JINGWEI TEXTILE MACHINERY COMPANY LIMITED
經緯紡織機械股份有限公司

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

PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

1. IMPORTANT NOTES

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

1.2 Preliminary announcement of annual results for this year is extracted from the full text of the annual report. In order to understand the details, investors should read the full text of the annual report. The 2012 annual report of the Company will be despatched to the shareholders of the Company and will be available on the websites of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the Company in due course.

1.3 Baker Tilly China (Special General Partnership)(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 (collectively, the "**Group**") for the year ended 31 December 2012 in accordance with the CASBE and the Hong Kong Financial Reporting Standards, respectively, and have given unqualified audit opinions on both financial statements. The Audit Committee of the Board of the Company has reviewed the results of the Group for the year ended 31 December 2012.

1.4 In this preliminary annual results announcement, except for section 3, all financial data are prepared in accordance with the PRC accounting standards.

2. COMPANY PROFILE

Stock short name	Jingwei Textile	Jingwei Textile
Stock code	000666	00350
Stock exchanges on which shares of the Company are listed	Shenzhen Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address	8 Yongchangzhong Road, Beijing Economic & Technological Development Zone, Beijing, the People's Republic of China ("PRC")	
Postal code of registered address	100176	
Business address	Level 7, First Shanghai Centre, 39 Liangmaqiao Road, Chaoyang District, Beijing, the PRC	
Postal code of business address	100125	
Worldwide website	www.jwgf.com	
E-mail address	jwgf@jwgf.com	

3. ACCOUNTS PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 *RMB'000*	2011 *RMB'000*
Turnover	3	8,632,148	10,201,720
Cost of sales		(4,391,766)	(6,295,158)
Gross profit		4,240,382	3,906,562
Other income	5	290,426	133,477
Gain/(loss) on fair value changes of financial assets at fair value through profit or loss		43,783	(137,727)
Selling and distribution expenses		(192,468)	(164,185)
Administrative expenses		(2,330,491)	(2,101,666)
Finance costs	6	(149,920)	(103,049)
Share of profit of associates		648	8,394
Profit before taxation	7	1,902,360	1,541,806
Income tax expense	8	(513,371)	(377,839)
Profit for the year		1,388,989	1,163,967
Other comprehensive income	9		
Exchange difference on translation of foreign operations		(76)	(329)
Change in value of available-for-sale financial assets		(2,697)	(228,493)
Share of other comprehensive (loss)/income of associates		(1,166)	825
Income tax relating to components of other comprehensive income		674	57,123
Others		(71)	–
Other comprehensive loss for the year, net of income tax		(3,336)	(170,874)
Total comprehensive income for the year		1,385,653	993,093
Profit for the year attributable to:			
Owners of the Company		435,621	490,793
Non-controlling interests		953,368	673,174
		1,388,989	1,163,967
Total comprehensive income attributable to:			
Owners of the Company		433,611	428,705
Non-controlling interests		952,042	564,388
		1,385,653	993,093
Earnings per share	11		
– Basic and diluted		RMB0.71	RMB0.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		1,959,820	1,925,234
Prepaid lease payments		444,021	482,390
Intangible assets		51,398	24,289
Goodwill		844,307	845,633
Interests in associates		151,876	114,839
Available-for-sale financial assets		636,980	655,418
Deferred tax assets		288,902	182,943
Other non-current assets		–	14,693
		4,377,304	4,245,439
Current assets			
Inventories		1,484,581	1,515,924
Trade and other receivables	12	2,595,563	2,718,958
Prepaid lease payments		10,817	11,470
Amount due from a holding company	14	64	64
Amounts due from fellow subsidiaries	14	108,404	30,433
Amounts due from associates	14	150,811	204,900
Current tax assets		537	1,225
Financial assets at fair value through profit or loss		276,666	253,226
Pledged bank deposits		68,981	180,339
Cash and cash equivalents		6,479,759	3,807,851
		11,176,183	8,724,390
Current liabilities			
Trade and other payables	13	4,065,991	4,328,922
Amounts due to holding companies	14	26,532	27,532
Amounts due to fellow subsidiaries	14	181,233	284,520
Amounts due to associates	14	89,100	36,559
Current tax liabilities		177,749	150,696
Borrowings – amount due within one year		1,515,761	1,984,022
Obligations under finance leases		32,021	31,347
		6,088,387	6,843,598
Net current assets		5,087,796	1,880,792
Total assets less current liabilities		9,465,100	6,126,231

	Note	2012	2011
		RMB'000	*RMB'000*
Non-current liabilities			
Borrowings – amount due after one year		1,200,000	60,000
Obligations under finance leases		25,243	57,834
Other non-current liabilities		171,275	277,092
		1,396,518	394,926
		8,068,582	5,731,305
Capital and reserves			
Share capital		704,130	603,800
Reserves		3,998,025	2,794,587
Equity attributable to owners of the Company		4,702,155	3,398,387
Non-controlling interests		3,366,427	2,332,918
		8,068,582	5,731,305

1 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS/BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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.

Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

In the current year, the Group discounted certain bills receivables to banks for cash. If the bills receivables are not paid at maturity, the banks have the rights to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing.

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 – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements: Joint Arrangement and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements (2011) [2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures (2011)[2]

HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle, except for the amendments HKAS 1[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

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.

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 would not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10 and HKFRS 11.

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.

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 TURNOVER

Turnover 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:

	2012	2011
	RMB'000	*RMB'000*
Manufacture and sales of textile machinery and related material, parts and component	4,425,468	6,895,445
Provision of trust and fiduciary services	3,773,173	3,064,013
Manufacture and sales of other non-textile products	433,507	242,262
	8,632,148	10,201,720

4 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. Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of other income/(expenses), finance costs and gain on fair value changes of financial assets at fair value through profit and 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).

Segment information about these businesses is presented below:

	Manufacture and sales of textile machinery and related material, 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 2012					
TURNOVER					
External sales	4,425,468	3,773,173	433,507	–	8,632,148
Inter-segment sales	45,970	–	895	(46,865)	–
Total	4,471,438	3,773,173	434,402	(46,865)	8,632,148
Year ended 31 December 2012					
Segment result	131,029	1,900,111	(37,921)	–	1,993,219
Unallocated income					14,630
Finance costs					(149,920)
Gain on fair value changes of financial assets at fair value through profit or loss					43,783
Share of profit of associates					648
Profit before taxation					1,902,360
Income tax expense					(513,371)
Profit for the year					1,388,989

Inter-segment sales are charged at prevailing market rates.

