000*	**2010** *RMB'000*
Profit before taxation has been arrived at after charging/(crediting):		
Salaries, wages and other benefits	1,431,876	882,937
Retirement benefits costs	166,740	104,592
Provision for retirement and supplemental benefit obligations (included in administrative expenses)	4,440	1,420
Total staff costs (including directors' remuneration)	1,603,056	988,949
Less: Staff costs included in research and development cost	(80,201)	(45,161)
	1,522,855	943,788
Auditor's remuneration	3,011	3,011
Amortisation:		
– intangible assets	6,963	5,461
– prepaid lease payments	10,859	9,718
Cost of inventories recognised as an expense	6,093,563	5,294,959
Depreciation of property, plant and equipment	141,310	124,318
Impairment loss recognised		
– property, plant and machinery	–	7,034
– available-for-sale financial assets	2,150	–
– trade and other receivables	14,799	4,753
Impairment loss reversed on trade and other receivables (included in other income)	(9,333)	(1,912)
Loss on disposal of associates	–	5,585
Loss/(gain) on disposal of available-for-sale financial assets carried at cost (included in administrative expenses/other income)	540	(1,297)
Loss/(gain) on disposal of held for trading investment (included in administrative expenses/other income)	23,089	(25,202)
Gain on disposal of prepaid lease payments (included in other income)	–	(12,877)
(Gain)/loss on disposal of property, plant and equipment (included in other income/administrative expenses)	(803)	12,185
Loss on disposal of intangible assets	708	–
Minimum lease payments paid under operating lease in respect of land and buildings	60,113	29,320
Net foreign exchange gains (included in other income)	(17,497)	(5,145)
Research and development costs (including staff costs and depreciation)	200,482	135,350
Waiver of trade and other payables (included in administrative expenses)	(991)	(1,431)
Write-down of inventories	27,618	19,210

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

10 INCOME TAX EXPENSE

Continuing operations

Income tax recognised in profit or loss

	2011 *RMB'000*	2010 *RMB'000*
Current tax		
– PRC Enterprise Income Tax	478,819	154,886
– Under/(over) provision in prior years	841	(255)
	479,660	154,631
Deferred tax credit for the year (note 22)	(101,821)	(30,439)
	377,839	124,192

Provision for Hong Kong Profits Tax has not been made as the Group had no taxable profits in Hong Kong for the year (2010: RMBNil). The Company and its subsidiaries incorporated in the PRC are subject to PRC Enterprise Income Tax which has been calculated based on their taxable profits in accordance with the relevant tax laws applicable in the PRC.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rates for group entities from 15% and 18% in 2007 to 25% progressively over 5 years for certain subsidiaries from 1 January 2008 and from 33% in 2007 to 25% from 1 January 2008. For the subsidiaries enjoying preferential tax rate at 15%, they will continue to enjoy the preferential rate. For the subsidiaries under Tax Exemption, such exemption is still applicable under transitional arrangement of the New Law. The deferred tax has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the assets is realised or the liability is settled.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years ("Tax Exemptions").

In 2011, the Company's PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2010: 25%), except for certain subsidiaries which are regarded as high and new technology enterprises and thus enjoy a preferential tax rate of 15% (2010: 15%).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

10 INCOME TAX EXPENSE (CONTINUED)

The charge for the year can be reconciled to the profit before taxation per consolidated statement of comprehensive income as follows:

	2011 *RMB'000*	2010 *RMB'000*
Profit before taxation (from continuing operations)	1,541,806	533,325
Tax at the PRC Enterprise Income Tax rate of 15% (2010: 15%) (note a)	231,271	79,999
Tax effect of share of results of associates	(1,259)	(502)
Tax effect of other temporary differences not recognised	2,302	8,311
Tax effect of non-taxable income	(2,824)	(13,213)
Effect of tax exemptions granted to PRC subsidiaries	(923)	–
Tax effect of tax losses not recognised	12,389	16,439
Tax effect on non-deductible expenses	9,577	5,783
Tax effect on utilisation of tax losses not previously recognised	(3,688)	(7,627)
Effect of different tax rates of subsidiaries operating in other jurisdictions	142,005	45,895
Reduction of tax in respect of tax benefits (note b)	(11,852)	(10,638)
Under/(over) provision in prior years	841	(255)
Income tax expense (from continuing operations)	377,839	124,192

Notes:

(a) The tax rate of 15% represented the tax rate applicable to majority of the group companies.

(b) Certain of the Company's PRC subsidiaries are entitled to tax benefits on purchase of PRC produced plant and equipment for production use and on certain qualifying research and development expenses charged to profit or loss for the year.

Income tax recognised in other comprehensive income

	2011 *RMB'000*	2010 *RMB'000*
Deferred tax		
Arising from income and expense recognised in other comprehensive income:		
Revaluation (loss)/gain of available-for-sale financial assets	(57,123)	53,719

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

11 DISCONTINUED OPERATIONS

The combined results of the gain on disposal of a subsidiary as in note 38 and the property development operation discontinued in 2010 have been included in the consolidated statement of comprehensive income as follows:

	2011 *RMB'000*	2010 *RMB'000*
Turnover	–	242,839
Cost of sales	–	(173,133)
Gross profit	–	69,706
Other income	–	11,281
Distribution and selling expenses	–	(17,097)
Administrative expenses	–	(8,915)
Finance costs	–	(3,080)
Share of losses of associates	–	(725)
Profit before taxation	–	51,170
Income tax expense	–	(22,161)
	–	29,009
Gain on disposal of a subsidiary (note 38)	–	86,517
Income tax expenses	–	(14,166)
	–	72,351
Profit for the year from discontinued operations	–	101,360
Attributable to:		
Owners of the Company	–	91,207
Non-controlling interests	–	10,153
	–	101,360
Net cash flows from discontinued operations		
Net cash flow generated from operating activities	–	92,824
Net cash flow used in investing activities	–	(6,382)
Net cash flow generated from financing activities	–	7,263
	–	93,705

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

12 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income:

	2011			2010		
	Before-tax amount *RMB'000*	**Income tax expense** *RMB'000*	**Net-of-tax amount** *RMB'000*	**Before-tax amount** *RMB'000*	**Income tax expense** *RMB'000*	**Net-of-tax amount** *RMB'000*
Exchange difference on translation of a foreign operation	(329)	–	(329)	(146)	–	(146)
Fair value (loss)/gain on available-for-sale financial assets (note (b))	(228,493)	57,123	(171,370)	214,874	(53,719)	161,155
Share of other comprehensive income of associates	825	–	825	203	–	203
	(227,997)	57,123	(170,874)	214,931	(53,719)	161,212

(b) Components of other comprehensive income, including reclassification adjustment:

	2011 *RMB'000*	**2010** *RMB'000*
Available-for-sale financial assets:		
Change in fair value recognised during the year	(214,459)	214,874
Reclassification adjustments for amounts transferred to profit and loss:		
– Gains on disposal	(14,034)	–
Net movement in the investment revaluation reserve during the year recognised in other comprehensive income	(228,493)	214,874

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments paid or payable to each of the 9 (2010: 16) directors during the year were as follows:

2011

	Liu Haitao	Ye Maoxin	Fan Xinmin	Yan Fuquan	Liu Hong	Li Xiaohong	Shi Tinghong	Yao Yuming	Zhang Jianguo	Zhao Xizi	Gao Yong	Chen Zhong	Liu Huangsong	Xu Wenying	Au Guozun	Yu Shiquan	Li Min	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	(Note 2)	(Note 1)	(Note 2)	(Note 1)	(Note 5)	(Note 2)	(Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 4)	(Note 3)	(Note 5)	(Note 5)	(Note 1)	(Note 6)	
Fees	–	–	–	–	–	–	–	–	–	–	–	–	50	50	50	–	5	155
Other emoluments Salaries and other benefits	–	–	–	–	–	–	–	207	–	–	–	–	–	–	–	–	–	207
Discretionary bonus	–	–	–	–	–	–	–	986	–	–	–	–	–	–	–	–	–	986
Retirement benefit costs	–	–	–	–	–	–	–	12	–	–	–	–	–	–	–	–	–	12
Total emoluments	–	–	–	–	–	–	–	1,205	–	–	–	–	50	50	50	–	5	1,360

2010

	Liu Haitao	Ye Maoxin	Fan Xinmin	Yan Fuquan	Liu Hong	Li Xiaohong	Shi Tinghong	Yao Yuming	Zhang Jianguo	Zhao Xizi	Gao Yong	Chen Zhong	Liu Huangsong	Xu Wenying	Au Guozun	Yu Shiquan	Li Min	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	(Note 2)	(Note 1)	(Note 2)	(Note 1)	(Note 5)	(Note 2)	(Note 2)	(Note 1)	(Note 1)	(Note 1)	(Note 4)	(Note 3)	(Note 5)	(Note 5)	(Note 1)	(Note 6)	
Fees	–	–	–	–	–	–	–	–	–	31	31	21	29	19	19	31	–	181
Other emoluments Salaries and other benefits	–	–	–	–	–	–	–	149	–	–	–	–	–	–	–	–	–	149
Discretionary bonus	–	–	–	–	–	–	–	334	–	–	–	–	–	–	–	–	–	334
Retirement benefit costs	–	–	–	–	–	–	–	10	–	–	–	–	–	–	–	–	–	10
Total emoluments	–	–	–	–	–	–	–	493	–	31	31	21	29	19	19	31	–	674

Note 1: Retired on 15 August 2010.

Note 2: Retired and reappointed on 15 August 2010.

Note 3: Appointed on 3 June 2010, retired and reappointed on 15 August 2010.

Note 4: Resigned on 3 June 2010.

Note 5: Appointed on 15 August 2010.

Note 6: Appointed on 14 June 2011.

The emoluments paid or payable to the supervisors are as follows:

	2011	2010
	RMB'000	*RMB'000*
Salaries and other benefits	357	318
Discretionary bonus	660	622
Retirement benefits costs	29	22
	1,046	962

None of the directors and supervisors has waived or agreed to waive any emoluments in both years.

