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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

2012

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 (Special General Partnership) (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 2012 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 19 May 2010 at Beijing, the PRC
	Business licence registration number of enterprise legal person	:	110000450005710
	Tax registration certificate number	:	110192110052522
	Organization code	:	11005252-2
	(2) Auditors		
	PRC		Baker Tilly China (Special General Partnership) 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 Data and Financial Indicators

Section I Preparing the major accounting information and financial indicators of the past three years as at the end of the reporting period in accordance with PRC Accounting Standards for Business Enterprises

I. Key accounting data and financial indicators

Whether retroactively adjust or restate accounting data for previous year due to change of accounting policy and correction of accounting error

□ Yes √ No

	2012	2011	Increase/Decrease of current year over previous year (%)	2010
Total operating income (RMB)	8,677,401,466.68	10,250,648,402.44	-15.35%	7,287,232,568.71
Net profit attributable to shareholders of the listed company (RMB)	430,242,760.54	490,793,393.01	-12.34%	244,716,850.09
Net profit after extraordinary items attributable to shareholders of the listed company (RMB)	292,442,675.69	485,085,172.05	-39.71%	120,765,582.01
Net cash flow generated from operating activities (RMB)	1,791,655,058.64	1,651,547,028.48	8.48%	1,046,757,376.31
Basic earnings per share (RMB/share)	0.70	0.81	-13.58%	0.41
Diluted earnings per share (RMB/share)	0.70	0.81	-13.58%	0.41
Net assets income rate(%)	11.71%	15.09%	-3.38%	8.46%

	End of 2012	End of 2011	Increase/Decrease of current year-end over previous year-end (%)	End of 2010
Total assets (RMB)	15,553,487,258.76	12,969,828,725.87	19.92%	11,340,459,043.03
Net assets attributable to shareholders of the listed company(Equity attributable to the shareholders of the listed company) (RMB)	4,702,154,830.44	3,398,388,341.24	38.36%	3,064,121,270.29

II. Differences of accounting data under domestic and foreign accounting standards

Differences of net profit and net assets in the financial statements simultaneously disclosed pursuant to the foreign accounting standards and PRC GAAP

Unit: RMB

	Net profit attributable to shareholders of the listed company		Net assets attributable to shareholders of the listed company	
	Amount of the current period	Amount of the previous period	Amount at end of the period	Amount at beginning of the period
According to PRC GAAP	430,242,760.54	490,793,393.01	4,702,154,830.44	3,398,388,341.24
Item and amount adjusted according to foreign accounting standards				
According to foreign accounting standards	435,620,540.96	490,793,393.01	4,702,154,830.44	3,398,388,341.24

Description of reasons for differences of accounting data under domestic and foreign accounting standards:

According to the Regulation of Work Safety fee appropriation and occupation (Caiqi [2012] No.16) issued by Ministry of Finance and the State Administration of Work Safety, starting from this year, the work safety fee accrual will be applied for the Group. However, under Hong Kong Financial Reporting Standards, such fee shall be recognized when incurred; and the related expenses will be recognized as cost when incurred according to the provision of accounting policy. There are differences between PRC CASs and HKFRSs.

III. Extraordinary gains/losses items and their amounts

Unit: RMB

Item	Amount of 2012	Amount of 2011	Amount of 2010
Gains/losses from disposal of non-current assets (including the write-off part for which asset impairment has been provided)	110,103,555.33	4,905,453.69	83,109,874.79
Tax refund or exemption from unauthorized approval or non-official approved document		1,173,570.00	
Government grant which recorded into profit/loss of current period, except for those closely related to operation of the enterprise in fixed amount according to unified standards	39,198,976.65	16,760,245.56	60,483,494.60
Debt restructuring gains/losses	2,134,859.97	-405,099.64	1,430,885.64
Restructuring expense, i.e. employee placement, integration costs etc		-12,930,746.84	
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	431,856.52	-95,168.47	3,963,877.12
Written back of the provision for impairment of accounts receivable under the independent test	1,646,005.86	-2,531,302.34	
Other non-operating income and expense except above	25,730,585.09	-480,579.13	4,137,428.65
Effect on taxation	29,353,448.72	425,982.30	16,637,253.24
Effect on minority interest (after-tax)	12,092,305.85	262,169.57	12,537,039.48
Total	137,800,084.85	5,708,220.96	123,951,268.08

Section II Audited Financial Information Prepared in Accordance with Hong Kong Financial Reporting Standards

Consolidated Statement of Comprehensive Income

	2012 *RMB'000*	2011 *RMB'000*	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
For the year ended 31 December					
Turnover	8,632,148	10,201,720	6,987,647	3,498,019	3,645,693
Profit/(loss) before taxation	1,902,360	1,541,806	533,325	(82,439)	53,522
Tax expense	(513,371)	(377,839)	(124,192)	(29,224)	(25,750)
Profit/(loss) after tax for the year from continuing operations	1,388,989	1,163,967	409,133	(111,663)	27,772
Profit after tax for the year from discontinued operation			101,360		
Profit/(loss) for the year	1,388,989	1,163,967	510,493	(111,663)	27,772
Profit/(loss) attributable to:					
Owners of the Company	435,621	490,793	244,717	(78,891)	25,855
Non-controlling interests	953,368	673,174	265,776	(32,772)	1,917
	1,388,989	1,163,967	510,493	(111,663)	27,772
Earnings/(loss) per share (RMB)	0.71	0.81	0.41	(0.13)	0.04
Net assets per share (RMB)	7.68	5.63	5.07	4.57	4.72
Return on net assets (%)	9.26	14.44	8.41	(2.86)	0.91

Assets and Liabilities

	2012 *RMB'000*	2011 *RMB'000*	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
At 31 December					
Total Assets	15,553,487	12,969,829	11,340,460	6,817,098	6,027,046
Total Liabilities	(7,484,905)	(7,238,524)	(7,021,944)	(3,894,207)	(2,955,164)
Shareholders' Equity	8,068,582	5,731,305	4,318,516	2,922,891	3,071,882

Chapter III Directors' Report

I. 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$14,275 thousand, (equivalent to RMB89,726 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: 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.