	Manufacture and sales of textile machinery and related material, parts and component	Provision of trust and fiduciary services	Manufacture and sales of other non-textile products	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities as at 31 December 2012					
ASSETS					
Segment assets	8,628,566	5,635,632	746,853	(246,420)	14,764,631
Interests in associates					151,876
Available-for-sale financial assets					636,980
Consolidated total assets					15,553,487
LIABILITIES					
Segment liabilities	5,672,901	1,382,795	676,187	(246,978)	7,484,905
Consolidated total liabilities					7,484,905
Other information for year ended 31 December 2012					
Additions to non-current assets	344,550	17,244	26,621	–	388,415
Depreciation of property, plant and equipment	125,914	11,933	19,860	–	157,707
Amortisation of intangible assets	5,156	1,484	3,288	–	9,928
Amortisation of prepaid lease payments	8,926	–	2,008	–	10,934

	Manufacture and sales of textile machinery and related material, parts and component	Provision of trust and fiduciary services	Manufacture and sales of other non-textile products	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	6,901,420	3,064,013	242,262	(5,975)	10,201,720
RESULT					
Segment result	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					1,541,806
Income tax expense					(377,839)
Profit for the year					1,163,967

Inter-segment sales are charged at prevailing market rates.

	Manufacture and sales of textile machinery and related material, parts and component	Provision of trust and fiduciary services	Manufacture and sales of other non-textile products	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets and liabilities 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 for year ended 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

(b) Geographical information

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) Major customers

No single customer accounted for 10% or more of the total revenue for the years ended 31 December 2012 and 2011.

5 OTHER INCOME

	2012	2011
	RMB'000	*RMB'000*
Interest income from banks	11,654	9,617
Interest income from other receivables and related parties	2,947	6,245
Government subsidies (note)	46,800	20,701
Gain on disposal of a subsidiary	78,321	5,095
Gain on disposal of an associate	29	–
Gain on disposal of available-for-sale financial assets	35,024	–
Gain on disposal of property, plant and equipment	31,783	803
Net foreign exchange gains	2,060	17,497
Rental income	6,910	5,362
Dividend income from available-for-sale financial assets	5,569	16,050
Dividend income from financial assets at fair value through profit or loss	3	–
Written back of allowance for bad debts	12,921	9,333
Available-for-sale financial assets carried at fair value:		
Reclassification from other comprehensive income		
– Gain on disposal	10,926	14,034
Waiver of trade and other payables	14,662	991
Others	30,817	27,749
	290,426	133,477

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.

6 FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest expenses on borrowings wholly repayable within five years	148,518	97,635
Fair value changes of contingent consideration liability for business combinations	1,402	5,414
	149,920	103,049

7 PROFIT BEFORE TAXATION

	2012	2011
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging/(crediting):		
Salaries, wages and other benefits	1,398,681	1,431,876
Retirement benefits costs	154,722	166,740
(Reversal of)/provision for retirement and supplemental benefit obligation[1]	(13,500)	4,440
Total staff costs (including directors' remuneration)	1,539,903	1,603,056
Auditor's remuneration	3,847	3,011
Amortisation:		
– intangible assets	9,928	6,963
– prepaid lease payments	10,934	10,859
Cost of inventories recognised as an expense	4,166,675	6,093,563
Depreciation of property, plant and equipment	157,707	141,310
Impairment loss recognised		
– available-for-sale financial assets	–	2,150
– trade and other receivables	65,568	14,799
Impairment loss reversed on trade and other receivables[2]	(12,921)	(9,333)
(Gain)/loss on disposal of available-for-sale financial assets carried at cost[3]	(35,024)	540
Loss on disposal of financial assets at fair value through profit or loss[1]	58,015	23,089
Gain on disposal of property, plant and equipment[2]	(31,783)	(803)
Loss on disposal of intangible assets[1]	–	708
Minimum lease payments paid under operating lease in respect of land and buildings	79,392	60,113
Net foreign exchange gains [2]	(2,060)	(17,497)
Research and development costs[4]	155,428	200,482
Waiver of trade and other payables[2]	(14,662)	(991)
Write-down of inventories	5,802	27,618

1 Included in administrative expenses

2 Included in other income

3 Included in other income/administrative expenses

4 Research and development costs included RMB63,994,730 (2011: RMB88,588,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

8 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	2012	2011
	RMB'000	*RMB'000*
Current tax		
– PRC Corporate Income Tax	617,240	478,819
– Underprovision in prior years	1,416	841
	618,656	479,660
Deferred tax credit for the year	(105,285)	(101,821)
	513,371	377,839

Provision for Hong Kong Profits Tax has not been made as the Group had no taxable profits in Hong Kong for the year (2011: RMBNil). The Company and its subsidiaries incorporated in the PRC are subject to PRC Corporate Income Tax which has been calculated based on their taxable profits in accordance with the relevant tax laws applicable in the PRC. Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Corporate 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 Corporate 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 2012, the Company's PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2011: 25%), except for certain subsidiaries which are regarded as high and new technology enterprises and thus enjoy a preferential tax rate of 15% (2011: 15%).

Income tax recognised in other comprehensive income

	2012	2011
	RMB'000	*RMB'000*
Deferred tax		
Arising from income and expense recognised in other comprehensive income:		
Change in value of available-for-sale financial assets	674	57,123

9 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income:

	2012			2011		
	Before-tax amount	**Income tax expense**	**Net-of-tax amount**	**Before-tax amount**	**Income tax expense**	**Net-of-tax amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Exchange difference on translation of foreign operations	(76)	–	(76)	(329)	–	(329)
Change in value of available-for-sale financial assets (note (b))	(2,697)	674	(2,023)	(228,493)	57,123	(171,370)
Share of other comprehensive (loss)/income of associates	(1,166)	–	(1,166)	825	–	825
Others	(71)	–	(71)	–	–	–
	(4,010)	674	(3,336)	(227,997)	57,123	(170,874)

(b) Components of other comprehensive income, including reclassification adjustments:

	2012	**2011**
	RMB'000	*RMB'000*
Available-for-sale financial assets:		
Change in fair value recognised during the year	8,229	(214,459)
Reclassification adjustments for amounts transferred to profit or loss:		
– Gain on disposal	(10,926)	(14,034)
Net movement in the investment revaluation reserve during the year recognised in other comprehensive income	(2,697)	(228,493)

10 DIVIDENDS

Dividend recognised as distributions during the year:

	2012	**2011**
	RMB'000	*RMB'000*
Final dividend paid for 2011, RMB6 cents (2011: Final dividend paid for 2010: RMB7 cents) per share:		
A shares		
– Restricted	11,740	13,696
– Others	13,640	15,914
H shares	10,848	12,656
	36,228	42,266

Subsequent to the end of the reporting period, final dividend of RMB10 cents per share in respect of the year ended 31 December 2012 (2011: RMB6 cents per share) has been proposed by the Board of Directors of the Company.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB435,621,000 (2011: RMB490,793,000) and the weighted average number of shares of approximately 612,547,000 (2011: 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.