During the year, no emoluments were paid by the Group to the directors or the supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(b) Highest paid individuals

Of the five individuals with highest emoluments in the Group, no individual was either director (2010: none) or supervisor (2010: none) of the Company. The emoluments of the remaining five (2010: five) individuals are as follows:

	2011 *RMB'000*	**2010** *RMB'000*
Salaries and other benefits	14,622	2,330
Discretionary bonus	28,271	15,502
Retirement benefit costs	210	114
	43,103	17,946

The emoluments of the remaining five (2010: five) individuals with the highest emoluments are within the following bands:

In Hong Kong dollars ("HKD")	**2011** **Number of Individuals**	**2010** **Number of Individuals**
HKD4,000,001 to HKD4,500,000	–	5
HKD4,500,001 to HKD5,000,000	1	–
HKD8,000,001 to HKD8,500,000	1	–
HKD8,500,001 to HKD9,000,000	1	–
HKD12,500,001 to HKD13,000,000	1	–
HKD18,500,001 to HKD19,000,000	1	–

14 DIVIDENDS

Dividend recognised as distributions during the year:

	2011 *RMB'000*	**2010** *RMB'000*
Final dividend paid for 2010, RMB7 cents (2010: Final dividend paid for 2009: RMBNil) per share:		
A shares		
– Restricted	13,696	–
– Others	15,914	–
H shares	12,656	–
	42,266	–

Subsequent to the end of the reporting period, final dividend of RMB6 cents per share in respect of the year ended 31 December 2011 (2010: RMB7 cents per share) has been proposed by the Board of Directors of the Company.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

15 EARNINGS PER SHARE

(a) Basic earnings per share

From continuing and discontinued operations

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB490,793,000 (2010: RMB244,717,000) and the number of shares of 603,800,000 (2010: 603,800,000) in issue during the year.

From continuing operations

The calculation of basic earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2011 *RMB'000*	**2010** *RMB'000*
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	490,793	244,717
Less: Profit for the year attributable to the owners of the Company from discontinued operations (note 11)	–	(91,207)
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share from continuing operations	490,793	153,510

The calculation of basic earnings per share from continuing operations is based on the profit attributable to owners of the Company of RMB490,793,000 (2010: RMB153,510,000) and the number of shares of 603,800,000 (2010: 603,800,000) in issue during the year.

From discontinued operations

Basic earnings per share from the discontinued operations are RMBNil (2010: RMB0.16). The calculation of basic earnings per share from discontinued operations is based on the profit attributable to owners of the Company of RMBNil (2010: RMB91,207,000) and the number of shares of 603,800,000 (2010: 603,800,000) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share are presented as the Group does not have any potential dilutive shares for both years.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST					
At 1 January 2010	945,120	1,507,171	113,911	116,066	2,682,268
Additions	28,108	45,187	18,272	341,792	433,359
Acquired on acquisition of subsidiaries (note 37(a))	25,298	26,085	8,693	39,416	99,492
Disposals and other reductions	(46,931)	(99,431)	(17,713)	(45,202)	(209,277)
Derecognised on disposal of a subsidiary (note 38)	–	(440)	(3,439)	–	(3,879)
Assigned assets after construction	174,139	44,946	6,045	(225,130)	–
At 31 December 2010 and 1 January 2011	1,125,734	1,523,518	125,769	226,942	3,001,963
Additions	41,403	62,810	30,918	356,448	491,579
Acquired on acquisition of subsidiaries (note 37(a))	15,513	45,587	667	38	61,805
Disposals and other reductions	(20,319)	(60,375)	(17,439)	(93,969)	(192,102)
Derecognised on disposal of a subsidiary (note 38)	–	(143)	(764)	–	(907)
Assigned assets after construction	103,026	58,587	664	(162,277)	–
At 31 December 2011	1,265,357	1,629,984	139,815	327,182	3,362,338
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2010	302,278	916,530	66,966	-	1,285,774
Charge for the year	28,956	83,894	11,872	-	124,722
Acquired on acquisition of subsidiaries (note 37(a))	9,121	7,072	1,977	-	18,170
Impairment loss recognised	-	7,034	-	-	7,034
Eliminated on disposals	(27,493)	(72,002)	(13,009)	-	(112,504)
Eliminated on disposal of a subsidiary (note 38)	-	(342)	(522)	-	(864)
At 31 December 2010 and 1 January 2011	312,862	942,186	67,284	-	1,322,332
Charge for the year	37,786	88,113	15,411	-	141,310
Acquired on acquisition of subsidiaries (note 37(a))	4,941	36,777	212	-	41,930
Eliminated on disposals	(10,975)	(45,762)	(11,563)	-	(68,300)
Eliminated on disposal of a subsidiary (note 38)	-	(52)	(116)	-	(168)
At 31 December 2011	344,614	1,021,262	71,228	-	1,437,104
CARRYING VALUE					
At 31 December 2011	920,743	608,722	68,587	327,182	1,925,234
At 31 December 2010	812,872	581,332	58,485	226,942	1,679,631

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings	9 to 50 years
Machinery and equipment	5 to 22 years
Motor vehicles	5 to 14 years

At 31 December 2011, the certificates of ownership of certain buildings of the Group at carrying value of RMB358,161,000 (2010: RMB314,620,000) situated in the PRC, have not been passed to the Group.

During 2010, the directors conducted a review of the Group's property, plant and equipment and determined that a number of machinery and equipment were impaired, due to physical damage and technical obsolescence. Accordingly, impairment losses of RMB7,034,000 have been recognised in respect of machinery and equipment, which are used in the Group's manufacture and sales of textile machinery segment.

During 2010, the Group has entered into a sales and leaseback transaction with a financial institute in the PRC in return for a loan under non-cancellable finance lease agreement. The lease term is 5 years and the ownership of the assets remains within the Group. Please refer to note 31 for obligations under finance leases.

The related assets held under finance leases are machinery and equipment as follows:

	2011	**2010**
	RMB'000	*RMB'000*
Cost-capitalised finance leases	351,409	378,772
Accumulated depreciation	(248,775)	(242,955)
Carrying value	102,634	135,817

17 PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent medium-term land use rights situated in the PRC.

	2011	**2010**
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current asset	11,470	10,286
Non-current asset	482,390	436,147
	493,860	446,433

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

18 INTANGIBLE ASSETS

	Patents and licences *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2010	9,490	13,959	23,449
Additions	–	9,193	9,193
Acquired on acquisition of subsidiaries (note 37)	13,300	5,273	18,573
At 31 December 2010 and 1 January 2011	22,790	28,425	51,215
Additions	2,375	3,064	5,439
Disposals	–	(3,486)	(3,486)
At 31 December 2011	25,165	28,003	53,168
Amortisation			
At 1 January 2010	5,588	7,747	13,335
Charge for the year	1,634	3,827	5,461
Acquired on acquisition of subsidiaries (note 37)	3,144	2,754	5,898
At 31 December 2010 and 1 January 2011	10,366	14,328	24,694
Charge for the year	3,272	3,691	6,963
Eliminated on disposals	–	(2,778)	(2,778)
At 31 December 2011	13,638	15,241	28,879
Carrying value			
At 31 December 2011	11,527	12,762	24,289
At 31 December 2010	12,424	14,097	26,521

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

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

Patents and licenses	2 to 10 years
Software	5 years

No impairment loss was recognised in both years.

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

19 GOODWILL

	2011 *RMB'000*	2010 *RMB'000*
Cost and carrying value		
At 1 January	843,157	2,259
Arising from acquisition of subsidiaries (note 37(a))	2,476	840,898
At 31 December	845,633	843,157

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill have been allocated to the Group's cash generating units (CGUs), according to business segment as below:

	2011 *RMB'000*	2010 *RMB'000*
Multiple units without significant goodwill	12,244	9,768
Provision of trust and fiduciary services	833,389	833,389
	845,633	843,157

During the year, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amount of the CGU for provision of trust and fiduciary services and its major underlying assumptions is summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 17% (2010: 17%). This unit's cash flows beyond the 5-year period are extrapolated using a steady 3% (2010: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the unit to exceed the aggregate recoverable amount of the unit.

20 INTEREST IN ASSOCIATES

	2011 *RMB'000*	2010 *RMB'000*
Cost of investment, unlisted	87,000	70,500
Share of post-acquisition profits and other comprehensive income, net of dividends received	27,839	21,727
	114,839	92,227

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

20 INTEREST IN ASSOCIATES (CONTINUED)

Details of the Group's associates as at 31 December 2011 and 2010 are as follows:

Name of associate	Place of establishment and operation	Registered capital	Proportion of registered capital attributable to the Group 2011 %	Proportion of registered capital attributable to the Group 2010 %	Proportion of voting power held 2011 %	Proportion of voting power held 2010 %	Principal activities
Hongda Research Company Limiteds	PRC	RMB50,000,000	40	40	40	40	Sale and development of textile machinery
China Textile Machinery and Technology Import and Export Corporation	PRC	RMB120,000,000	25	25	25	25	Import and export of textile machinery
Anhui Huamao Jingwei New Type Textile Company Limited ("Anhui Huamao")	PRC	RMB50,000,000	25	25	25	25	Production, processing and sales of various kinds of yarn and textile products
Jingwei Machinery (Group) Company Limited	PRC	RMB40,000,000	20	20	40	40	Manufacture and sales of textile machinery
Beijing Hengtian Wealth Management Company Limited	PRC	RMB50,000,000	20	–	20	–	Provision of trust and fiduciary services
Shenzhen Equity Investment Fund Management Company Limited	PRC	RMB10,000,000	49	–	40	–	Investment holding, provision of asset management and business
Shanghai Rongling Equity Investment Fund Management Company Limited	PRC	RMB5,600,000	29	–	33	–	Investment holding, provision of asset management and business advisory services

The summarised financial information in respect of the Group's associates is set out below:

	2011 *RMB'000*	2010 *RMB'000*
Total assets	2,932,711	2,312,037
Total liabilities	(2,458,770)	(2,086,569)
Net assets	473,941	225,468
Group's share of net assets of associates	114,839	92,227
Revenue	4,017,362	2,220,014
Profit for the year	126,681	29,112
Other comprehensive income	3,333	805
Group's share of profit and other comprehensive income of associates for the year (from continuing operation)	9,219	3,547

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 *RMB'000*	2010 *RMB'000*
Listed securities		
– Equity securities – PRC	465,477	665,040
Unlisted securities		
– Equity securities (note a)		
Cost	90,445	234,784
Accumulated impairment losses	(24,572)	(22,422)
	65,873	212,362
– Trust investments (note b)	124,068	289,170
	189,941	501,532
Included in non-current assets	655,418	1,166,572

Notes:

(a) Unlisted investments in equity securities issued by private entities incorporated in the PRC are measured at cost less impairment at each end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group disposed of certain unlisted equity securities with carrying amount of RMB144,540,000 (2010: RMB1,311,000), which had been carried at cost less impairment before the disposal. A loss on disposal of RMB540,000 (2010: gain of RMB1,297,000) had been recognised in profit or loss for the current year.