II. Analysis of principal operations

1. Overview

Unit: RMB

Item	Amount at the end of period (the current period)	Amount at the beginning of period (the previous period)	Percentage of movements
Total operating income	8,677,401,466.68	10,250,648,402.44	-15.35%
Operating income	5,061,930,443.44	7,272,369,776.75	-30.40%
Operating cost	4,198,210,324.02	6,115,704,282.02	-31.35%
Financial expenses	140,149,934.87	73,769,625.44	89.98%
Currency funds	6,548,740,008.05	3,988,190,008.10	64.20%
Accounts receivable	698,770,042.46	476,028,483.60	46.79%
Research and development expenses	155,428,207.24	182,357,248.12	-14.77%
Net increase in cash and cash equivalents	2,648,843,437.29	1,457,258,980.84	81.77%

II. **Analysis of principal operations (continued)**

The Company has reviewed the development strategy disclosed in the previous period and progress of operation plan during the reporting period

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 RMB1.2 billion, which optimized the Company's debt structure, enhanced the ability to withstand market risks; successfully completed the work of direct issuance, and 100,330,000 A shares were issued in aggregate, 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 etc., 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 RMB305.7 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.

II. Analysis of principal operations (continued)

2. Revenue

The principle operating income of the Company in 2012 mainly includes those of textile machinery business, non-textile machinery business and financial trust business, in which the principle operating income of textile machinery business amounted to RMB4,001,458,814.37 in current year, representing a decrease of 36.55% compared to the same period last year; the principle operating income of non-textile machinery business amounted to RMB413,931,654.71 in current year, representing an increase of 70.96% compared to the same period last year; and the handling fees and commission income of financial trust business amounted to RMB3,615,471,023.24 in current year, representing an increase of 21.39% compared to the same period last year.

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	776,433,033.48
Total sales to top 5 customers as a percentage of the total sales for the year (%)	15.33%

Information of top five customers of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales (%)
1	Customer 1	463,736,429.39	9.16%
2	Customer 2	171,263,589.74	3.38%
3	Customer 3	55,170,000.00	1.09%
4	Customer 4	43,491,897.47	0.86%
5	Customer 5	42,771,116.88	0.84%
Total		776,433,033.48	15.33%

3. Cost

Industry classification

Unit: RMB

	2012		2011		
Industry classification	Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	Increase/ decrease y-o-y (%)
Textile machinery	3,821,951,900.88	91.04%	5,899,301,520.14	96.46%	-35.21%
Non-textile machinery business	376,258,423.14	8.96%	216,402,761.88	3.54%	73.87%
Subtotal	4,198,210,324.02	100%	6,115,704,282.02	100%	-31.35%

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	581,598,288.50
Proportion in total annual purchase amount for top five suppliers (%)	13.64%

II. Analysis of principal operations (continued)

3. Cost (continued)

Information of top five suppliers of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales (%)
1	Supplier 1	288,297,203.24	6.76%
2	Supplier 2	79,321,797.42	1.86%
3	Supplier 3	78,209,871.37	1.83%
4	Supplier 4	77,436,083.14	1.82%
5	Supplier 5	58,333,333.33	1.37%
Total		581,598,288.50	13.64%

4. Expenses

The financial expenses increased by 89.98% as compared with the previous period which was mainly due to the increase of interest bearing liabilities resulting in the increase of interest expenses.

5. Research and development expenditure

The Company endeavors to consolidate its scientific and technological innovation system. On the basis of the existing two R&D systems, the Company strives to establish a high-end R&D team, actively introducing international scientific research talents, and strengthening interactions between China and foreign countries and cooperation among enterprises so as to constantly improve the Company's research and development capacities. The Company's also strives to foster its innovation capacity in science and technology, devote more effort in scientific and technological innovation, and optimize its R&D mechanism, with the purpose of fully mobilizing the enthusiasm of the scientific and technological personnel and accelerating the pace of technological innovation and industrialization.

The Company's expenditure on R&D for the current year amounted to RMB155,428,207.24, which accounted for 1.93% of the audited net assets and 3.07% of the audited operating income.

6. Cash flow

Unit: RMB

Item	2012	2011	Increase/decrease y-o-y (%)
Subtotal of cash inflow from operation activity	7,803,239,347.73	8,915,979,747.77	-12.48%
Subtotal of cash outflow from operation activity	6,011,584,289.09	7,264,432,719.29	-17.25%
Net cash flow from operation activity	1,791,655,058.64	1,651,547,028.48	8.48%
Subtotal of cash inflow from investment activity	936,567,256.90	1,827,048,123.99	-48.74%
Subtotal of cash outflow from investment activity	1,154,817,925.09	2,633,363,668.71	-56.15%
Net cash flow from investment activity	-218,250,668.19	-806,315,544.72	72.93%
Subtotal of cash inflow from financing activity	4,416,648,939.73	2,408,602,971.48	83.37%
Subtotal of cash outflow from financing activity	3,340,340,494.57	1,795,418,484.68	86.05%
Net cash flow from financing activity	1,076,308,445.16	613,184,486.80	75.53%
Net increased amount of cash and cash equivalent	2,648,843,437.29	1,457,258,980.84	81.77%

II. Analysis of principal operations (continued)

6. Cash flow (continued)

Reasons for y-o-y relevant data with over 30% changes

1. "Cash inflows from investing activities" representing a decrease of 48.74% over the previous year, mainly due to more cash inflows arising from the disposal of held-for-trading financial assets of Zhongrong International Trust Co., Ltd. during the last year; such business decreased in current year.

2. "Cash outflows from investing activities" representing a decrease of 56.15% over the previous year, mainly due to more purchase of held-for-trading financial assets made by Zhongrong International Trust Co., Ltd. during the last year; such business decreased in current year.

3. "cash inflows from financing activities" representing an increase of 83.37% over the previous year, mainly due to the increase of cash receipts from the issuance of shares and medium-term notes.

4. "cash outflows from financing activities" representing an increase of 86.05% over the previous year, mainly due to the increase of cash repayments of amounts borrowed.