12 TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	639,541	467,466
Less: Allowance for doubtful debts	(35,061)	(78,084)
	604,480	389,382
Bills receivable	1,348,266	1,752,397
Deposits and other receivables	212,474	181,027
Prepayments	408,260	327,004
Non-current assets (due within one year)	22,083	69,148
	2,595,563	2,718,958

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 14):

	2012	2011
	RMB'000	*RMB'000*
Less than 1 year	2,044,484	2,192,227
1-2 years	26,144	113,767
2-3 years	4,741	4,731
	2,075,369	2,310,725

13 TRADE AND OTHER PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	1,524,236	1,877,611
Bills payable	379,335	393,340
Contingent consideration in relation to the acquisition of Zhongrong International Trust Co., Ltd	–	98,598
Other payables and accrued charges	2,162,420	1,959,373
	4,065,991	4,328,922

The following is an aged analysis of trade and bills payable, including payables to holding companies, fellow subsidiaries and associates (note 14):

	2012	**2011**
	RMB'000	*RMB'000*
Less than 1 year	1,969,689	2,368,351
1-2 years	87,450	54,357
2-3 years	31,539	14,911
Over 3 years	21,820	13,974
	2,110,498	2,451,593

14 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 natures with carrying amount of approximately RMB64,000 (2011: RMB64,000).

Amounts due from fellow subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade natures with carrying amount of approximately RMB9,449,000 (2011: RMB14,653,000).

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 RMB113,110,000 (2011: RMB154,229,000).

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 natures with carrying amount of approximately RMB206,927,000 (2011: RMB180,642,000).

4. MOVEMENTS IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4.1 Changes in number of Shares

Unit: share(s)

	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	32.4%	100,330,000				100,563,250	296,219,303	42.08%
1. Shares owned by State legal person	195,640,000	32.4%	33,951,931				33,951,931	229,591,931	32.61%
2. Other domestic shares			66,378,069				66,378,069	66,378,069	9.43%
Of which, Shares owned by domestic legal persons			66,378,069				66,378,069	66,378,069	9.43%
3. Shares owned by senior management	16,053	0.003%					233,250	249,303	0.04%
B. Unrestricted floating shares not subject to terms of lock-up	408,143,947	67.6%				-233,250	-233,250	407,910,697	57.93%
1. Domestically listed ordinary shares	227,343,947	37.65%				-233,250	-233,250	227,110,697	32.25%
2. Overseas listed foreign shares	180,800,000	29.94%						180,800,000	29.94%
C. Total number of shares	603,800,000	100%	100,330,000			-233,250	100,330,000	704,130,000	100%

4.2 Shareholdings of Senior Management

Name	Position	Status of Position	Gender	Age	Beginning date of term of office	Ending date of term of office	Number of shares held at the beginning of the period share(s)	Increased number of shares for the current period share(s)	Decreased number of shares for the current period share(s)	Number of shares held at the end of the period share(s)
Ye Maoxin	Chairman	In office	Male	50	15 August 2010	15 August 2013	8,580	0	0	8,580
Yao Yuming	Director, General Manager	In office	Male	51	15 August 2010	15 August 2013	10,304	71,000	0	81,304
Lin Jianwang	Standing Deputy General Manager	In office	Male	57	15 August 2010	15 August 2013	0	40,000	0	40,000
Shi Jianping	Deputy General Manager	In office	Male	51	15 August 2010	15 August 2013	0	40,000	0	40,000
Lin Xianming	Deputy General Manager	In office	Male	50	15 August 2010	15 August 2013	2,520	40,000	0	42,520
Mao Faqing	Financial Controller	In office	Male	43	15 August 2010	15 August 2013	0	40,000	0	40,000
Wang Xiqiao	Chief Economist	In office	Female	54	15 August 2010	15 August 2013	0	40,000	0	40,000
Ye Xuewah	Deputy General Manager, Company Secretary	In office	Male	48	15 August 2010	15 August 2013	0	40,000	0	40,000

4.3 Shareholdings of Shareholders

Unit : share(s)

Total number of shareholders during the report period		41,158	Total number of shareholders at the end of the fifth trading day before the date of publication of the annual report						39,974
Shareholding of the top ten shareholders									
Name of shareholder	Type of shareholder	Percentage to total share capital (%)	Number of shares held at the end of report period	Increase/ decrease during the report period	Number of shares subject to terms of lock-up	Number of shares not subject to terms of lock-up		Under pledge or lock-up	
								Status of shares	number
China Textile Machinery (Group) Company Limited	State-owned legal person	31.13%	219,194,674	14,939,426	210,579,426	8,615,248		pledge	204,255,248
								lock-up	204,255,428
HuaAn Funds – Industrial Bank-Tianjin Trust Co., Ltd.	Other	4.57%	32,119,914	32,119,914	32,119,914	0			
Minsheng Royal Fund Management Company – Minsheng-Minsheng Royal Xinniu Private Placement Grading Asset Management Plan (民生加銀鑫牛定向增發分級資產管理計劃)	Other	3.62%	25,500,000	25,500,000	25,500,000	0			
China Hongtian Group Limited	State-owned legal person	2.7%	19,012,505	19,012,505	19,012,505	0			
Ping An UOB Fund Company	Other	1.24%	8,758,155	8,758,155	8,758,155	0			
Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Fund	Other	0.57%	3,996,254	3,996,254	0	3,996,254			
National Social Security Fund Package No.408 (全國社保基金四零八組合)	Other	0.46%	3,211,762	3,211,762	0	3,211,762			
National Social Security Fund Package No.412 (全國社保基金四一二組合)	Other	0.31%	2,196,663	2,196,663	0	2,196,663			
Ning Yimin (寧一民)	Domestic natural person	0.23%	1,616,700	1,616,700	0	1,616,700			
Beijing Zhong Sheng Mei Hua Commerce & Trading Company Limited	Domestic general legal person	0.19%	1,348,000	1,348,000	0	1,348,000			
Connected relationship or concert-party relationship among the above shareholders		China Textile Machinery (Group) Company Limited is connected to China Hongtian Group Limited (See below: Block diagram of ownership and controlling relationship between the Company and the ultimate shareholder) and is a party acting in concert as defined in Administrative Measures for Information Disclosure of the Movement in Shareholding of Listed Companies. It is not known whether other shareholders 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 Shareholding of Listed Companies.							