(b) Unlisted securities in trust investments are stated at fair value.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

22 DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Allowance for receivables, inventories and impairment of assets	Revaluation of available–for–sale financial assets	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	2,440	–	8,624	2,439	13,503
Acquired on acquisition of subsidiaries (note 37)	1,175	2,597	–	30,004	33,776
Credit/(charge) to consolidated statement of comprehensive income for the year (note 10)	(309)	–	(2,719)	33,467	30,439
Charge to investment revaluation reserve (note 10)	–	(53,719)	–	–	(53,719)
At 31 December 2010 and 1 January 2011	3,306	(51,122)	5,905	65,910	23,999
Credit/(charge) to consolidated statement of comprehensive income for the year (note 10)	(160)	–	(5,905)	107,886	101,821
Credit to investment revaluation reserve (note 10)	–	57,123	–	–	57,123
At 31 December 2011	3,146	6,001	–	173,796	182,943

Note: Others mainly represent deferred tax assets arising from unrealised profit on intra-group sales, accrued bonus and expenses and other temporary differences.

The deductible temporary differences not recognised in the consolidated financial statements as follows:

	2011	2010
	RMB'000	*RMB'000*
Tax losses	342,215	284,865
Other temporary differences	277,432	253,668
	619,647	538,533

At 31 December 2011, the Group has unused tax losses of approximately RMB342,215,000 (2010: RMB324,235,000) available for offset against future profits. A deferred tax assets has been recognised in respect of approximately RMBNil (2010: RMB39,370,000) of such losses. No deferred tax asset has been recognised for the remaining balance of approximately RMB342,215,000 (2010: RMB284,865,000) due to unpredictability of future profit streams.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

23 OTHER NON-CURRENT ASSETS

	2011 *RMB'000*	2010 *RMB'000*
Trade receivables in respect of sales of textile products from independent third parties with factoring (note a)	–	4,892
Trade receivables in respect of sales of textile and medical products from independent third parties (note b)	83,841	114,196
Rental receivable from independent third parties (note c)	–	6,762
	83,841	125,850
Less: Amount due for settlement within one year and shown under current assets (note 25)	(69,148)	(63,810)
	14,693	62,040

Notes:

(a) It represented the trade receivables from an independent third party in relation to the sales of textile products, which were interest-free, unsecured, and due in 2011. In 2008, the Group entered into an interest-free and unsecured factoring agreement with a bank under which the Group obtained bank borrowings by factoring its non-current trade receivables of RMB30,000,000 to the bank. The outstanding receivable balance has been settled by the customer at 31 December 2011 (2010: RMB25,000,000).

(b) The amount represented trade receivables from certain customers relating to a number of sales totalling amounting to RMB179,985,000 during the current and prior years, which are agreed to be settled by instalments. At 31 December 2011, RMB93,835,000 (2010: RMB59,415,000) has been settled by the customers and the remaining balance of RMB86,150,000 (2010: RMB120,570,000) are to be repayable in 2016. The Company has pledged one of these receivables to a bank to obtain a long-term bank borrowing of RMB48,870,000 during 2009, which is to be settled by instalments. At 31 December 2011, the outstanding balance of the related bank borrowing is RMB8,370,000 (2010: RMB24,315,000) which is to be repayable in 2012. Accordingly, the unsettled receivables and the related borrowings are shown under current and non-current asset as well as current and non-current borrowings respectively.

(c) The amount represented an unsecured receivable relating to a financing arrangement between a subsidiary of the Company and a third party (the "Landlord") in June 2008. The key terms are: (i) the Group made an advance to the Landlord which is the lessor of certain property interest under two rental agreements (the "Rental Agreements"); (ii) the Group is entitled to receive rentals from two tenants (the "Tenants") for a period of 44 to 48 months according to the terms set out in the original Rental Agreements. This has been amended to a period of 36 months from the commencement date in the original agreement, according to the supplementary agreement with the Landlord dated 25 December 2009; and (iii) the rentals to be paid by the Tenants are jointly and severally guaranteed by the Landlord. The arrangement has been expired in 2011.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

24 INVENTORIES

	2011 *RMB'000*	**2010** *RMB'000*
Raw materials	346,119	337,512
Work in progress	415,215	322,032
Finished goods	754,590	502,412
	1,515,924	1,161,956

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2011 *RMB'000*	**2010** *RMB'000*
Carrying amount of inventories sold	6,093,563	5,294,959
Write down of inventories	27,618	19,210
	6,121,181	5,314,169

25 TRADE AND OTHER RECEIVABLES

	2011 *RMB'000*	**2010** *RMB'000*
Trade receivables	467,466	372,431
Less: Allowance for doubtful debts	(78,084)	(83,455)
	389,382	288,976
Bills receivable (note a)	1,752,397	2,027,891
Deposits and other receivables	181,027	167,786
Prepayments	327,004	403,246
Securities purchased under sales agreement (note b)	–	24,000
Non-current assets (due within one year) (note 23)	69,148	63,810
	2,718,958	2,975,709

Notes:

(a) At the end of the reporting period, bills receivable outstanding amounting to RMB1,002,643,000 (2010: RMB1,108,866,000) has been endorsed to certain creditors and RMB5,650,000 (2010: RMB109,035,000) has been discounted to the banks. The Group continues to present the endorsed bills and discounted bills as bills receivable until maturity.

The Group has pledged bills receivable with a carrying amount of RMB114,936,000 (2010: RMB64,033,000) to secure credit facilities granted to the Group.

(b) In 2010, the Group entered into purchase and sale agreement in which the Group was required to sell back the related assets in future at 9.25% premium. The agreement was denominated in RMB and with a maturity date of less than one year from the date of entering into the agreement. In 2011, the Group sold the assets based on terms set out in the agreement.

Receipts of customer's payments in advance are recognised as the Group's deposits. The remaining settlement is made in accordance with the terms specified in the contracts of governing the relevant transactions. A credit period ranging from 30 to 360 days may be granted to large or long established customers with good payment history. The following is an aged analysis of the trade and bills receivables net of allowance for doubtful debts, including receivables from a holding company, fellow subsidiaries and associates (note 26):

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

25 TRADE AND OTHER RECEIVABLES (CONTINUED)

	2011	**2010**
	RMB'000	*RMB'000*
Less than 1 year	2,192,227	2,476,461
1-2 years	113,767	40,709
2-3 years	4,731	3,633
	2,310,725	2,520,803

The following is an aged analysis of trade and bills receivables, including receivables from a holding company, fellow subsidiaries and associates, which are past due but not impaired:

	2011	**2010**
	RMB'000	*RMB'000*
1-2 years	113,767	40,709
2-3 years	4,731	3,633
	118,498	44,342

The Group has not provided for certain of trade receivables aged over one year because historical experience indicated that those trade debtors have good credit history and the balance of these receivables are eventually recoverable. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts of trade receivables

	2011	**2010**
	RMB'000	*RMB'000*
1 January	83,455	97,435
Impairment losses recognised	3,009	3,340
Acquired on acquisition of subsidiaries	486	–
Impairment losses reversed	(7,151)	(1,955)
Amounts written off as uncollectible	(1,715)	(15,365)
31 December	78,084	83,455

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB78,084,000 (2010: RMB83,455,000). The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

At 31 December 2011, the trade and other receivables included an aggregate amount of RMB48,183,000 (2010: RMB60,122,000), representing certain trade balances between the Group and companies in which certain key management personnel of the Group have influence in. The amounts are unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

26 AMOUNTS DUE FROM/TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/ASSOCIATES

Amount due from a holding company

The amount is unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature with carrying amount of approximately RMB64,000 (2010: RMB64,000).

Amounts due from fellow subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature with carrying amount of approximately RMB14,653,000 (2010: RMB19,026,000).

Amounts due from associates

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature with carrying amount of approximately RMB154,229,000 (2010: RMB184,846,000).

Amounts due to holding companies/fellow subsidiaries/associates

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature with carrying amount of approximately RMB180,642,000 (2010: RMB296,946,000).

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 *RMB'000*	**2010** *RMB'000*
Listed securities – held for trading:		
– Debentures – PRC (note)	–	31,228
– Equity securities – PRC	253,226	72,192
Market value of listed securities	253,226	103,420

Note: The debentures are listed in the PRC with fixed interest rate of 6.10% per annum and maturity date on 30 December 2019 and were sold during the year.

28 PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Pledged bank deposits represent deposits pledged to banks to secure bills payable and letter of credit granted to the Group. The average effective interest rate on pledged bank deposits is 3.30% (2010: 1.88%).

At the end of the reporting period, cash and cash equivalents comprised mainly short-term deposits which carry interests at prevailing market rates.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

29 TRADE AND OTHER PAYABLES

	2011 *RMB'000*	2010 *RMB'000*
Trade payables	1,877,611	1,900,158
Bills payable	393,340	198,374
Contingent consideration in relation to the acquisition of Zhongrong International Trust Co., Ltd ("Zhongrong Trust")	98,598	500,000
Other payables and accrued charges	1,959,373	1,682,362
	4,328,922	4,280,894

At 31 December 2011, the Group has endorsed bank acceptance bills to certain creditors amounting to RMB1,002,643,000 (2010: RMB1,108,866,000). The settlement of trade payables by such bills will only be derecognised when the relevant bills mature.

At 31 December 2011, trade and other payables included an aggregate carrying amount of RMB131,008,000 (2010: RMB199,041,000), representing certain balances with companies in which certain key management personnel of the Group have influence in. The amounts are unsecured, non-interest bearing and repayable on demand.