III. Composition of main business

Unit: RMB

	Income from principal operations	Cost from principal perations	Gross profit ratio (%)	Increase/ decrease of operating revenue y-o-y (%)	Increase/ decrease of operating cost y-o-y (%)	Increase/ decrease of gross profit ratio y-o-y (%)
According to industries						
Textile Machinery	4,001,458,814.37	3,398,185,381.77	15.08%	-36.55%	-36.54%	-0.02%
Financial trust	3,615,471,023.24	826,777.68	99.98%	21.39%	-22.49%	0.01%
Non-textile machinery	413,931,654.71	375,105,154.64	9.38%	70.96%	74.08%	-1.62%
According to region						
Mainland China	7,491,931,032.38	3,258,540,952.93	56.51%	-16.97%	-36.33%	13.22%
Foreign countries	538,930,459.94	515,576,361.16	4.33%	6.80%	13.53%	-5.67%

IV. Assets and liability analysis

1. Major changes of assets

Unit: RMB

	End of 2012		End of 2011			
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)	Ratio changes (%)	Notes to major changes
Monetary fund	6,548,740,008.05	42.1%	3,988,190,008.10	30.75%	11.35%	The increase in monetary fund as compared with that at the beginning of the period was mainly due to the bond and equity financing; as well as favorable profitability.
Account receivable	698,770,042.46	4.49%	476,028,483.60	3.67%	0.82%	The increase in account receivable as compared with that at the beginning of the period was mainly due to the increase of product sold on credit of the Group during the period.
Inventory	1,484,581,205.31	9.55%	1,515,923,991.98	11.69%	-2.14%	No significant changes.
Long-term equity investment	218,004,243.80	1.4%	180,711,961.60	1.39%	0.01%	No significant changes.
Fix assets	1,658,181,634.78	10.66%	1,579,431,967.85	12.18%	-1.52%	No significant changes.
Construction in progress	268,578,405.91	1.73%	315,096,741.08	2.43%	-0.7%	No significant changes.

2. Major changes of liability

Unit: RMB

	2012		2011			
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)	Ratio changes (%)	Notes to major changes
Short-term loans	1,455,761,360.52	9.36%	1,715,651,450.37	13.23%	-3.87%	No significant changes.
Long-term loans		0%	60,000,000.00	0.46%	-0.46%	The decrease in long term loans as compared with that at the beginning of the period was mainly due to that all long term loans are due within one year.
Bonds payable	1,200,000,000.00	7.72%	0.00	0%	7.72%	The significant increase in bonds payable as compared with that at the beginning of the period was mainly due to the issuance of new medium-term notes.
Special payables	17,341,405.91	0.11%	141,534,244.97	1.09%	-0.98%	The decrease in special payable as compared with that at the beginning of the period was mainly due to that part of the amount was converted into additional capital.

IV. Assets and liability analysis (continued)

3. Assets and liability measure by fair value

Unit: RMB

Item	Amount at beginning of the period	Gains/losses of changes in fair value	Accumulative changes in fair value reckoned into equity	Impairment accrual in this period	Amount purchased in this period	Sale amount	Amount at end of the period
Financial assets							
1. Financial assets at fair value through profit or loss(excluding derivative financial assets)	253,226,491.88	43,783,411.62					276,665,724.16
2. Available for sale financial assets	589,545,330.98		6,172,041.63				570,852,379.82
Subtotal of financial assets	842,771,822.86						847,518,103.98
Total	842,771,822.86						847,518,103.98
Financial liabilities	0.00						0.00

V. Analysis on Core Competitiveness

1. Access to Enterprise Resources

As an A and 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.

VI. Investment analysis

1. Foreign equity investment

(1) Foreign investment

Foreign investment		
Investment for year of 2012 (RMB)	**Investment for year of 2011 (RMB)**	**Changes**
201,722,000.00	168,810,000.00	19.5%
Invested company		
Name	**Main business**	**Proportion of equity in invested company for listed company (%)**
Yichang Jingwei Textile Machinery Company Limited	Manufacture and sales of textile machinery	100%
Jingwei Tsudakoma Textile Machinery (Xianyang) Co. Ltd.	Manufacture and sales of textile machinery	51%
Jingzhong Jingwei Hengxin Machinery Co., Ltd.	Manufacture and sales of textile machinery	51%
Shanghai Shen Xin Medical Device Technology Co., Ltd	Manufacturing of medical devices	51%
Beijing Jingwei Huaqing Medical Technology Co., Ltd	Manufacturing of medical devices	51%
Hubei Hengtian Bus Co., Ltd.	Automobile manufacturing	45%
Hengtian Huanyu (International) Company Limited	Investment holding	75%
Wuxi Guochuang Culture Investment Comapny	Investment management	0.49%
Xinhu Wealth Investment Management Co., Ltd.	Investment management	23.08%

VI. Investment analysis (continued)

1. Foreign equity investment (continued)

(2) Securities investment

Type	Securities code	Securities short code	Initial investment Amount (RMB)	Numbers of shares held at beginning of period (Share)	Percentage of shares at beginning of period (%)	Numbers of shares held at end of period (Share)	Percentage of shares at end of period (%)	Book value at end of period (RMB)	Profit and loss during the reporting period (RMB)	Accounting calculation subject	Source of shares
Stock	000009	CBG	51,726,172.06	1,608,376	0.15%	3,465,974	0.32%	30,500,571.20	-10,645,690.70		Purchase
Bond		09 Mianyang commercial	27,804,060.00			30,000,000		29,605,350.00			Purchase
Stock	002155	CHENZHOU MINING	31,428,819.71	910,704	0.17%	1,350,586	0.18%	27,119,766.88	7,650,763.55		Purchase
Stock	600516	Fonda Carbon	41,066,662.67	3,357,969	0.26%	2,907,969	0.23%	25,822,764.72	599,554.30		Purchase
Stock	601377	Industrial Securities	22,910,939.42			2,055,471	0.01%	25,241,183.88	2,499,011.00		Purchase
Stock	601555	Soochow Securities	24,085,145.47			2,735,832	0.01%	22,050,805.92	-2,359,026.86		Purchase
Stock	600058	MINLIST	35,957,394.78	555,000	0.01%	1,227,121	0.01%	21,069,667.57	-6,383,991.33		Purchase
Stock	000937	JZEG	33,399,367.55	1,617,280	0.07%	1,417,400	0.06%	19,602,642.00	-3,683,906.59		Purchase
Stock	601958	Jinduicheng Molybdenum	20,330,985.78	1,213,300	0%	1,213,300	0%	14,207,743.00	363,990.00		Purchase
Stock	000059	LIAOTONG CHEMICALS	26,449,424.29	2,868,860	0.24%	2,038,000	0.17%	13,878,780.00	-1,093,016.73		Purchase
Other securities investment held at end of period			81,123,522.79	10,983,263	–	7,939,123	–	77,171,798.99	58,880,289.37	–	–
Total			396,282,494.52	23,114,752	–	56,350,776	–	306,271,074.16	45,827,976.01	–	–

Description of securities investment in other listed companies:

Securities investment in the table above is the business of securities investment engaged by Zhongrong International Trust Co., Ltd., the investment operation of the company was strictly in compliance with the internal control system and limits, which control the investment risk effectively.