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 at the end of year(note 4)	Class of shares	
		Class	Number
HKSCC Nominees Limited	179,839,399	Overseas listed foreign shares	179,839,399
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed ordinary shares	8,615,248
Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Fund	3,996,254	Domestically listed ordinary shares	3,996,254
National Social Security Fund Package No.408 (全國社保基金四零八組合)	3,211,762	Domestically listed ordinary shares	3,211,762
National Social Security Fund Package No. 412 (全國社保基金四一二組合)	2,196,663	Domestically listed ordinary shares	2,196,663
Ning Yimin(寧一民)	1,616,700	Domestically listed ordinary shares	1,616,700
Beijing Zhong Sheng Mei Hua Commerce & Trading Company Limited	1,348,000	Domestically listed ordinary shares	1,348,000
China Galaxy Securities Company Limited—Client Credit Trading Guarantee Securities Account	1,263,104	Domestically listed ordinary shares	1,263,104
Fullgoal Fund Company(富國基金公司)－CMB－Fullgoal Fund－China Merchants Bank－Quantitative Hedge Strategy No. 2 Mixed Asset Management Plan	1,041,800	Domestically listed ordinary shares	1,041,800
China Construction Bank-Huaxia Advantage Growth Share Type Securities Investment Fund	999,949	Domestically listed ordinary shares	999,949
Connected relationship or concert-party relationship among the top ten shareholders of whose shares without selling restrictions, and between the top ten shareholders of whose shares without selling restrictions and the top ten shareholders	Among the top ten holders of shares without selling restrictions, 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, the top ten shareholders of whose shares without selling restrictions and the top ten shareholders 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.		

4.4 Controlling shareholder and beneficial controller

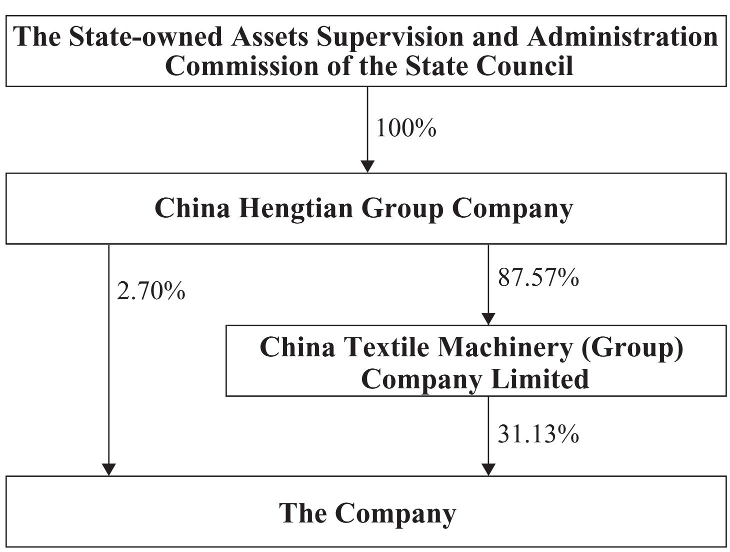
4.4.1 Controlling shareholder

China Textile Machinery (Group) Company Limited is the controlling shareholder of the Company. The legal representative of China Textile Machinery (Group) Company Limited is Zhang Jie. It was established on December 1983, with a registered capital of RMB2,735,820,000. China Textile Machinery (Group) Company Limited is principally engaged in the development, production, sales of Complete Plant of textile machinery and parts and accessories, development and dealing of high technology and other mechanical and electrical products; distribution of raw materials and ancillary products for production; import and export business; development and operation of real estate properties; sale of textile products and textile raw materials, chemical products (except for hazardous products); technical services and technical consultancy related to the above businesses; subcontracting of textile machinery industry projects in China and overseas international tender projects.

4.4.2 Beneficial controller

China Hengtian Group Company Limited is the beneficial controller of the Company. China Textile Machinery (Group) Company Limited is a controlled subsidiary of China Hengtian Group Company Limited. The legal representative of China Hengtian Group Company Limited is Liu Haitao and it was established in September 1988 with a registered capital of RMB2,958,228,700. It is principally engaged in the Complete Plant of textile machinery and parts and accessories, development, production, sales of other machinery and equipments and electronic equipments; the development, technical services and technical consultancy of technology related to the above businesses; sales of textile raw materials and accessories, chemical materials (except for hazardous products), timber, garment, building materials, auto parts; import and export business; organization of exhibitions and sales promotion conferences in China; organization of foreign economic and technological exhibitions in China; building and technological research of vehicle (truck).

4.4.3 Diagram of the equity and controlling relationship between the Company and beneficiary controller



5. DIRECTORS' REPORT

5.1 Overview

Predecessor of Jingwei Textile Machinery is the former Jingwei Textile Machinery Factory with nearly 60 years of history. Over the years, the Company is dedicated to the development of China's textile machinery industry, and become the largest supplier of complete sets of cotton weaving equipments in China, and is the flagship in the textile machinery manufacturing industry in China, which enjoys great reputation in both domestic and international. In recent years, it actively expanded new business areas, acquired Zhongrong International Trust Co., Ltd. and other non-textile machinery enterprises, to construct an operation pattern with the principal business of textile machinery at its core and the joint development of financial trust businesses.

For textile machinery business: actively providing a full-flow of digital solution of textile machinery to its clients. The Company mainly has six products sectors including cotton weaving machinery, special parts of textile machinery, beamed yarn machinery, warp knitting machinery, dyeing and finishing machinery and twisting machinery. With the continuous new product generations, advanced technology, excellent product quality and thoughtful marketing services, all won the favor of customers both local and abroad.