The following is an aged analysis of trade and bills payable, including payables to holding companies, fellow subsidiaries and associates:

	2011 *RMB'000*	2010 *RMB'000*
Less than 1 year	2,368,351	2,350,923
1-2 years	54,357	29,305
2-3 years	14,911	9,016
Over 3 years	13,974	6,234
	2,451,593	2,395,478

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

30 BORROWINGS

	2011 *RMB'000*	2010 *RMB'000*
Debentures	60,000	60,000
Discounted bills	5,650	109,035
Variable-rate bank loans	1,133,372	1,104,468
Fixed-rate bank loans	845,000	455,000
	2,044,022	1,728,503
Secured	197,020	198,241
Unsecured	1,847,002	1,530,262
	2,044,022	1,728,503

	2011 *RMB'000*	2010 *RMB'000*
The borrowings are repayable as follows:		
On demand or within one year	1,984,022	1,450,133
More than one year, but not exceeding two years	60,000	218,370
More than two years, but not exceeding three years	–	60,000
	2,044,022	1,728,503
Less: Amount due within one year and shown under current liabilities	(1,984,022)	(1,450,133)
	60,000	278,370

Debentures bear interest at 4.90% (2010: 4.90%) per annum, are repayable in 2012, and are secured by corporate guarantee given from a third party.

Discounted bills carry interests at market rates ranging from 3.30% to 12.60% (2010: 3.30% to 7.60%) per annum.

Variable-rate bank loans that are denominated in foreign currencies of RMB287,002,000 (2010: RMB282,262,000) bear interests from 3.50% to 6.90% (2010: 3.50% to 4.61%) per annum. Variable-rate bank loans of RMB60,000,000 (2010: RMB200,000,000) bear interests at the prime rate offered by the People's Bank of China (the "PBOC"). The remaining variable-rate bank loans of RMB786,370,000 (2010: RMB622,206,000) bear interests from 90% to 110% of the rate offered by the PBOC (2010: 90% to 95% of the rate offered by the PBOC). All these variable interest rates are repriced from every three months to every twelve months (2010: from every three months to every twelve months).

Fixed-rate bank loans bear interests from 5.31% to 9.00% (2010: 4.78% to 5.56%) per annum.

The ranges of effective interest rates of the borrowings are also equal to contracted interest rates.

At 31 December 2011, the Group has undrawn borrowing facilities amounting to approximately RMB2,416,308,000 (2010: RMB2,141,643,000).

At the end of the reporting period, the borrowings are secured by:

	2011 *RMB'000*	2010 *RMB'000*
Land use rights	15,000	–
Inventories	5,000	–
Trade receivables (note 23)	8,370	29,207
Bill receivables for discounted bills (note 25)	5,650	109,035
Corporate guarantee of third party	163,000	60,000

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

31 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases				
Within one year	34,576	34,249	31,347	28,915
In more than one year and not more than five years	60,606	94,184	57,834	87,620
	95,182	128,433	89,181	116,535
Less: future finance charges	(6,001)	(11,898)	–	–
Present value of lease obligations	89,181	116,535	89,181	116,535
Less: Amount due for settlement within 12 months (shown under current liabilities)			(31,347)	(28,915)
Amount due for settlement after 12 months			57,834	87,620

32 OTHER NON-CURRENT LIABILITIES

	2011	2010
	RMB'000	*RMB'000*
Deferred income (note a)	69,528	58,330
Retirement benefit obligations (note b)	41,058	40,329
Contingent consideration in relation to acquisition of Zhongrong Trust (note 37(a))	98,598	593,184
Grant received from government (note c)	60,000	60,000
Refund in respect of custom duty from the government (note d)	79,534	69,173
Others	29,994	29,994
	378,712	851,010
Less: Current portion included in trade and other payables	(101,620)	(503,161)
	277,092	347,849

Notes:

(a) The amount comprises government subsidies received in relation to lease payment of land of RMB9,624,000 (2010: RMB9,830,000) and qualifying assets of RMB55,456,000 (2010: RMB47,388,000) which are recognised in the consolidated statement of comprehensive income over the expected useful life of the relevant assets, and government subsidies for research development on technological development in textile industry and repayment of bank loan interest of RMB4,448,000 (2010: RMB1,112,000) which will be recognised in the same period as those expenses are charged in the consolidated statement of comprehensive income and are reported separately as other income.

(b) Included in the balance is an amount of RMB39,860,000 (2010: RMB38,150,000) representing the Group's obligations on retirement and supplementary benefits to the qualifying retired employees which was determined based on actuarial valuations performed by an independent firm of valuers (see note 42).

(c) The amount represents the government grant to the Group in respect of technology innovation and development as well as productivity improvement. According to the approval document issued by the PRC government, the amount would be available for capitalisation as share capital of the Company.

(d) The amount represents refund of custom duty of imported raw materials received from the PRC government. According to Cai Guan Shui No. 11 [2007] of the Ministry of Finance, the amount shall be capitalised as share capital of the Company in the next issuance of new shares.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

33 SHARE CAPITAL

2011

	1 January 2011	Increase/(decrease) (Note)	31 December 2011
Number of shares			
Registered, issued and fully paid			
– restricted	195,661,404	(5,351)	195,656,053
– others	227,338,596	5,351	227,343,947
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000	–	603,800,000
RMB'000			
Registered, issued and fully paid			
– restricted	195,661	(5)	195,656
– others	227,339	5	227,344
H shares, RMB1.00 each	180,800	–	180,800
	603,800	–	603,800

2010

	1 January 2010	Increase/(decrease) (Note)	31 December 2010
Number of shares			
Registered, issued and fully paid			
– restricted	195,661,404	(5,351)	195,656,053
– others	227,338,596	5,351	227,343,947
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000	–	603,800,000
RMB'000			
Registered, issued and fully paid			
– restricted	195,661	(5)	195,656
– others	227,339	5	227,344
H shares, RMB1.00 each	180,800	–	180,800
	603,800	–	603,800

Note: According to register of shareholders provided by China Securities Regulatory Commission (The Shares and Their Changes Management Rules of Listed Companies' Directors, Supervisors and Senior Management Personnel) and China Securities Depository and Clearing Company Limited, the restrictions of sale of 5,351 shares held by the 3 senior management personnel were unlocked during the reporting period and changed to unlimited trading A shares.

The A shares and H shares have a par value of RMB1.00 each and rank pari passu in all respects, except for certain conditions on restricted A shares as stated above, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

34 RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (note 33)	Share premium RMB'000	Statutory surplus reserve RMB'000 (note 34(b))	Discretionary surplus reserve RMB'000 (note 34(c))	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2010	603,800	1,244,712	216,881	150,000	–	173,990	2,389,383
Profits for the year	–	–	–	–	–	20,627	20,627
Other comprehensive income for the year, net of income tax	–	–	–	–	203	–	203
Total comprehensive income for the year	–	–	–	–	203	20,627	20,830
Appropriation to reserve	–	–	1,238	–	–	(1,238)	–
At 31 December 2010 and 1 January 2011	603,800	1,244,712	218,119	150,000	203	193,379	2,410,213
Profits for the year	–	–	–	–	–	105,398	105,398
Other comprehensive income for the year, net of income tax	–	–	–	–	824	–	824
Total comprehensive income for the year	–	–	–	–	824	105,398	106,222
Appropriation to reserve	–	–	11,624	–	–	(11,624)	–
Payment of dividends approved in respect of previous year (note 14)	–	–	–	–	–	(42,266)	(42,266)
31 December 2011	603,800	1,244,712	229,743	150,000	1,027	244,887	2,474,169

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

34 RESERVES (CONTINUED)

(b) Statutory surplus reserve

According to the relevant laws and regulations and the Articles of Association of respective companies comprising the Group, 10% of profit after taxation ("PAT") reported under PRC GAAP is required to be transferred to statutory surplus reserve until the statutory surplus reserve reaches 50% of the registered capital of the respective companies. Upon approval from the authorities, the statutory surplus reserve can be used to offset accumulated losses or to increase share capital. When it is utilised to increase share capital, the remaining balance of the statutory surplus reserve cannot fall below 25% of the share capital.

(c) Discretionary surplus reserve

According to the Company's and the subsidiaries' Articles of Association, the Board of Directors, after obtaining approval from the shareholders, has the discretion to provide for discretionary surplus reserve. Upon approval from the authorities, the discretionary surplus reserve can be used to make up any losses incurred or to increase share capital.

(d) Regulatory reserve

According to relevant regulatory requirement in the PRC, a subsidiary of the Group, Zhongrong Trust, is required to appropriate 5% of its PAT reported and the appropriation of the regulatory reserve may cease to apply if the balance of the regulatory reserve has reached 20% of the subsidiary's registered capital.

In addition, pursuant to notices, the "Measures for Administering the Withdrawal of Reserves for Non-performing Debts by Financial Enterprises" (Cai Jin [2005] No. 49) issued by the Ministry of Finance of the PRC on 17 May 2005, banks and certain non-bank financial institutions in the PRC are required to set aside a general reserve to cover potential losses against their assets. The provision ratio for the general reserve is determined by financial institutions, with reference to the confronted risk factors. In principle, the general reserve balance should not be lower than 1% of the ending balance of gross risk-bearing assets. The general reserve forms part of the equity of the financial institution, and transfers to it are made through appropriations of PAT.

(e) Distributability of reserves

In accordance with the Articles of Association of the Company, the net profit after taxation of the Company for the purpose of dividend distribution is deemed to be the lesser of (i) the net profit determined in accordance with PRC GAAP and (ii) the net profit determined in accordance with HKFRSs under the PRC Company Law and the Company's Articles of Association. Net profit after taxation can only be distributed as dividends after an allowance has been made for the following:

(i) Making up prior years' cumulative losses, if any.

(ii) Allocations to the statutory surplus reserve (see note 34(b));

(iii) Allocations to the discretionary surplus reserve (see note 34(c)).

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For dividend distribution purposes, the amounts which the Company's subsidiaries can legally distribute by way of a dividend are determined with reference to their profits available for distribution as reflected in their respective PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those reflected in the consolidated financial statements which are prepared in accordance with HKFRSs.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

35 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 30, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts. The Group's overall strategy remains unchanged from prior year.