VI. Investment analysis (continued)

2. Use of fund raised

(1) The general utilization of raised funds

In ten thousand yuan

Total of funds raised	93,708.22
Total investment of during reporting period	42,608.23
Total funds raised that have been accumulatively invested	42,608.23
Total funds raised whose uses have been changed during reporting period	0
Accumulative total funds raised whose uses have been changed	0
Ratio of Accumulative total funds raised with uses being changed	0%
Description of the general use of the funds raised	
In 2012, upon the approval of the Article [2012]1118 issued by China Securities Regulatory Commission, the Company directionally issued a total of 100,330,000 RMB ordinary shares to five investors including its controlling shareholders and beneficial controllers, which raised funds amounting to RMB 937,082,206.13, including cash of RMB 797,547,961.16 and debt-to-equity of RMB 139,534,244.97. After deduction of the costs associated with issuance, the net proceed is RMB 903,649,973.17. The funds of this non-public offering was all in place on November 30, 2012 and has been audited by Baker Tilly who has issued a capital verification report named "Baker Tilly Beijing QJ[2012]T348. As of December 31, 2012, among the funds raised from the non-public offering, the Company has accumulatively utilized RMB426, 082,300, with the unutilized amount of RMB 477,567,600 which was deposited in the Company's special account for the funds raised at the end of the reporting period.	

VI. Investment analysis (continued)

2. Use of fund raised (continued)

(2) Projects promised invested with raised funds

In ten thousand yuan

Projects promised to be invested and invested direction of over-raised funds	Whether the project had been changed or not (including partially changed)	Total amount of raised funds promised to be invested	Total invested amount after adjustment (1)	Invested amount of this reporting period	Accumulative invested amount as of the end of the period (2)	Investment progress as of the end of the period (%) (3)=(2)/(1)	Date of project to achieve intended use	Realized benefits at the reporting period	Whether the expected benefits had been achieved	There is significant changes on project feasibility or not
Project promised to be invested										
1. Capital contribution to Zhongrong International Trust Co., Ltd. to increase its net capital	No	76,412.84	76,412.84	28,654.81	28,654.81	37.5%	–	0	–	No
2. Replacement of the corporate bonds held by CTM on behalf of the State which are not transferred to paid-in capital yet	No	13,953.42	13,953.42	13,953.42	13,953.42	100%	–	0	–	No
Sub-total of project promised to be invested	–	90,366.26	90,366.26	42,608.23	42,608.23	–	–	0	–	–
Investment direction of over-raised funds										
Total	–	90,366.26	90,366.26	42,608.23	42,608.23	–	–	0	–	–
Pre-investment and replacement of projects to be invested with raised funds	The Company made up-front investment of RMB 286,548,100 by its self-raised funds, being the initial capital contribution to Zhongrong International Trust to increase its net capital. According to the non-public offering plan and approval at the extraordinary meeting of the sixth Board of Directors, the Company replaced the above initial self-raised funds with the proceeds from offering on 19 December 2012.									
Use and direction of unutilized raised funds	At the end of the reporting period, the unutilized raised fund has been deposited into the special account for such funds, and will continue to use for the projects invested with raised funds according to regulations. As at the date of this report, the raised fund of the Company has been fully utilized according to relevant requirements.									

3. Main subsidiaries and stock-jointly companies

Particulars about main subsidiaries and stock-jointly companies

Company name	Type	Industries	Main products or service	Register capital	Total assets (RMB)	Net assets (RMB)	Operating revenue (RMB)	Operating profit (RMB)	Net profit (RMB)
Zhongrong International Trust Co., Ltd.	Subsidiary	Financial	Financial	1,475,000,000.00	6,226,186,961.00	4,843,391,668.00	3,773,173,130.00	2,027,413,700.00	1,524,311,863.00
Yichang Jingwei Textile Machinery Company Limited	Subsidiary	Textile Machinery	Textile Machinery	20,000,000.00	271,471,576.33	41,549,183.18	187,798,425.22	15,066,451.60	14,255,441.46
Beijing Jingwei Textile Machinery New Technology Company Limited	Subsidiary	Textile Machinery	Textile Machinery	100,000,000.00	368,196,673.82	154,250,234.20	212,490,307.28	11,093,762.51	10,790,852.40

VI. Investment analysis (continued)

3. Main subsidiaries and stock-jointly companies (continued)

Zhongrong International Trust Co., Ltd, one subsidiary of the Company recorded net profit of RMB 1,524,311,863.00 for the year 2012, representing increase of 44.74% as compared with last year, which is mainly because the company obtained remarkable performance by actively adjusting its business structure through innovated operation and strengthening risk control, providing strong support for better profitability achieved by the Company.

Particulars about subsidiaries acquired or disposed of during the reporting period

Company name	Purpose of acquiring or disposing the subsidiaries during the reporting period	Method of acquiring or disposing the subsidiaries during the reporting period	Effect on the general production and results
Shanghai Shenxin Medical Device Technology Co., Ltd	Based on the Company's industry development plan	establishment by capital contribution	The Company's business structure was further enriched, the business field was further expanded, which will help improving the Company's profitability in future
Beijing Jingwei Huaqing Medical Technology Co., Ltd	Based on the Company's industry development plan	establishment by capital contribution	The Company's business structure was further enriched, the business field was further expanded, which will help improving the Company's profitability in future
Yichang Jingwei Textile Machinery Company Limited	Based on the Company's industry development plan	establishment by capital contribution	The Company's business structure was further enriched, the business field was further expanded, which will help improving the Company's profitability in future
Hubei Hengtian Bus Co., Ltd.	Based on the Company's industry development plan	establishment by capital contribution	The Company's business structure was further enriched, the business field was further expanded, which will help improving the Company's profitability in future
Jingwei Tsudakoma Textile Machinery (Xianyang) Co. Ltd	Based on the Company's industry development plan	establishment by capital contribution	The Company's business structure was further enriched, the business field was further expanded, which will help improving the Company's profitability in future
Hengtian Huanyu (International) Company Limited	Based on the Company's industry development plan	acquisition of equity interest	The Company's business structure was further enriched, the business field was further expanded, which will help improving the Company's profitability in future
Jinzhong Jingwei New Machinery Company Limited	Based on the Company's industry development plan	acquisition of equity interest	The Company's business structure was further enriched, the business field was further expanded, which will help improving the Company's profitability in future
Xianyang Jingwei Machinery Manufacturing Company Limited	Integration of resources	disposal of equity interest	Had a certain impact on the current profit