For the financial business, it provides the Company with stronger profit margins and stable market value through accurately grasping the market opportunities and risks, actively promoting business transformation and implementing innovation-driven development strategies, which maintained a high market share and good profitability and realized a significant increase in the scale of the asset management, establishing a good image in capital market for the Company.

2012 was a relatively tough year for the Group's business situation in recent years, and also a year filled with challenge and struggle. Pursuant to general requirements of Optimising Layout, Accelerating Integration and Stable Operation, the Group maintained a stable and healthy development, and the comprehensive strength of the Company especially risk resistance ability was improved significantly and the ability to cope with industry cyclical fluctuations was enhanced remarkably, which let the Company had a stable rise in market value.

For the year ended 31 December 2012 and as stated in the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the Group's revenue amounted to RMB8,632.148 million and profit attributable to equity holders of the Company amounted to RMB435.621 million, representing a decrease of 15.39% and 11.24% from respectively those of last year. As at 31 December 2012, the Group's carrying bank balance was RMB6,548.740 million, borrowings due within one year was RMB1,515.761 million, of which borrowings in the U.S. dollars amounted to US$14,446 thousand, (equivalent to RMB90,802 thousand), and the remaining balances were borrowings in Renminbi. The interest rates were in the range of 2.3% to 10.44% per annum. The Group had long-term borrowings of RMB1,200.00 million. The gearing ratio (long-term borrowings divided by net asset value) was 14.87%.

As at 31 December 2012, the Group have no cash and bank balances pledged to secure short-term bank loan granted to the Group (2011: RMB Nil).

As at 31 December 2012, none of the short-term investments of the Group were pledged as security for bank borrowings (2011: Nil).

For the year ended 31 December 2012 and as stated in the financial report prepared in accordance with PRC Corporate Accounting Standards, operating revenue of the Group amounted to RMB5,061.930 million, representing a decrease of 30.40% from that of last year. Operating profit was RMB1,789.052 million, representing an increase of 17.66% from that of last year. Net profit attributable to shareholders of the parent company was RMB430.243 million, representing a decrease of 12.34% over that of the previous year.

5.2 Management discussion and analysis

International and domestic market demand for textiles remained low position in 2012. The operating environment of the textile machinery industry was facing greater challenges. Facing adverse market environment, the Company on one hand performed well in textile principle industry, put effort to enhance the leading position in the industry, on the other hand, adhered to structural adjustment, continued to improve the value of the Company, laid a good foundation for the rapid development for the later stage.

Major work carried out in 2012 as below:

(1) In terms of information management system, system reconfiguration upgrade project was completed, and constructed a new Group control model, achieved integration of business and finance of upper line enterprises, standardized business flow, trained a backbone team of inter-process with consolidated operational capacity, taken a solid step for the Company to achieve change in management, and also constructed a digital Jingwei.

(2) In terms of marketing and sales integration, the Company further consolidated the resources in respect of the sale network in major textile cluster market throughout the country, and created an innovative profit model, economies of scale was achieved, the level of intensive management and the profitability of principle operations continued to improve. The Company implemented the mode of regional client manager, achieved a one-to-one marketing services with customer-core resources; by CRM customer relationship management system, centralized management and fully share of client resources, ensured the accuracy, promptly and completeness of the feedback information from market, further expanded Jingwei Textile Machinery brand and expanded the influence on domestic and international market.

(3) In terms of scientific research input, the Company insisted R & D direction such as high speed and high efficiency, Smart Digital, Green Environment, put great efforts to cultivate the core technology and high-end products with independent intellectual property rights. The Company launched 63 new technological innovative projects during the year, obtained the 110 authorized patents, which has achieved remarkable results. The Company's projects were further optimized and enhanced, some of the new products entered European and American high-end market, formed a large number of brand-name products which have scientific and technological advantages and scale advantages, which laid a foundation for the Company to maintain a dominant position under fierce market competition.

(4) In terms of capital operations, the Company successfully issued Five-year notes, financed RMB120 million, which optimized the Company's debt structure, ensured that the capital requirements for reform and development, and enhanced ability to withstand market risks; direct further issue has been successfully completed, there were altogether 100,330,000 A shares issued, which raised over RMB900 million and the capital structure of the Company has been optimized, net assets raised significantly, while the asset-liability ratio decreased significantly.

(5) In terms of raising level of earnings, under the situation where there was a greater decline in sales revenue in the textile machinery products, the Company carried out double increase and double decrease activities, increased the high value-added products to be listed. Under a tough market situation, the gross margin of principle business remained relatively stable.

(6) In terms of optimization of industry structure, the Company formed an joint venture "Jingwei Tsudakoma Textile Machinery (Xianyang) Co. Ltd." with Japan Tsudakoma Company; and invested in Italy and set up "Jingwei Puladi Textile Machinery Co. Ltd."; the Company completed the acquisition of Netherlands GINAF heavy truck projects, which played an important role in promoting the transformation of Hengtian automotive products. Besides, the company has also strengthened the study and research on related industries such as new energy e.t.c., and was selected as the first national environmental "Environmental protection equipment new special enterprise", played a positive role in promoting the development of new environmental products and market development.

(7) In terms of financial business, Zhongrong Trust continued to maintain a good momentum in development, trusts asset increased significantly, the asset management scale nearly RMB300 billion, increased by 71.93% over the same period of the last year; net asset increased 45.83% over the same period of the last year; net capital increased by 49.38% over the same period of the last year; net capital coverage was 166.23%, increased by 56.64 percent points over the same period of the year; actively promoted business transformation so that the business segments become more balanced; ensured the security payment of the trust products, especially real estate trust project. Among the trust enterprises in the PRC, indicators such as innovative under management of Zhongrong Trust, revenue from Trust business, profitability, collective trust business, and trust assets are among the best.

5.3 Constitute of the Principle Operation

Unit: RMB'000

	Principle operating income	Principle operating cost	Gross profit ratio (%)	The principle operating income increased or decreased compared with the same period of last year (%)	The principle operating cost increased or decreased compared with the same period of last year (%)	The gross profit ratio increased or decreased compared with the same period of last year (%)
By industry						
Textile machinery	4,001,458	3,398,185	15.08%	-36.55%	-36.54%	-0.02%
Financial Trust	3,615,471	827	99.98%	21.39%	-22.49%	0.01%
Non-textile machinery	413,932	375,105	9.38%	70.96%	74.08%	-1.62%
By geographical area						
Domestic income	7,491,931	3,258,541	56.51%	-16.97%	-36.33%	13.22%
Overseas income	538,930	515,576	4.33%	6.80%	13.53%	-5.67%

5.4 Analysis on Core Competitiveness

1. Access to Enterprise Resources

As an A+H shares listed company and a company owns Zhongrong International Trust Co., Ltd., the Group has a strong financing capacity. All the customers, commercial banks, professional and technical personnel, special raw materials and bulk materials suppliers have a long-term stable cooperation with the Company. No matter key resources such as customers, capital, talents and raw materials, the acquisition abilities of the the Company are all keep leading in industry.