Gearing ratio

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is defined as total debts (which include borrowings, trade and other payables, obligations under finance leases, amounts due to holding companies, amounts due to fellow subsidiaries and amounts due to associates and contingent consideration for business combinations disclosed in note 32) as shown in the consolidated statement of financial position less cash and cash equivalents. Total equity is defined as all components of equity attributable to owners of the Company in the consolidated statement of financial position.

The gearing ratio at the end of the reporting period was as follows:

	2011	**2010**
	RMB'000	*RMB'000*
Total debts	6,840,730	6,662,301
Cash and cash equivalents	(3,807,851)	(2,350,592)
Net debt	3,032,879	4,311,709
Equity	3,398,387	3,064,119
Net debt to equity ratio	89%	141%

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

36 FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 *RMB'000*	2010 *RMB'000*
Financial assets		
Financial assets at fair value through profit or loss	253,226	103,420
Loans and receivables (including cash and cash equivalents)	6,630,234	5,393,298
Available-for-sale financial assets	655,418	1,166,572
Financial liabilities		
Other financial liabilities	(5,921,102)	(5,734,633)

Financial risk management objectives and policies

The Group's major financial assets and liabilities include available-for-sale financial assets, financial assets at fair value through profit or loss, trade and other receivables, amounts due from a holding company/fellow subsidiaries/associates, cash and cash equivalents, pledged bank deposits, trade and other payables, amounts due to holding companies/fellow subsidiaries/associates, obligations under finance leases and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The functional currency of the group entities is mainly RMB in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the group entities at the end of the reporting period are as follows:

	Currency	2011 *RMB'000*	2010 *RMB'000*
Cash and cash equivalents	USD	14,240	17,488
	Euros	991	3,185
	HKD	2,396	4,412
	CHF	1,030	–
	Others	41	1,093
Trade and other receivables	USD	8,579	4,941
	Euros	26,590	34,763
	HKD	–	89
	CHF	7,279	–
	Others	3,687	13,656
Trade and other payables	USD	(8,608)	(1,493)
	Euros	(1,006)	–
	HKD	–	(5,803)
Borrowings	USD	(202,421)	(282,262)
	Euros	(24,332)	–
	CHF	(60,249)	–
Total	USD	(188,210)	(261,326)
	Euros	2,243	37,948
	HKD	2,396	(1,302)
	CHF	(51,940)	–
	Others	3,728	14,749

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

36 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of group entities against the relevant foreign currencies, mainly USD, Euros and HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicated an increase in profit where the functional currency of group entities strengthens 5% against the relevant foreign currencies. For a 5% weakening of the functional currency of group entities against the relevant foreign currencies, these would be an equal and opposite impact on the profit.

If RMB strengthens against foreign currencies by 5%:

	USD impact		Euros impact		HKD impact		CHF impact	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit after taxation	7,999	11,106	(95)	(1,612)	(102)	55	2,207	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable rate bank borrowings which mainly float at rate offered by the PBOC and bank balances carry interests at prevailing market rates. The fair value interest rate risk relates primarily to fixed-rate short-term bank time deposits, debenture, fixed-rate bank loans and finance leases. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable rate bank borrowings, the analysis is prepared assuming amount outstanding at the end of the reporting period was outstanding for the whole year and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. The Group's sensitivity to interest rate risk in relation to variable rate bank borrowings at each end of the reporting period while all other variables were held constant is as follows:

	Year ended 31 December	
	2011	**2010**
Reasonably possible change in interest rate	100 basis points	100 basis points

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Increase/(decrease) in profit after taxation		
– as a result of increase in interest rate	(9,634)	(9,388)
– as a result of decrease in interest rate	9,634	9,388

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

36 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in note 40. In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable regularly at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are mainly banks in the PRC with good reputation.

The Group has concentration of credit risk, with aggregate amounts of RMB216,459,000 (2010: RMB252,787,000) due from top five customers, including related parties within the manufacture and sales of textile machinery and related materials, parts and component segment, as well as amounts of RMB154,229,000 (2010: RMB114,469,000) due from an associate. However, the management of the Group has closely monitored and reviewed the recoverability of these amounts and the directors consider such risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of loan facilities and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2011, the Group has available unutilised borrowing facilities of approximately RMB2,416,308,000 (2010: RMB2,141,643,000). Details of which are set out in note 30.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

36 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
2011							
Non-derivative financial liabilities							
Trade and other payables		3,340,690	–	–	–	3,340,690	3,340,690
Amounts due to holding companies		27,532	–	–	–	27,532	27,532
Amounts due to fellow subsidiaries		284,520	–	–	–	284,520	284,520
Amounts due to associates		36,559	–	–	–	36,559	36,559
Obligations under finance leases	5.20%	34,576	34,920	25,686	–	95,182	89,181
Borrowings							
Fixed rate	6.28%	927,087	–	–	–	927,087	905,000
Variable rate *	6.10%	1,100,394	64,309	–	–	1,164,703	1,133,372
Discounted bills		5,650	–	–	–	5,650	5,650
Contingent consideration liabilities for business combination (including other non-current liabilities)		100,000	–	–	–	100,000	98,598
		5,857,008	99,229	25,686	–	5,981,923	5,921,102

	Weighted average interest rate %	Less than 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
2010							
Non-derivative financial liabilities							
Trade and other payables		2,883,220	–	–	–	2,883,220	2,883,220
Amounts due to holding companies		27,532	–	–	–	27,532	27,532
Amounts due to fellow subsidiaries		327,717	–	–	–	327,717	327,717
Amounts due to associates		57,942	–	–	–	57,942	57,942
Obligations under finance leases	5.18%	34,249	34,249	34,249	25,686	128,433	116,535
Borrowings							
Fixed rate	4.95%	455,000	60,000	–	–	515,000	515,000
Variable rate *	4.88%	886,206	158,370	60,000	–	1,104,576	1,104,468
Discounted bills	109,035	–	–	–	109,035	109,035	
Contingent consideration liabilities for business combination (including other non-current liabilities)		500,000	100,000	–	–	600,000	593,184
		5,280,901	352,619	94,249	25,686	5,753,455	5,734,633

* The interest rates applied to projected undiscounted cash flows of variable rate bank loans are the interest rates at the end of the reporting period.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

36 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Equity price risk

The Group is exposed to equity price risk mainly through its investment in equity securities and debentures issued by financial institutions. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. Other than unquoted securities held for strategic purposes, all of these investments are listed. The Group's listed investments are listed on Shanghai Stock Exchange and Shenzhen Stock Exchange. The portfolio is diversified in terms of industry distribution.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is 15% in the current year to reflect the volatile financial market.

If equity prices had been 15% higher/lower (2010: 15% higher/lower), profit after taxation for the year ended 31 December 2011 would increase/decrease by RMB28,493,000 (2010: increase/decrease by RMB11,652,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

36 FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Fair values (continued)

(a) Financial instruments carried at fair value (continued)

2011

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Total** *RMB'000*
Financial assets at fair value through profit or loss			
– listed securities	253,226	–	253,226
Available-for-sale financial assets			
– listed securities	465,477	–	465,477
– unlisted securities – trust investments	–	124,068	124,068
	718,703	124,068	842,771
Financial liabilities			
– contingent consideration liabilities for business combination	–	98,598	98,598

2010

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Total** *RMB'000*
Financial assets at fair value through profit or loss			
– listed securities	103,420	–	103,420
Available-for-sale financial assets			
– listed securities	665,040	–	665,040
– unlisted securities – trust investments	–	289,170	289,170
	768,460	289,170	1,057,630
Financial liabilities			
– contingent consideration liabilities for business combination	–	593,184	593,184

During the year ended 31 December 2011 and 2010, there were no significant transfers between financial instruments in Level 1 and Level 2.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2011 and 2010.

(c) The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

37 BUSINESS COMBINATIONS

(a) Acquisitions of subsidiaries

On 27 June 2011, the Group acquired 51% controlling interests in Jinzhong Jingwei Chemical Machinery Fiber Company Limited ("Jinzhong Fiber"), principally engaged in manufacture and sales of textile machinery, for a consideration of RMB18,810,000, so as to enlarge the Group's business scope.

Assets acquired and liabilities recognised as at the date of acquisition were as follows:

	2011 *RMB'000*
Non-current assets	
Property, plant and equipment	19,875
Prepaid lease payments	4,844
Current assets	
Inventories	44,241
Trade and other receivables	59,052
Cash and cash equivalents	13,262
Current liabilities	
Trade and other payables	(108,718)
Current tax liabilities	(528)
Fair value of net identifiable assets acquired	32,028
Non-controlling interests	(15,694)
Net identifiable assets attributable to the equity interest acquired by the Group	16,334

Goodwill arising on acquisition

	2011 *RMB'000*
Consideration transferred	
Write-off of receivables from Jinzhong Fiber	18,810
Net identifiable assets attributable to the equity interest acquired by the Group	(16,334)
Goodwill	2,476

Goodwill arose in the acquisition of Jinzhong Fiber because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the above companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Acquisition-related costs amounting to RMB63,000 for the year have been excluded from the consideration transferred and have been recognised as an expense as "administrative expenses" in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

37 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

Net cash inflow on acquisition of a subsidiary in 2011

	2011
	RMB'000
Cash and cash equivalents of the subsidiary acquired	13,262
Cash inflow on acquisition in 2011	13,262

Impact of acquisitions on the results of the Group

Included in the profit for the year is RMB286,000 attributable to the additional business generated by Jinzhong Fiber. Revenue for the year includes RMB166,205,000 in respect of Jinzhong Fiber.