VI. Investment analysis (continued)

4. The Company had no major projects invested by non-raised fund during the reporting period

VII. 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, and China's market is the largest market for textile machinery. 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 brand 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 judgment and action, specialized asset management institutions which are close to the market would become the direction of the trust industry.

VII. Prospects for the future development of the Company (continued)

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 etc..

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.

VII. Prospects for the future development of the Company (continued)

4. Business policy, budget and investment plans in 2013 (continued)

(3) (continued)

(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 company 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.

VII. Prospects for the future development of the Company (continued)

5. 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 will adopt 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.

VIII. There was no change in aspect of accounting policy, accounting estimates and accounting method as compared to the financial report of previous year

IX. Explanation on changes in consolidation statement's scope as compared to the financial report of previous year

1. Increase in the consolidation scope for the current period

Shanghai Huayuan Hyperthermia Technology Co., Ltd., a subsidiary of the Company, invested RMB 2 million this year to establish Shanghai Shenxin Medical Device Technology Co., Ltd., holding its 100% equity rights. Shanghai Shenxin Medical Device Technology Co., Ltd. is included in the scope of consolidation for the current year.

Shanghai Huayuan Hyperthermia Technology Co., Ltd., a subsidiary of the Company, invested RMB1 million this year to establish Beijing Jingwei Huaqing Medical Technology Co., Ltd. holding its 100% equity rights. Beijing Jingwei Huaqing Medical Technology Co., Ltd. is included in the scope of consolidation for the current year.

The Company established Yichang Jingwei Machinery Co., Ltd. this year with RMB 47.79 million and asset group RMB 31.1376 million of assets and liabilities, and holds its 100% equity rights. Yichang Jingwei Machinery Co., Ltd. is included in the scope of consolidation for the current year.

Hubei Chufeng Automobile Co., Ltd., a subsidiary of the Company, invested RMB 26.13 million this year to establish Hubei Hengtian Bus Co., Ltd. and holds its 60% equity rights. Hubei Hengtian Bus Co., Ltd. is included in the scope of consolidation for the current year.

The Company established Jingwei Tsudakoma Textile Machinery (Xianyang) Co., Ltd. with RMB 64.26 million and holds its 51% equity rights. Jingwei Tsudakoma Textile Machinery (Xianyang) Co. is included in the scope of consolidation for the current year.

Two subsidiaries of the Company, namely Hong Kong Huaming Co., Ltd. and Hubei New Chufeng Motor Co., Ltd. invested RMB 7.8344 million and RMB 1.561 million respectively to acquire 100% share rights from Hengtian Huanyu (International) Company Limited, which, together with its subsidiaries CHTC Europe, Holding B.V., Ginaf, Trucks, Nederland B.V. and China Hi-Tech (international) Limited is included in the scope of consolidation for the current year.

The Company acquired 51% equity interest in Jinzhong Jingwei New Machinery Company Limited for a consideration of RMB4.029 million. It is included in the scope of consolidation.

2. Decrease in the consolidation scope for the current period

The Company transferred out 75% equity rights of Xianyang Jingwei Textile Machinery Co., Ltd. this year. As a result, Xianyang Jingwei Textile Machinery Co., Ltd. is not included in the consolidation scope for the current year.

X. Profit and dividend distribution

Formulation, implementation or adjustment of the profit distribution policies (especially cash dividends policies) during the reporting period

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 2012 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 2012: This resolution was considered and passed at the Twenty-First Meeting of the Sixth Board and submitted to the 2012 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.

Based on provisions specified in Notice on Further Implementation of Cash Dividend in Listed Company which was issued on May 4, 2012 by China Securities Regulatory Commission, the Company has detailed and improved terms related to profit distribution policy in the original version of Articles of Association of the Company and developed the 2012-2014 Annual Plan on Shareholders Return, in order to increase the transparency and operability of the profit distribution decision-making, and to further safeguard the interests of the company's shareholders, especially minority shareholders. The revised Articles of Association of the Company and the newly established planning has been examined and approved on the Company's eighteenth meeting of the sixth board of directors, and submitted and approved on the first extraordinary general meeting in 2012. For details, see the Company's announcement published on CHINF (www.cninfo.com.cn) in June 27, 2012 and Hong Kong Stock Exchange website (www.hkex.com.hk) [2012-19], as well as the Company's announcement published on CNINF (www.cninfo.com.cn) in August 28, 2012 and Hong Kong Stock Exchange website (www.hkex.com.hk) [2012-31].

During the reporting period, the Company's profit distribution plan and plan on share capital increased from capital reserve are in line with relevant provisions of the Articles of Association of the Company.

X. Profit and dividend distribution (continued)

The Company's plans or programs on profit distribution and share capital increased from capital reserve in the past three years (including the reporting period)

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), totaling RMB70,413,000.00. The undistributed profit of RMB101,739,420.68 of the Company will be carried forward for use in subsequent years.

In 2011, the Company realised a net profit of RMB116,239,230.81, 10% (i.e. RMB11,623,923.08) 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 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), totaling RMB36,228,000. The undistributed profit of RMB164,586,751.50 of the Company will be carried forward for use in subsequent years.

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

Cash dividends for the previous three years of the Company:

Unit: RMB

Year for distributing dividend	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 (%)
2012	70,413,000.00	430,242,760.54	16.37%
2011	36,228,000.00	490,793,393.01	7.38%
2010	42,266,000.00	244,716,850.09	17.27%

XI. Social responsibility

The company attaches importance to social responsibility, and strives to achieve economic and social benefits, short-term benefits and long-term interests, coordination of self-development and social development, aimed at achieving a healthy and harmonious development between the company and various aspects including employees, the society and the environment.