2. Cost Control Abilities

In recent years, the Company gradually from many points to focus on cost control, such as standard cost management, research and development management, purchasing management and capital management, etc., so as to improve the profitability of the Company on a variety of ways by centralizing fund management, adjusting the capital structure, reducing cost for centralize purchasing and design process.

3. Product Marketing Abilities

The Company placed a complete product organization structure and management system, so as to improve management level and efficiency by information means. The Company has a comprehensive product line portfolio and adequate manufacturing capacity. Cotton manufacturing complete sets of equipment and JW-e system are the most prominent core capacity of the Company, the advanced complete sets of technology, the integrity of the product category and the reliability of the JINGWEI brand were accepted by masses of customers, and the products of the Company have strong competitiveness. Through marketing integration, the Company strengthen the maintenance of customer resources; the products market share was ensured by the marketing service system. The Company has basically formed the integration regions as the main market which covering the whole country and extend to overseas marketing.

4. Self-innovation Capability of the Company

The Company set up a secondary product research and development system and has two state-level enterprise technology center, and five provincial enterprise technology center, and four municipal engineering technology research center, the Company established a postdoctoral workstation and Beijing textile machinery and machine vision engineering research center in Beijing. With the core technology for cotton manufacturing complete sets of equipment, the Company has formed a research and development level for production generation, research and development generation and reserve generation, and the transform ability for new technology put the research and development of new products in the leading domestic level and stand at the world, which strongly support the Company in the domestic leading position from the textile machinery enterprises.

5.5 Prospects for the future development of the Company

1. Development trend of the textile machinery industry

For quite a long time, China remain has a high demand for import of high-grade textile machinery equipments. As the characteristics of the textile machinery market, the main demand dominated by mid to high-end devices. The textile machinery equipments which comply with the national industrial development policy, satisfy the demand for small batch, many varieties, deep processing and high grade in textile industry and have the advantage of high efficiency, energy saving and reduce labor are in great demand. The textile machinery industry has entered into the development new phase of market-oriented and benefit as the center of capital diversification and operation diversified.

For international market, part of the southeast Asia and African countries are in the early stage of transfer in the textile industry, these countries have a basic stable political situation, the government actively seeking economic development and the domestic economic structure stay at an early phases, they have competitive advantages of low costs.

For the domestic market, the textile enterprises will continue to shift from eastern to the midwestern due to labor shortages and increasing production costs, there still have broad development in the market.

Market competition faced by the textile machinery industry: In terms of region, Asia-Pacific and European markets are major textile machinery markets in the world, 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 full competition with low level of profit for the overall industry. In the domestic market, 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. Meanwhile, the internationalisation process of the Company proceeds steading.

2. Development trend of financial trust business

The arrival of "pan asset" management era creates more room for development and opportunities for trust industry, but also faces enormous challenges. For the Trust industry to maintain a competitive advantage in the future and achieve sustained development, not only have to further discover system advantage, but also need innovative trust service function to build a differentiated investment management capabilities, and establish brnad awareness, strengthen brand advantage. Trust industry also need to enhance the ability of proactive management ability and foster the understanding to the industry risks and development trends, the practical ability of the professional team, to improve their sensitivity judgement and action, Specialized asset management institutions which are close to the market would become the direction of the trust industry.

3. Future development strategies of the Group

(1) 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.

(2) Description of strategies

In the next five year, with the direction of "being a conglomerate with textile machinery as its principal business", under the premise of maintaining its stable core position in the principal operation of textile machinery, 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. Business policy, budget and investment plans in 2013

(1) Business policy

Optimize the layout, faster integration, sound operation

(2) Budget and investment plan

Operating revenue of the Company in 2013 would not less than the industry level;

The Company would actively look for new investment projects according to the need of strategic development, such as acquisition of external resources or introduction of technology, so as to form a new economic growth point. The required amount of funding would depend on possible projects. The source of the funds will also be based on possible projects to raise fund, including financing out of its own funds, bank loans, bond market or stock financing e.t.c.

In 2013, the Company will strive to enhance the international level of textile machinery, cultivate the competitiveness of industries, and implement equity investment which has broad prospects for development of projects.

(3) In 2013, the company will continue to be creative, proactively adapt to the changing market situation and customer demands, and strive to achieve reform development and management breakthroughs. The Company will focus on the following work:

(I) Efforts to enhance the leading position in the industry

Strengthen the scientific and technological innovation system. Establish a high-end R & D team to display the role of overseas R & D institutions, actively introduce international scientific talent and to strengthen the synergistic interaction of domestic and foreign scientific and technological innovation enterprises, continue to enhance research and development capabilities. To accelerate digitization Jingwei construction by using advanced information technology to improve the regulators ability.

Implement medium-and long-term product development strategy, co-ordinate to grasp the balance of short-term benefits and long-term development. Fully display the advantages of the Company's complete set of equipments, solving technical shortcomings, promote differentiation, personalization, and continuously improve and expand industry chain of other products, and increase the efficient intelligent, energy saving and environmental protection, high added-value, and reliability core technology and research of high-end products.

(II) Ensure the healthy and sound development of trust business

Take full advantage of the superiority of capital increase, actively promote business innovation, build a differentiated investment management mode which has its own characteristics, carry out new business which is consistent with the requirements of the regulatory authorities and have financial innovation, optimize the structure of the trust business, which strive for the maximization of comprehensive benefits. Properly handle the relationship between the scale and efficiency, speed and quality, maintaining legal compliance, good and stable development track.

(III) Continue to enhance the Company's value

Deep cooperation in terms of technology and property rights with international outstanding enterprises, fully make use of and take advantage of its R & D capabilities, management philosophy and marketing channels, strengthen joint development and co-operation, promote the level of corporate governance and R & D capabilities of the Company, and has gradually become an international companies and with a certain scale and international competitiveness.