Had this business combinations been effected at 1 January 2011, the revenue of the Group from continuing operations would have been RMB10,473,207,000, and the profit for the year from continuing operations would have been RMB1,249,829,000. The directors of the Group consider this 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

During year 2010, the Group acquired controlling interests in a number of companies so as to enlarge the Group's business scope. The details of the subsidiaries acquired are as follows:

Name of subsidiaries activities	**Principal activities**	**Date of acquisition**	**Proportion of registered capital acquired** %
Anshan Jingwei Haihong Agricultural Machinery Company Limited ("Anshan Haihong")	Manufacture and sales of agricultural machinery and equipment	31 March 2010	51
Hubei Xinchufeng Automobile Co., Ltd. ("Hubei Xinchufeng")	Manufacture and sales of heavy and medium commercial automobiles	1 June 2010	50
Shanghai Huayuan Hyperthermia Technology Co., Ltd. ("Shanghai Huayuan")	Manufacture and sales of hyperthermia products	1 September 2010	51
Zhongrong Trust	Provision of trust and fiduciary services	31 July 2010	36

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

37 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

Assets acquired and liabilities recognised as at the date of acquisition were as follows:

	Anshan Haihong *RMB'000*	Hubei Xinchufeng *RMB'000*	Shanghai Huayuan *RMB'000*	Zhongrong Trust *RMB'000*	2010 Total *RMB'000*
Non-current assets					
Property, plant and equipment	7,650	39,070	380	34,222	81,322
Prepaid lease payments	13,329	81,000	–	–	94,329
Intangible assets	5,961	–	5,123	1,591	12,675
Available-for-sale financial assets	–	–	–	233,157	233,157
Deferred tax assets	–	–	–	33,776	33,776
Current assets					
Inventories	18,762	–	3,800	–	22,562
Trade and other receivables	18,446	–	9,262	119,034	146,742
Current tax assets	1,733	–	114	–	1,847
Financial assets at fair value through profit or loss	–	–	–	163,935	163,935
Cash and cash equivalents	5,562	109,924	2,193	620,767	738,446
Current liabilities					
Trade and other payables	(29,651)	–	(8,401)	(174,946)	(212,998)
Current tax liabilities	–	–	–	(38,125)	(38,125)
Borrowings-amount due within one year	–	–	(3,000)	–	(3,000)
Non-current liabilities					
Other non-current liabilities	–	(29,994)	–	–	(29,994)
Fair value of net identifiable assets acquired	41,792	200,000	9,471	993,411	1,244,674
Non-controlling interests	(20,478)	(100,000)	(4,641)	(635,783)	(760,902)
Net identifiable assets attributable to the equity interests acquired by the Group	21,314	100,000	4,830	357,628	483,772

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

37 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

Goodwill arising on acquisition

	Anshan Haihong *RMB'000* (note a)	Hubei Xinchufeng *RMB'000* (note b)	Shanghai Huayuan *RMB'000*	Zhongrong Trust *RMB'000* (note c)	2010 Total *RMB'000*
Consideration transferred					
Consideration paid in cash	18,655	100,000	4,998	–	123,653
Contingent consideration paid in cash in advance	10,000	–	–	600,000	610,000
Contingent consideration payable	–	–	–	591,017	591,017
	28,655	100,000	4,998	1,191,017	1,324,670
Net identifiable assets attributable to the equity interests acquired by the Group	(21,314)	(100,000)	(4,830)	(357,628)	(483,772)
Goodwill	7,341	–	168	833,389	840,898

Notes:

(a) The Group has obtained guarantee from the vendors of Anshan Haihong whereby the Group will be reimbursed consideration transferred of RMB10 million on the acquisition, if the following conditions occur:

(i) the aggregated amount of the audited revenue of Anshan Haihong for each of the three years ended 31 December 2010, 31 December 2011 and 31 December 2012 is less than RMB100 million, RMB150 million and RMB250 million ("the Three Financial Years") respectively; or

(ii) the audited revenue of Anshan Haihong is less than RMB500 million in aggregate for the Three Financial Years; or

(iii) the aggregate amount of the audited PAT of Anshan Haihong is less than RMB15 million, RMB22.5 million and RMB37.5 million for each of the Three Financial Years; or

(iv) if the aggregate amount of audited PAT of Anshan Haihong is less than RMB75 million for the Three Financial Years.

Accordingly, the consideration paid in cash of RMB10 million out of total consideration transferred is regarded as contingent consideration.

The fair value of the contingent consideration arrangement of RMB10 million at the date of acquisition was estimated by applying the income approach. The fair value estimates assumed probability-adjusted revenue and PAT in Anshan Haihong are in excess of the requirements above.

At 31 December 2011, neither the amount recognised for the contingent consideration, nor the range of outcomes or the assumptions used to develop the estimates had changed.

(b) The registered capital of Hubei Xinchufeng is RMB200 million, up to the date of acquisition agreement, RMB100 million was fully paid up by the vendor, the remaining RMB100 million have not yet been paid up. According to the acquisition agreement, the consideration for the acquisition was RMB100 million, the vendor shall receive nil purchase price from the Company and the consideration shall be injected into Hubei Xinchufeng for paying up the acquired interest, namely the unpaid equity interest in Hubei Xinchufeng, which represents 50% of its registered capital. As a result of capital injection, the Company has actual control on Hubei Xinchufeng (see note 45(f)).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

37 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

Goodwill arising on acquisition (continued)

Notes (continued)

(c) The Group has obtained profit guarantee from the vendors of Zhongrong Trust whereby the Group will be reimbursed part of the consideration transferred on the acquisition, if the audited PAT of Zhongrong Trust is less than RMB400 million for each of the three years ended 31 December 2010, 31 December 2011 and 31 December 2012 respectively.

Accordingly, the consideration paid or payable of RMB1,200 million out of total consideration transferred is regarded as contingent consideration.

The fair value of the contingent consideration arrangement of RMB1,191,017,000 at the date of acquisition was estimated by applying the income approach. The fair value estimates are based on an assumed discount rate of 5.81%.

The fair value of contingent consideration payable is initially recognised as RMB591,017,000 in liabilities.

At 31 December 2011, neither the amount recognised for the contingent consideration, nor the range of outcomes or the assumptions used to develop the estimates had changed. The fair value of contingent consideration payable is remeasured as RMB98,598,000 (2010: RMB593,184,000) in liabilities (note 32). The loss for the current year relating to the change in fair value of the contingent consideration liability of RMB5,414,000 (2010: RMB2,167,000) has been recognised in the consolidated statement of comprehensive income as "finance cost".

Goodwill arose in the acquisition of the above companies because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the above companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Acquisition-related costs amounting to RMB9,225,000 for year 2010 have been excluded from the consideration transferred and have been recognised as an expense as "administrative expenses" in the consolidated statement of comprehensive income.

Net cash inflow on acquisition of subsidiaries in 2010

	Anshan Haihong *RMB'000*	**Hubei Xinchufeng** *RMB'000*	**Shanghai Huayuan** *RMB'000*	**Zhongrong Trust** *RMB'000*	**2010 Total** *RMB'000*
Consideration paid in cash	18,655	100,000	4,998	–	123,653
Contingent consideration paid in cash in advance	10,000	–	–	600,000	610,000
Cash and cash equivalents of the subsidiaries acquired	(5,562)	(109,924)	(2,193)	(620,767)	(738,446)
Cash outflow/(inflow) on acquisition in 2010	23,093	(9,924)	2,805	(20,767)	(4,793)

(b) Transactions with non-controlling interests

During 2011, the Group acquired additional 0.6% interest in Zhongrong Trust, increasing its controlling interest to 36.6%. The payments on acquisition of RMB66,948,000 were paid in cash. An amount of RMB16,655,000, being the proportionate share of the carrying amount of the net assets of Zhongrong Trust, has been transferred from non-controlling interests. The difference of RMB50,293,000 between the carrying amount of non-controlling interests and the consideration paid has been debited to share premium account.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

37 BUSINESS COMBINATIONS (CONTINUED)

(b) Transactions with non-controlling interests (continued)

During 2011, the Group acquired additional 25% interest in Hubei Xinchufeng, increasing its controlling interest to 75%. The payments on acquisition of RMB50,000,000 were paid in cash. An amount of RMB48,122,000, being the proportionate share of the carrying amount of the net assets of Hubei Xinchufeng, has been transferred from non-controlling interests. The difference of RMB1,878,000 between the carrying amount of non-controlling interests and the consideration paid has been debited to share premium account.

During 2010, the Group disposed 45% of its interest in Huangshi Jingwei, reducing its controlling interest to 45%. The proceeds on disposal of RMB5,350,000 were received in cash. An amount of RMB936,000, being the proportionate share of the carrying amount of the net assets of Huangshi Jingwei, has been transferred to non-controlling interests. The difference of RMB4,414,000 between the carrying amount of non-controlling interests and the consideration received has been credited to share premium account.

38 DISPOSAL OF A SUBSIDIARY

In June 2011, the Group disposed 100% equity interests in Yichang Hengtian Development Properties Company Limited ("Yichang Hengtian") at a consideration of RMB20,000,000. Yichang Hengtian's assets and liabilities as at the date of disposal were as follows:

	2011 *RMB'000*
Non-current assets	
Property, plant and equipment	739
Current assets	
Inventories	400
Trade and other receivables	13,920
Cash and cash equivalents	159
Current liabilities	
Trade and other payables	(313)
Net assets disposed of	14,905

Gain on disposal of a subsidiary:

	2011 *RMB'000*
Consideration received and receivables	
Cash consideration	20,000
Net assets disposed of	(14,905)
	5,095

Net cash inflow on disposal of a subsidiary in 2011

	2011 *RMB'000*
Consideration received in cash	13,000
Less: cash and cash equivalents of the subsidiary disposed	(159)
	12,841

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

38 DISPOSAL OF A SUBSIDIARY (CONTINUED)

In November 2010, the Group purchased 12% equity interests in Hengtian Real Estate Co. Ltd. ("Hengtian RE"), the holder of non-controlling interests in Beijing Bohong Property Development Company Limited ("Beijing Bohong"), by way of: (i) injection of the 44.83% of the equity interest in Beijing Bohong held by it; and (ii) a cash contribution of RMB12,500,000. Conversely, Hengtian RE purchased the Group's 20.17% of the equity interest in Beijing Bohong at a consideration of RMB61,200,000. As a result, totalling 65% equity interest in Beijing Bohong held by the Group was disposed to Hengtian RE. Beijing Bohong becomes a wholly-owned subsidiary of Hengtian RE but ceased to be a subsidiary of the Group. Beijing Bohong's assets and liabilities as at the date of disposal were as follows:

	2010 *RMB'000*
Non-current assets	
Property, plant and equipment	3,015
Available-for-sale financial assets	1,764
Current assets	
Properties under development for sale	59,877
Completed properties for sale	149,296
Trade and other receivables	131,112
Cash and cash equivalents	148,187
Current liabilities	
Trade and other payables	(238,827)
Current tax liabilities	(40,049)
Net assets disposed of	214,375

Gain on disposal of a subsidiary:

	2010 *RMB'000*
Consideration received and receivables	
Cash consideration	49,900
Available-for-sale financial assets – equity interest in Hengtian RE	144,540
	194,440
Net assets disposed of	(214,375)
Non-controlling interests	106,452
	86,517

Net cash outflow on disposal of a subsidiary in 2010

	2010 *RMB'000*
Consideration received in cash	49,900
Less: cash and cash equivalents of the subsidiary disposed	(148,187)
	(98,287)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

39 COMMITMENTS

(a) Capital commitments

	2011 *RMB'000*	2010 *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– Authorised but not contracted for	218,130	156,350
– Contracted but not provided for	96,816	166,073
	314,946	322,423

(b) Lease commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 *RMB'000*	2010 *RMB'000*
Land and buildings		
Within one year	37,702	18,810
In the second to fifth year inclusive	64,812	25,287
Five years or above	–	292
	102,514	44,389

Operating lease payments represent rentals payable by the Group for certain of its offices and sales offices. Leases are negotiated for an average term of one to five years and rentals are fixed for an average of two years.