The company established various aspects of management systems relating to safety, environmental protection, quality, human resources and trade union; formulated Safety Management System, Energy-saving and Environmental Management system, product quality control during the production process and Procedures of Supervision Management and Audit Procedures of Internal Quality Control System, and strictly implemented the qualified ISO9001: 2000 quality system certification during the operation. The Company committed to safeguard the legal interests of the employees and pay various taxes payments, and carried the social responsibility which the Company shall bear.

XII. Registration Form of Receiving the Activities of Investigation, Communication and Interview during the Report Period

Time	Place	Way	Type	Reception	Contents discussed and material provided
August 13, 2012	Beijing	Field Research	Institution	Goral-Sky Investment (Beijing) Co., Ltd.	Offering plan and 2012 interim report
August 14 2012	Beijing	Field Research	Institution	Beijing SSJ Investment Management Ltd.	Offering plan and 2012 interim report
August 14, 2012	Beijing	Field Research	Institution	Jiangsu Winfast Investment Holding Group Co., Ltd.	Offering plan and 2012 interim report
August 14, 2012	Beijing	Field Research	Institution	Everbright Financial Holding Asset Management Co., Ltd.	Offering plan and 2012 interim report
August 14, 2012	Beijing	Field Research	Institution	Dongyuan (Tianjin) Investment Management Center (limited partnership)	Offering plan and 2012 interim report
August 15, 2012	Shanghai	Field Research	Institution	China Universal Asset Management Co., Ltd.	Offering plan and 2012 interim report
August 15, 2012	Shanghai	Field Research	Institution	ABC-CA Fund Management Co., Ltd.	Offering plan and 2012 interim report
August 15, 2012	Shanghai	Field Research	Individual	Zhang Huaibin	Offering plan and 2012 interim report
August 15, 2012	Shanghai	Field Research	Institution	SAIC Finance Co., Ltd.	Offering plan and 2012 interim report
August 15, 2012	Shanghai	Field Research	Institution	SAIC Capital	Offering plan and 2012 interim report
August 15, 2012	Shanghai	Field Research	Institution	Zheshang Holdings Group Co., Ltd. Shanghai Asset	Offering plan and 2012 interim report
August 16, 2012	Shanghai	Field Research	Institution	Greenwoods Asset Management Co., Ltd.	Offering plan and 2012 interim report
August 16, 2012	Shanghai	Field Research	Institution	Guotai Junan Securities Assets Management Company	Offering plan and 2012 interim report
August 16, 2012	Shanghai	Field Research	Institution	Zhejiang Shangyu Boan Venture Capital Investment Partnership Enterprise (limited partnership)	Offering plan and 2012 interim report
August 16, 2012	Shanghai	Field Research	Institution	Zhejiang Paradise Silicon Equity Investment Management Group Co., Ltd.	Offering plan and 2012 interim report
August 21, 2012	Beijing	Field Research	Institution	China South Industries Group Finance Co., Ltd.	Offering plan and 2012 interim report
August 21, 2012	Beijing	Field Research	Institution	Beijing Pengrun Asset Management Co., Ltd.	Offering plan and 2012 interim report
August 22, 2012	Beijing	Field Research	Institution	Doyi Boai Equity Investment Fund Management Co., Ltd.	Offering plan and 2012 interim report
September 13, 2012	Beijing	Field Research	Institution	Beijing Sunbeway Investment Co., Ltd.	Offering plan and 2012 interim report
September 13, 2012	Beijing	Field Research	Institution	Century East Capital	Offering plan and 2012 interim report

XIII. Routine work of the Board of Directors

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

The Board of the Company implemented all the resolutions diligently.

2. 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 18 January 2013, the Audit Committee and the independent non-executive directors held 2012 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 2012 annual financial auditing work on 19 March 2013, 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 2012 financial report in a satisfactory manner. The Audit Committee recommends the Company to re-appoint Baker Tilly China (Special General Partnership) (the PRC Certified Public Accountants) and Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) as the respective international auditors and PRC auditors of the Company for the financial year ended 31 December 2013.

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

On 28 March 2012, the Personnel Nomination and Remuneration Committee of the Board held a meeting at which the structure, size and composition of the Board were reviewed, and the resolution in respect the proposed management's remuneration for the year 2012 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 2012 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.

XIV. 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.

XIV. 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 2012, 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 2012 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 2012: 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

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, 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.

The details of the foresaid proposal of the issue is as follows:

Type of Share:	Ordinary shares denominated in RMB (A Shares)
Par Value of each share:	RMB1
Way of issuance:	to specific investors, non-public issuance
Issue Price:	RMB9.34 per share
Number of Shares issued:	100,330,000 shares
Gross amount raised:	RMB937,082,206.13
Net amount raised:	RMB903,649,973.17

XIV. Other reporting items (continued)

6. Purchase, Sale or Redemption of Shares (continued)

Shares issued, size of Placing, amount of Placing and Shares Lock-up:

Serial Number	Target allottees	Number of Shares Subscribed (shares)	Subscription amount (RMB)	Lock-up period (months)
1	China Textile Machinery (Group) Company Limited	14,939,426	139,534,244.97	36
2	China Hengtian Group Company Limited	19,012,505	177,576,796.70	36
3	Minsheng Royal Fund Management Co., Ltd.	25,500,000	238,170,000.00	12
4	HuaAn Fund Management Co., Ltd.	32,119,914	299,999,996.76	12
5	Ping An UOB Fund Management Co., Ltd.	8,758,155	81,801,167.70	12
	Total	100,330,000	937,082,206.13	

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.

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.