Further deepen operational restructuring, including organizational structure adjustment, personnel structure adjustment, production structure adjustment and incentives structure adjustment etc. Aiming to meet customers' demands, and continue to adapt to changes in the market as conditions, continuing to optimize the internal operation mechanism, and enhance the adaptability of the enterprise to the market, to enhance the market competitive advantage.

(IV) Continue to improve the overall quality of the Company

Carry out the management improvement activities practically. Close connection of management improvement with management innovation, by ideas renewal and sound system, promote innovation and optimization of the management mode of the Company, and accelerate the effective conversion of management innovations. To strengthen the management of shareholding enterprises standardized operation, prevent operational risks.

Continue to promote information technology projects. Keeping digitized Jingwei as the target, continue to strengthen construction of the Group's system platform, and perfect the application of the pilot units.

Deepen marketing and sale integration. Integration range extended to non-integrated region to achieve the centralized sale of domestic cotton spinning equipment. To promote the adjustment of the management structure of the regional organizations, to co-ordinate the sale of companies and enterprises linkage mechanism. Strengthening of market planning and brand building, our present to accelerate in new product.

(V) Continue to strengthen risk management control, enhance the operation quality of the Company

Improve the comprehensive risk management system. Assessment of the significant risks of each enterprise, the focus on the major event management and process control, and improve comprehensive risk management control. Sound legal affairs agencies, with a full-time legal staff, establish a legal management system, focus on risk control in advance and during the issue. The Company will continue to implement the regulation of overdue arrears, track closely with the newly signed credit contract compliance, increase effort in evaluation works, and eliminate fundamentally new overdue payment.

Strengthen internal control and audit supervision. To carry out a comprehensive internal control system, and form a clear system of hierarchy with norms of internal control management manual. Improve internal control evaluation system, putting internal control evaluation as routine supervision activities, further standardize business flow, to ensure that the implementation of the system is in place and defect rectification is in place.

5.6 Inherent risks and mitigation strategies for 2013

In 2013, since there is a certain degree of complexity and uncertainty as to the global economic recovery, the development of the textile machinery industry still cannot be optimistic, the Company will face a difficult operating situation, the main risk the Company faced will be: One is the profitability and product competitiveness of principle operations face greater challenges; two is trust business faces the challenges which come from the changes in financial markets and policy; three is foundation of non-spinning machinery business is still weak; four is quality of team-building and staff still need to further strengthen and improve, the contradiction that the structure of the existing staff cannot meet the business development needs become more prominent. Opportunities and risks exist together. In order to respond to the above risks, the Company adopted the following measures:

(1) To strengthen scientific and technological innovation system, to implement the new strategy of product innovation, increase the high efficiency intelligent, energy-saving, environmental protection, high value-added, study of the reliability of core technology and high-end products, make unremitting efforts to improve the technical level of the textile machinery and enhance Jingwei Textile Machinery's leading position in the industry.

(2) Further deepen the industrial structure and operational restructuring, aiming to meet customers' demand, and constantly adapt to changes in the market as conditions, continued optimization of the internal operation mechanism, and enhance the adaptability of enterprises to the market, to enhance the market competitive advantage.

(3) Strengthen financial risk management control, continue to put effort in risk investigation and prevention in industries such as real estate, equity pledge and government financing platform, reduce project payment risk, and to improve risk mitigation and disposal capacity.

(4) Deepen integration of marketing and sale, centralized sales of the domestic cotton spinning equipment. Strengthen market planning and brand building, innovation and marketing philosophy. Timely feedback and market information sharing through the establishment of a rapid response mechanism to quickly resolve reflections from the customer, to ensure the market share which remains stable will be increased.

(5) Increase income and reduce expenditure, reducing cost and increasing efforts to actively revitalize the stock assets, and strictly control the use of the two funds, to reduce the period costs. Improve the budget process and management through sound budgeting, process supervision, budget assessment, to ensure the budget execution is under expectation.

(6) Improve internal control and risk management system, and the form a clear system of hierarchy and the standardization of internal control management manual, to strengthen internal control evaluation and audit supervision, to ensure implementation of the system is in place. Attention to the assessment of significant risk, and control important process, risk control in advance and during the issue, effectively enhance the level of risk prevention.

(7) Training management personnel, technology professionals, highly skilled personnel, strengthening the training of reserve talents. Train and bring up a number of high-quality talents to match with the Company's development strategies, so as to promote the sustainable development of the Company.

5.7 Proposal of the Board on profit distribution for the year

In 2012, the Company realised a net profit of RMB17,046,094.71, 10% (i.e.RMB1,704,609.47) out of the net profit 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 RMB15,341,485.24. The realisable distributable profit for shareholders was RMB172,152,420.68. In view of the profit condition of the Company in 2012 and taking full consideration of shareholders' interest and the long term development of the Company, the proposed profit distribution plan for 2012 is as follows: distribute 2012 final dividend RMB0.1 per share (tax inclusive), totalling RMB70,413,000.00. The undistributed profit of RMB101,739,420.68 of the Company will be carried forward for use in subsequent years.

5.8 Significant Events

5.8.1 Acquisition of assets

Unit: RMB'000

Counterparty of the transaction or ultimate controller	Assets acquired or purchased	Price of transaction (RMB'000)	Progress	Net profit attributable to the listed Company from the date of acquisition to the end of the reporting period (applicable to combination of enterprises not under the same control) (RMB'000)	Net profit attributable to the listed Company from the beginning of the period to the end of the reporting period (applicable to combination of enterprises under the same control (RMB'000)	Net profit attributable to the Company as a percentage of the total profit (%)	Whether it was a connected transaction	Connected relationship with counterparty (applicable to connected transactions)	Disclosure date	Disclosure index
Jingwei Machinery (Group) Company Limited	14.48% equity interest in Jinzhong Jingwei Foundry Company Limited	4,641	all rights of the assets concerned were completely transferred	852	–	0.04%	No	N/A	N/A	N/A
Jingwei Machinery (Group) Company Limited	51% equity interest in Jinzhong Jingwei New Machinery Company Limited	4,029	all rights of the assets concerned were completely transferred	240	–	0.01%	No	N/A	N/A	N/A
China Pushuo Investment (Holding) Co. Ltd.	100% equity interest in Hengtian Huanyu (International) Company Limited	9,395	all rights of the assets concerned were completely transferred	1,940	–	0.10%	No	N/A	N/A	N/A