40 CONTINGENT LIABILITIES

	2011 *RMB'000*	2010 *RMB'000*
Guarantees for bank loans of third party	150,000	150,000

The directors consider the fair values of the financial guarantee contracts granted by the Group at the date of inception were insignificant during both years.

41 FIDUCIARY SERVICES

A subsidiary of the Group, Zhongong Trust, acts in a fiduciary capacity as a custodian, trustee, or an agent for customers. Assets held by Zhongrong Trust and the related undertakings to return such assets to customers are excluded from the financial statements as the risks and rewards of the assets reside with customers.

The value of assets held by the Group in fiduciary but not recognised in the consolidated statement of financial position are as follows:

	2011 *RMB'000*	2010 *RMB'000*
Trusted assets	174,168,671	179,936,831

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

42 RETIREMENT BENEFIT PLANS

State-managed retirement plan

The employees of the Group in the PRC are members of state-managed retirement benefit plans operated by the government of the PRC. The subsidiaries are required to contribute 20% (2010: 20%) of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognised in the consolidated statement of comprehensive income of RMB90,982,000 (2010: RMB68,023,000) represents contributions payables to these plans by the Group at rates specified in the rules of plans.

At 31 December 2011, contributions totalling RMB15,561,000 (2010: RMB14,972,000) were payable to the retirement schemes and were included in other payables and accrued charges. There were no forfeited contributions utilised during the year or available at 31 December 2011 to reduce future contributions (2010: RMBNil).

Retirement and supplemental benefit obligations

The Group paid post-retirement supplemental benefits to its qualifying retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees in accordance with various employee benefit schemes adopted by the Group.

The amount of retirement and supplemental benefit obligations recognised in the consolidated statement of financial position is determined as follows:

	2011 *RMB'000*	**2010** *RMB'000*
Present value of unfunded defined benefit obligations	40,420	36,920
Net actuarial (loss)/gain not recognised	(560)	1,230
Net liability arising from defined benefit obligations	39,860	38,150

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2011 *RMB'000*	**2010** *RMB'000*
At beginning of the reporting period	36,920	35,830
Interest cost	1,430	1,400
Benefits paid	(2,730)	(2,010)
Past service cost-vested benefits	–	830
Actuarial loss for the year	4,800	870
At end of the reporting period	40,420	36,920

During 2010, a subsidiary has increased its level of supplemental post-retirement benefits for pre-existing civil retirees. Such change has been accounted for as past service cost at 31 December 2010.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

42 RETIREMENT BENEFIT PLANS (CONTINUED)

Retirement and supplemental benefit obligations (continued)

The above obligations were determined based on actuarial valuations performed by an independent firm of actuaries, Towers Watson Management consulting (Shenzhen) Co., Ltd, using the projected unit credit method.

The amount recognised/(credited) to the consolidated statement of comprehensive income of the Group for the year is as follows:

	2011 *RMB'000*	**2010** *RMB'000*
Interest cost	1,430	1,400
Past service cost-vested benefits	–	830
Actuarial loss/(gain) recognised	3,010	(810)
	4,440	1,420

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2011 *%*	**2010** *%*
Discount rate	3.50	4.00
Medical cost trend (Civil Retirees/Retirees)	8.00/6.00	8.00/6.00
Cost of living adjustment for beneficiaries	4.50	4.50
Mortality rate	China Life Annuity Mortality Table 2000-03 up 2 years	

An increase of one percentage point in the assumed medical cost trend rates:

(i) would result in an increase of RMB169,000 (2010: RMB174,000) on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs for the year.

(ii) would result in an increase of RMB4,464,000 (2010: RMB4,218,000) on the accumulated post-employment benefit obligation for medical costs for the year.

43 MAJOR NON-CASH TRANSACTIONS

In August 2010, the Group acquired 36% of equity interests in Zhongrong Trust for a total consideration of RMB1,200 million. At 31 December 2010, RMB600 million was paid in cash by the Group. The remaining balance of RMB600 million carried at fair value of RMB593,184,000 has been included in trade and other payables and non-current liabilities at the end of the reporting period.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

44 RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by China Hengtian, which is a state-owned enterprise established in the PRC. China Hengtian itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (revised) Related Party Disclosure, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include China Hengtian and its subsidiaries (other than the Group), other government-related entities and subsidiaries ("other stated-owned enterprises"), other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and China Hengtian as well as their close family members. For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed. Other than the transactions and balances with related parties disclosed in respective notes to consolidated financial statements, during the year, the Group has the following significant transactions with its related companies:

(a) (i) Transactions with fellow subsidiaries

	2011 *RMB'000*	2010 *RMB'000*
Sales of goods and services		
Sale of finished goods	102,461	158,716
Sale of materials, parts and components	9,027	180,822
Other supporting services income	–	6,948
Processing fee income	–	2,522
Rental income	3,381	4,684
Interest income	509	–
Purchases of goods and services		
Purchase of finished goods	426,418	386,596
Purchase of materials, parts and components	5,542	143,166
Purchase of energy	47	42
Processing fee expenses	202	33,683
Transportation services expenses	4,080	3,994
Repairs and maintenance services expenses	4,110	11,176
Other supporting services expenses	5,226	5,399
Rental expenses	429	472

(a) (ii) Transactions with associates

	2011 *RMB'000*	2010 *RMB'000*
Sales of goods and services		
Sale of finished goods	403,407	384,451
Sale of materials, parts and components	22,116	2,244
Processing fee income	436	–
Other supporting services income	2,217	–
Interest income	–	339
Purchases of goods and services		
Purchase of materials, parts and components	96,809	7,535
Processing fee expenses	9	–
Repairs and maintenance service expenses	15,814	–
Other supporting services expenses	1,318	–
Rental expense	478	–

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

44 RELATED PARTIES TRANSACTIONS (CONTINUED)

(a) (iii) Transactions with companies in which certain key management personnel of the Group have influence in:

	2011 RMB'000	2010 RMB'000
Sales of goods and services		
Sale of finished goods	5,974	1,626
Sale of materials, parts and components	5,559	10,220
Processing fee income	45	585
Rental income	–	1,145
Purchases of goods and services		
Purchase of finished goods	144,650	421
Purchase of materials, parts and components	541,250	466,877
Purchase of energy	2,351	512
Processing fee expenses	7,006	6,497
Other supporting services expenses	2,343	7,931
Rental expenses	9,565	12,095

The above transactions were made at similar terms set out as the Group grants/received from other customers/suppliers.

(b) Transactions with other state-owned entities

During the years ended 31 December 2011 and 2010, the Group's significant transactions with other state-owned entities (excluding China Hengtian and its subsidiaries) are as follows:

	2011 RMB'000	2010 RMB'000
Sales of goods and services		
Sale of finished goods	380,967	112,131
Sale of materials, parts and components	14,981	3,371
Other supporting services income	–	1
Interest income	42,105	7,888
Purchases of goods and services		
Purchase of materials, parts and components	68,139	75,268
Purchase of energy	93,323	46,505
Purchase of property, plant and equipment	4,346	–
Processing fee expenses	–	2,057
Delivery fee expenses	498	543
Borrowings raised from state-owned banks	1,076,935	734,614
Other supporting services expenses	6,344	33,014
Interest expenses	58,367	31,665
Rental expenses	108	–

In addition, substantially all restricted deposits, time deposits, cash and cash equivalents and borrowings as of 31 December 2011 and 2010 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government.

(c) Compensation of key management personnel

	2011 RMB'000	2010 RMB'000
Salaries and other short-term employee benefits	20,398	16,017
Post-employment benefits	393	322
	20,791	16,339

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

45 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2011 Attributable equity interest of the Group Indirectly	2011 Attributable equity interest of the Group Directly	2010 Attributable equity interest of the Group Indirectly	2010 Attributable equity interest of the Group Directly	Principal activities
			%	%	%	%	
Jingwei Textile Machinery Yuci Material Company Limited	PRC 9 July 1996	RMB 5,000,000	0.72	99.2	0.72	99.2	Trading of furnace materials, metals, textile machinery component and charcoal
Taiyuan Jingwei Electrical Company Limited	PRC 18 March 1997	RMB 5,000,000	2	98	2	98	Manufacture and sales of transformers and electrical components
Qingdao Hongda Textile Machinery Company Limited	PRC 16 August 1999	RMB 114,000,000	–	97.663	–	97.663	Manufacture, sales and leasing of textile machinery and related components
Tianjin Hongda Textile Machinery Company Limited	PRC 17 August 1999	RMB 78,500,000	2	98	2	98	Sales of textile, photocopying, agriculture processing machinery and related components
Zhengzhou Hongda New Textile Machinery Company Limited	PRC 11 August 1999	RMB 74,500,000	–	98	–	98	Development and manufacture of textile machinery and related components
Shenyang Hongda Textile Machinery Company Limited	PRC 16 August 1999	RMB 71,000,000	–	98	–	98	Development, manufacture and processing of textile machinery and related components
Changde Textile Machinery Company Limited	PRC 5 January 2002	RMB 42,349,900	25	70	25	70	Manufacture and trading of textile machinery and other machinery
Beijing Jingwei Textile Machinery New Technology Company Limited	PRC 2 March 2000	RMB 100,000,000	1.6	98.4	1.6	98.4	Technical development and manufacture of textile machinery, sale of textile, industrial specialised machinery
Shanghai Weixin Electrical and Machinery Company Limited	PRC 30 June 2000	RMB 16,000,000	10	90	10	90	Manufacture and development of textile machinery, automobile component and general machinery
Beijing Jingpeng Investment Management Company Limited	PRC 30 July 2001	RMB 100,000,000	4	96	4	96	Investment management, sales of electronic and chemical products
Shanghai Chuangan Trading Company Limited	PRC 29 September 2001	RMB 2,000,000	–	90	–	90	Trading of textile, electronic products and chemical products