As at 31 December 2012, the Group's short-term borrowings was RMB1,396,547 thousand, of which borrowings in the U.S. dollars amounted to US$14,275 thousand, (equivalent to RMB89,726 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 management considers 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 V "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 IV Supervisors' Report

1. Meetings and Resolutions of the Supervisory Committee

During the reporting period, the Supervisory Committee held 5 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 Ninth Meeting of the Sixth Supervisory Committee	1. The 2011 Supervisors' Report of the Company was considered and approved; 2. The 2011 Financial Report of the Company was considered and approved; 3. The 2011 Annual Report of the Company and its Summary were considered and approved; 4. Report on Self-evaluation of Internal Control System for the Year 2011 of the Company	28 March 2012	The website of CNINF and the Stock Exchange Securities Times, and the website of the Company	28 March 2012 29 March 2012
The Tenth Meeting of the Sixth Supervisory Committee	The 2012 First Quarterly Report of the Company was considered and passed.	19 April 2012	–	–
The Eleventh Meeting of the Sixth Supervisory Committee	The 2012 Interim Report and its summary of the Company was considered and passed.	30 August 2012	–	–
The Twelfth Meeting of the Sixth Supervisory Committee	The 2012 Third Quarterly Report of the Company was considered and passed.	30 October 2012	–	–
The Thirteenth Meeting of the Sixth Supervisory Committee	The resolution regarding the replacement of the self-financing in early stage of fund raising with the raised proceeds was considered and passed	19 December 2012	The website of CNINF and the Stock Exchange Securities Times, and the website of the Company	19 December 2012 20 December 2012

2. 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.

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

The Supervisory Committee made a diligent review on the profit distribution proposal of the Company for 2012 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 2012 prepared by the domestic and international auditors with unqualified audit opinion. The Supervisory Committee considers that the auditors' report of the Company for 2012 reflects the financial status and operating results of the Company in an objective way.

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

Supervisory Committee is of the opinion that violation of the security, use and management of the funds raised by the Company in 2012 does not exist. At the end of the reporting period, the fund raised in 2012 had all been applied according to the provisions.

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

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

6. Opinion of the Supervisory Committee on connected transactions

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

7. Opinions on the "Report on Self-evaluation of Internal Control System for the Year 2012" 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 2012 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 V Significant Events

I. Significant lawsuits and arbitrations of the Company

No significant lawsuits, arbitrations and media criticism occurred in this year

II. Assets transaction

1. Acquisition of assets

Counterparty of the transaction or ultimate controller	Assets acquired or purchased	Price of Transaction (RMB'0000)	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'0000)	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'0000)	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	464	all rights of the assets concerned were completely transferred	85		0.04%	No	N/A		N/A
Jingwei Machinery (Group) Company Limited	51% equity interest in Jingzhong Jingwei Hengxin Machinery Co., Ltd.	403	all rights of the assets concerned were completely transferred	24		0.01%	No	N/A		N/A
China Pusho Investment (Holding) Co. Ltd.,	100% equity interest in Hengtian Huanyu (International) Company Limited	940	all rights of the assets concerned were completely transferred	194		0.1%	No	N/A		N/A

Summary of Acquisition of Assets

Through mergers and acquisitions of Jingzhong Jingwei Textile Machinery Co., Ltd., the Company has further strengthened its control over the textile company. Meanwhile, by acquiring the 51% equity interest of Jingzhong Jingwei Hengxin Machinery Co., Ltd., the Company has established its production base of rotor spinning machine.

Through mergers and acquisitions of 100% equity interest in Hengtian Huanyu (International) Company Limited and consolidation of Netherlands GINAF heavy truck projects, Xin Chufeng Automobile Co., Ltd acquired the ownership of GINAF, including technology, brands and assets, therefore technology upgrades and international sales of Xin Chufeng's heavy trucks technology were achieved. The above projects have no effect on the stability of the Company's management.

II. **Assets transaction (continued)**

2. **Disposal of assets**

Counterparty of the transaction or ultimate controller	Assets disposed of	Date of disposal	Price of transaction (RMB'0000)	Net profit attributable to the listed Company from the beginning of the period to the end of the reporting period (RMB'0000)	Gain and loss on Disposal (RMB'0000)	Net profit attributable to the Company as a percentage of the total profit (%)	Pricing basis for the asset disposal	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	8,236	-73	7,832	4.13%	Appraised value	Yes	N/A	Yes	Yes	11 January 2012	the Website of Cninfo, the website of HKEx, and the Company's announcement dated March 2012 on the website of the Company

Summary of disposal of assets

The above project has no effect on the Company's business continuity and stability of its management.

3. **Overview of business combination**

The above business consolidations have been accomplished as planned. The total profit contributed to the Company by acquiring the 14.48% equity interest in Jingzhong Jingwei Textile Machinery Co., Ltd. is RMB 0.46 million which accounts for 0.02% of the total profit after the merger; while the total profit contributed to the Company by acquiring the 51% equity interest in Jingzhong Jingwei Hengxin Machinery Co., Ltd. is RMB 0.12 million, which accounts for 0.01% of the total profit after the merger. The total profit contributed to the Company by acquiring the 100% equity interest in Hengtian Huanyu (International) Company Limited is RMB 0.96 million, which accounts for 0.05% of the total profit after the merger.

III. SIGNIFICANT RELATED TRANSACTIONS

1. Continuing connected transactions arising from the course of normal operations

To ensure the normal and smooth flow of production and operation of the Company, on 20 September 2010, the Company (for itself and on behalf of its subsidiaries from time to time) and China Textile Machinery (Group) Company Limited ("CTMC Group", for itself and on behalf of its associates and members from time to time, excluding the members of the Group) entered into the Composite Services Agreement to regulate the goods and services supplied to each other between the Company and CTMC Group during the three years from 1 January 2011 to 31 December 2013, which include: (i) the supply of finished products, raw materials, components and parts, and the provision of processing, final processing and maintenance services; (ii) provision of public and social services; and (iii) leasing of properties. The new Composite Services Agreement has been approved at the 2010 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 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.

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

	Sales of goods and provision of labour services to the connected persons		Purchase of goods and acceptance of labour services from the connected persons	
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%
Associated company of the Group	481,510.93	93.93%	97,584.50	24.26%
Total	512,629.75	100.00%	402,327.10	100.00%

III. SIGNIFICANT RELATED TRANSACTIONS (continued)

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

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 RMB27,794,420 during the reporting period.

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, on terms no more favourable or less favourable than terms available to or made by independent third parties; and

③ were on the terms of agreement of relevant transactions which were fair and reasonable and were in the interests of all shareholders of the Company as a whole.

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. The Company confirmed that the disclosure of the aforesaid connected transactions in 2012 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.