5.8.2 Disposal of assets

Unit: RMB'000

Counterparty of the transaction or ultimate controller	Assets dispose of	Date of acquisition	Price of transaction (RMB'000)	Net profit attributable to the listed Company from the beginning of the period to the end of the reporting period (RMB'0000)	Gain on Disposal (RMB'000)	Net profit attributable to the Company as a percentage of the total profit (%)	Pricing basis for the asset acquisition	Whether it was a connected transaction	Connected relationship with counterparty (applicable to connected transactions)	Whether all rights of the assets concerned were completely transferred	Whether all obligations of the liabilities concerned were completely transferred	Disclosure date	Disclosure index
Beijing Bohong Real Estate Development Limited	75% equity interest in Xianyang Jingwei Machinery Limited	31 March 2012	82,360	–731	78,322	4.13%	Appraised value	Yes	N/A	Yes	Yes	11 January 2012	the Websites of Cninfo and the Company's announcement dated March 2012

The Company's investments

5.8.3 Guarantees

Unit: RMB'000

External guarantees undertaken by the Company (excluding guarantees provided to subsidiaries)								
Name of guaranteed party	Disclosure date of the announcement regarding the guaranteed amount	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	30/12/2011	150,000	30/12/2011	150,000	Joint liability	30/12/2011 – 29/12/2012	Yes	No
Beijing Hualian Group Investment Holdings Limited	28/12/2012	150,000	27/12/2012	150,000	Joint liability	27/12/2012 – 26/12/2013	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	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)
Shengyang Hongda Textile Machinery Company Limited	7/9/2012	20,000	6/9/2012	20,000	Joint liability	6/9/2012-5/9/2013	No	No
Changde Textile Machinery Company Limited	9/10/2010	50,000	8/10/2012	50,000	Joint liability	8/10/2012-7/10/2013	No	No
Shanghai Huayuan Hyperthermia Technology Company Limited	25/10/2010	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)			70,000	Total actual guaranteed amount to subsidiaries during the reporting period (B2)				70,000
Balance of total approved amount guaranteed to subsidiaries as at the end of the reporting period (B3)			70,000	Balance of total actual guaranteed amount to subsidiaries as at the end of the reporting period (B4)				75,000

Total guarantee provided by the Company (The total of the above two parts)			
Total guaranteed amount approved during the reporting period (A1 + B1)	220,000	Total actual guaranteed amount during the reporting period (A2 + B2)	220,000
Total guaranteed amount approved at the end of the reporting period (A3 + B3)	220,000	Balance of total actual guaranteed amount at the end of the reporting period (A4 + B4)	225,000
Ratio of total actual guaranteed amount (A4 + B4) to the net asset of the Company			4.79%
of which:			

5.8.4 Connected transactions

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

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

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

The relevant details have been set out in the announcements of the Company published on Securities Times, the websites of cninfo (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	30,810.39	6.01%	292,513.29	72.70%
Companies controlled by the same parent company	308.43	0.06%	12,229.31	3.04%
Associates of the Group	481,510.93	93.93%	97,584.50	24.26%
Total	512,629.75	100.00%	402,327.10	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 RMB2,779,442,000 during the reporting period.

The Independent Non-Executive Directors have reviewed the connected transactions undertaken by the group and confirmed that:

(i) such transactions were entered into by the Group in the ordinary course of its business;

(ii) such transactions were entered into on normal commercial terms or on terms no more favourable or less favourable than terms available to or made by independent third parties;

(iii) such transactions were fair and reasonable so far as the independent shareholders are concerned.

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.

5.8.5 Purchase, Sale or Redemption of Shares

In 2012, the Company completed the issue of domestic shares with an aggregate of 100,330,000 ordinary shares at a price of RMB9.34, the share capital of the Company increased from 603,800,000 shares to 704,130,000 shares, and the gross amount raised through the issue of domestic shares was RMB937,082,206.13, of which RMB797,547,961.16 was in cash and RMB139,534,244.97 was converted from debt to shares. After deducting the expenses relating to the issue, the net amount raised was RMB903,649,973.17. According to the proposal of the issue of domestic shares, the cash portion of the funds raised in the issue of domestic shares, after deducting the expenses relating to the issue, will be applied to the capital increase of Zhongrong International Trust Co., Ltd of RMB764,128,400 to supplement its net capital. The shortfall in the payable amount in the capital increase of RMB12,700 will be raised by the Company.

Save as disclosed above, for the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

5.9 Corporate Governance Code

During the reporting period, the Company has adopted the Code on Corporate Governance Practices (during the period from 1 January 2012 to 31 March 2012) and the Corporate Governance Code (during the period from 1 April 2012 to 31 December 2012) in Appendix 14 to the Listing Rules of the Stock Exchange and committed to maintaining a high standard of corporate governance in order to enhance transparency and protect the interest of shareholders. The directors considered that, save for the roles of the remuneration committee and nomination committee were performed by the Personnel Nomination and Remuneration Committee of the Board of the Company (because the Company believes that this mode of Personnel Nomination and Remuneration Committee has been effective and more suitable for the Company's needs, and that the terms of reference of such Committee have covered the suggested provisions for the terms of reference of remuneration committee and nomination committee set out in the Corporate Governance Code, and is capable of protecting the interest of shareholders), during the reporting period, the Company has complied with the Code on Corporate Governance Practices (during the period from 1 January 2012 to 31 March 2012) and the Corporate Governance Code (during the period from 1 April 2012 to 31 December 2012).

6. REVIEW BY THE AUDIT COMMITTEE

The duties of the Company Audit Committee 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 2012, 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. The Audit Committee satisfies the requirements under Rule 3.2.1 of the Listing Rules.

Two meetings of the Audit Committee were held in 2012. All the matters passed by the Audit Committee have been properly recorded and filed according to the relevant rules. The Audit Committee has reviewed the audited annual financial statements of the Company for the year ended 31 December 2012 and the accounting principles and practices adopted by the Company and discussed matters relating to internal control and financial reporting.

Jingwei Textile Machinery Company Limited
Board of Directors

Beijing, the PRC, 19 March 2013

As at the date of this announcement, the Board comprises Mr. Ye Maoxin, Mr. Li Xiaohong, Mr. Yan Fuquan, Mr. Shi Tinghong, Mr. Yao Yuming, all being executive Directors, and Mr. Xu Wenying, Mr. Liu Huangsong, Mr. Li Min and Ms. An Guojun, all being independent non-executive Directors.