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

45 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2011 Attributable equity interest of the Group Indirectly	2011 Attributable equity interest of the Group Directly	2010 Attributable equity interest of the Group Indirectly	2010 Attributable equity interest of the Group Directly	Principal activities
			%	%	%	%	
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	PRC 5 September 2001	RMB 50,000,000	22	78	22	78	Manufacture and sales of blowing-carding machinery and related components
Wuxi Jingwei Textile Technology Testing Company Limited	PRC 14 May 2003	RMB 49,530,000	33.45	66.55	33.45	66.55	Manufacture and sales of textile products; research and development of technology relating to textile machinery and equipments
Tianjin Jingwei New Type Textile Machinery Company Limited	PRC 16 August 2005	RMB 16,000,000	25	75	25	75	Development and processing textile machinery and related components
Shenyang Hongda Huaming Textile Machinery Company Limited	PRC 13 July 2005	RMB 40,000,000	98.5	–	98.5	–	Development and processing of textile machinery and related components
Wuxi Jingwei Textile Technology Sales Company Limited	PRC 31 December 2005	RMB 1,000,000	–	100	–	100	Manufacture and sales of textile products; textile machinery and related components
Wuxi Hongda Textile Machinery and Special Parts Company Limited ("Wuxi Special Parts") (note (a))	PRC 13 March 2005	RMB 20,000,000	25	10	25	10	Manufacture of textile machinery and related components, general machinery and component, advanced textile machinery
Xianyang Jingwei Machinery Manufacturing Company Limited	PRC 9 April 1999	RMB 75,079,600	0.67	99.33	0.67	99.33	Manufacture of weaving machines and equipment, and provision of relevant consulting service
Yichang Jingwei Textile Machinery Company Limited	PRC 22 December 2006	RMB 20,000,000	25	75	25	75	Development and processing of textile machinery and related components
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	PRC 24 September 1993	RMB 40,000,000	–	89.65	–	89.65	Manufacture of textile machinery components
Hongkong Huaming Co. Limited (note (b))	Hong Kong 31 December 2000	USD 7,700,000	–	100	–	100	Export and import trading of textile machinery
Shanxi Jingwei Heli Machinery Manufacturing Company Limited ("Shanxi Heli") (note (c))	PRC 26 February 2003	RMB 100,000,000	–	30	–	30	Design and manufacture of various electromechanical products and mining products

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

45 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2011 Attributable equity interest of the Group Indirectly	2011 Directly	2010 Attributable equity interest of the Group Indirectly	2010 Directly	Principal activities
			%	%	%	%	
Shanghai WSP Mould and Injection Plastic Company Limited (note (d))	PRC 14 May 2005	RMB 5,256,800	50	–	50	–	Development, manufacture and trading machinery and related machinery, automobile component, mould and general machinery
Jinzhong Jingwei Foundry Company Limited	PRC 6 August 2009	RMB 25,000,000	–	68.8	–	68.8	Development and processing of textile machinery and related components
Huangshi Jingwei Textile Machinery Company Limited ("Huangshi Jingwei") (note (e))	PRC 24 December 2008	RMB 32,000,000	–	45	–	45	Development and processing of textile machinery and related component
Yichang Hengtian (note 38)	PRC 23 July 2009	RMB 20,000,000	–	–	100	–	Real estate development
Hubei Xinchufeng (note 37 and (f))	PRC 22 March 2007	RMB 200,000,000	–	75	–	50	Manufacture and sales of heavy and medium commercial automobiles
Zhongrong Trust (note 37 and (g))	PRC 30 June 1987	RMB 1,475,000,000	–	36.6	–	36.0	Provision of trust and fiduciary services
Anshan Haihong (note 37)	PRC 3 November 2008	RMB 40,000,000	–	51	–	51	Manufacture and sales of agricultural machinery and equipment
Shanghai Huayuan (note 37)	PRC 1 November 2004	RMB 20,000,000	51	–	51	–	Manufacture and sales of hyperthermia products
Xianyang Jingwei Textile Machinery Company Limited	PRC 22 October 2010	RMB 50,000,000	–	97.33	–	97.33	Manufacture of weaving machines and equipment, and provision of relevant consulting service
Jinzhong Fiber (note 37)	PRC 8 October 2002	RMB 31,000,000	–	51	–	–	Manufacturing of textile machinery components
Hengtian Motor Vehicles Co., Limited (note (h))	PRC 5 May 2011	RMB 50,000,000	75	–	–	–	Manufacture and sales of heavy and medium commercial automobiles
Beijing Zhongrong Dingxin Investment Management Company Limited (note (h))	PRC 13 December 2011	RMB 100,000,000	36.6	–	–	–	Investment holding, provision of asset management and business advisory services

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

45 SUBSIDIARIES (CONTINUED)

Notes:

(a) The shareholding that the Group has in Wuxi Special Parts directly and via its subsidiaries is less than 51%. But pursuant to the Articles of Association of Wuxi Special Parts, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(b) Except for Hongkong Huaming Co. Limited which was incorporated and operated in Hong Kong with limited liabilities, all other subsidiaries are limited liability companies established and operated in the PRC.

(c) The shareholding that the Group has in Shanxi Heli directly is less than 51%. But pursuant to the Articles of Association of Shanxi Heli, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(d) The shareholding that the Group has in Shanghai WSP via its subsidiaries is less than 51%. In year 2007, the Company has obtained the voting trust of two natural person shareholders, with a term commencing from 1 January 2007 to 31 December 2011. Upon authorisation, the Company exercises full control over the voting rights in the Board of Directors of Shanghai WSP and subsequently has the actual control over the company. Therefore, Shanghai WSP is included into the consolidated financial statements.

(e) The shareholding that the Group has in Huangshi Jingwei directly and via its subsidiaries is less than 51%. But pursuant to the Articles of Association of Huangshi Jingwei, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(f) The shareholding that the Group has in Hubei Xinchufeng directly is less than 51%. But pursuant to the Articles of Association of Hubei Xinchufeng, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(g) The shareholding that the Group has in Zhongrong Trust directly is less than 51%. But pursuant to the Articles of Association of Zhongrong Trust, the Group has more than half of the seats of this company's Board of Directors and hence has actual control over the Board, it is thus included into the consolidated financial statement.

(h) These subsidiaries were incorporated during the year ended 31 December 2011.

The above represents the list of the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

46 EVENTS AFTER REPORTING DATE

On 11 January 2012, the Company, Beijing Jingwei Textile Machinery New Technology Company Limited and Beijing Bohong entered into the equity transfer agreement, pursuant to which the Company agreed to sell the equity interest of Xianyang Jingwei Machinery Manufacture Company Limited ("Xianyang Jingwei") to Beijing Bohong at a consideration of RMB82,360,000.

Following the completion of the equity transfer agreement, Beijing Bohong will own 75% equity interest of Xianyang Jingwei, the Company will own 24.33% equity interest of Xianyang Jingwei and Beijing Jingwei Textile Machinery New Technology Company Limited will own 0.67% equity interest of Xianyang Jingwei. Therefore Xianyang Jingwei will cease to be a subsidiary of the Company.

On 27 February 2012, Zhongrong Trust, a subsidiary of the Company, has received "The Heilongjiang CBRC Office's Approval to the Increase in the Registered Capital, Adjustment in the Shareholding Structure and Amendments of Articles of Association of Zhongrong Trust" (the "Approval") from the Heilongjiang CBRC Office approving the shareholders of Zhongrong Trust to increase the share capital of Zhongrong Trust by injecting a capital amount of RMB125,000,000 by cash. After the change in the registered capital, the Company's equity interest in Zhongrong Trust will be increased from 36.60% to 37.47%.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2011

47 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2011	2010
	RMB'000	*RMB'000*
Investment in subsidiaries	2,841,147	2,377,789
Amounts due from subsidiaries	1,247,685	883,701
Amounts due from fellow subsidiaries	16,638	30,660
Amounts due from associates	129,937	254,124
Other assets	2,811,827	3,706,358
Total assets	7,047,234	7,252,632
Amounts due to subsidiaries	664,438	413,400
Amounts due to holding companies	2,600	2,600
Amounts due to fellow subsidiaries	175,307	218,713
Amounts due to associates	13,922	54,083
Other liabilities	3,716,798	4,153,623
Total liabilities	4,573,065	4,842,419
NET ASSETS	2,474,169	2,410,213
Capital and reserves		
Share capital	603,800	603,800
Reserves (note 34(a))	1,870,369	1,806,413
	2,474,169	2,410,213

48 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of RMB105,398,000 (2010: RMB20,627,000) which has been dealt with in the financial statements of the Company.

Chapter XIV Documents Available for Inspection

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

1. The accounting statements duly signed and sealed by the authorised representative, the person in charge of finance and the person in charge of accounting;

2. The original copy of the auditor's report duly hand signed by Baker Tilly China and certified public accountants registered in the PRC and the original copy of the auditor's report sealed by Baker Tilly Hong Kong Limited and financial statements prepared in accordance with Hong Kong Financial Reporting Standards;

3. Original of all documents and public announcements which had been disclosed in the newspapers for company information disclosure during the reporting period and original of such manuscripts;

4. 2011 annual reports (both English and Chinese versions).

中国恒天
CHTC

Friend of Worldwide Textile Industry

Pride of China Manufacturing Industry

经纬纺织机械股份有限公司
JINGWEI TEXTILE MACHINERY CO., LTD.
Business address of the Company: Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, PRC
Worldwide website: http://www.jwgf.com
Telephone: 8610 84534078 / 84534079