IV. Material contracts and execution

1. Guarantees

In ten thousand yuan

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	15,000	30/12/2011	15,000	Joint liability	30/12/2011 – 29/12/2012	Yes	No
Beijing Hualian Group Investment Holdings Limited	28/12/2012	15,000	27/12/2012	15,000	Joint liability	27/12/2012 – 26/12/2013	No	No
Total external guaranteed amount approved during the reporting period (A1)		15,000		Total actual external guaranteed amount during the reporting period (A2)				15,000
Total external guaranteed amount approved at the end of the reporting period (A3)		15,000		Balance of total actual guaranteed amount at the end of the reporting period (A4)				15,000
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	2,000	6/9/2012	2,000	Joint liability	6/9/2012 – 5/9/2013	No	No
Changde Textile Machinery Company Limited	9/10/2010	5,000	8/10/2012	5,000	Joint liability	8/10/2012 – 7/10/2013	No	No
Shanghai Huayuan Hyperthermia Technology Company Limited	25/10/2010	500	10/11/2010	500	Joint liability	10/11/2010 – 10/5/2013	No	No
Total approved amount guaranteed to subsidiaries during the reporting period (B1)		7,000		Total actual guaranteed amount to subsidiaries during the reporting period (B2)				7,000
Balance of total approved amount guaranteed to subsidiaries as at the end of the reporting period (B3)		7,000		Balance of total actual guaranteed amount to subsidiaries as at the end of the reporting period (B4)				7,500
Total guarantee provided by the Company (The total of the above two parts)								
Total guaranteed amount approved during the reporting period (A1 + B1)		22,000		Total actual guaranteed amount during the reporting period (A2 + B2)				22,000
Total guaranteed amount approved at the end of the reporting period (A3 + B3)		22,000		Balance of total actual guaranteed amount at the end of the reporting period (A4 + B4)				22,500
Ratio of total actual guaranteed amount (A4 + B4) to the net asset of the Company								4.79%
of which:								

V. Performance of commitments

1. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or extending to reporting period

Commitments	Committed Party	Content	Made on	Term	Performance status
Commitment on share segregation reform	China Textile Machinery (Group) Company Limited (controlling shareholder)	China Textile Machinery (Group) Company Limited ("CTMC") undertakes not to trade or transfer its floating Shares during the three years from the date on which its non-floating Shares are granted the right to list on the Shenzhen Stock Exchange. Within two years after the expiry of such period, the number of originally non-floating Shares to be sold through trading on the Shenzhen Stock Exchange shall not exceed 30% of the number of Shares held by it on the date of the implementation of the Share Segregation Reform Proposal, and the sale price will be no less than RMB7 per Share (subject to such adjustment as may be made in connection with declaration of dividend, distribution or reallocation of capital reserve fund to share capital).	4 August 2006	Long-term	To be implemented
Commitments made in Initial public offering or re-financing	China Textile Machinery (Group) Company Limited	Relevant commitments regarding non-public offering of A – shares: 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. 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.	8 October 2011	Long-term	Proceeding

V. Performance of commitments (continued)

1. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or extending to reporting period (continued)

Commitments	Committed Party	Content	Made on	Term	Performance status
	China Textile Machinery (Group) Company Limited	Relevant commitments regarding non-public offering of A – shares: 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. 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.	8 October 2011	Long-term	Proceeding
	China Textile Machinery (Group) Company Limited	Relevant commitments regarding non-public offering of A – shares: 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.	8 October 2011	14 December 2015	Proceeding
	China Hengtian Group Company Limited ("CHG")	Relevant commitments regarding non-public offering of A – shares: 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. 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.	8 October 2011	Long-term	Proceeding

V. Performance of commitments (continued)

1. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or extending to reporting period (continued)

Commitments	Committed Party	Content	Made on	Term	Performance status
	China Hengtian Group Company Limited	Relevant commitments regarding non-public offering of A – shares: Undertakings of CHG in relation to resolving and avoiding competition in the industry with Jingwei Textile Machinery Company Limited (hereinafter referred to as "JWTM"): 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. 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.	8 October 2011	16 August 2015	To be implemented

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

1. **Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or extending to reporting period (continued)**

Commitments	Committed Party	Content	Made on	Term	Performance status
	China Hengtian Group Company Limited	Relevant commitments regarding non-public offering of A – shares: 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.	8 October 2011	14 December 2015	To be implemented
	China Hengtian Group Company Limited	Relevant commitments regarding non-public offering of A – shares: 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 October 2011	Long-term	To be implemented
Perform timely or not	Yes				
Whether made a promise to horizontal competition and related transactions that resulted or not	Yes				
Performance of commitments	All commitments were performed as scheduled.				

VI. **Appointment and non-reappointment (dismissal) of CPA**

Accounting firm appointed

Name of domestic accounting firm	Baker Tilly China (Special General Partnership)
Remuneration for domestic accounting firm (in ten thousand Yuan)	235
Continuous life of auditing service for domestic accounting firm	4 years
Name of domestic CPA	Kuangmin, Zhou Fudong
Name of foreign accounting firm (if applicable)	Baker Tilly Hong Kong Limited
Remuneration for foreign accounting firm (in ten thousand Yuan) (if applicable)	135
Continuous life of auditing service for foreign accounting firm (if applicable)	4 years

There was no change in the appointment of auditors in the current period.

Appointment of internal control auditing accounting firm, financial consultant or sponsor

During the year, the audit of the Company's internal control was completed by Baker Tilly China (Special General Partnership); The Company appointed Huaying Securities Co., Ltd. as the sponsor for its non-public offering of A-shares, and totally paid underwriting and sponsor fees of RMB 28,238,301.77.

VII. **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 VI Movements in Share Capital and Information on Shareholders

I. Changes in Shares

	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%	100,330,000			233,250	100,563,250	296,219,303	42.07%
1. Shares owned by State legal person	195,640,000	32.40%	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	233,250	249,303	0.04%
B. Unrestricted floating shares not subject to terms of lock-up	408,143,947	67.60%				-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	25.68%
C. Total number of shares	603,800,000	100%	100,330,000			-233,250	100,330,000	704,130,000	100%

Reasons for changes in shares

In 2012, the Company directionally issued a total of 100,330,000 ordinary shares denominated in RMB to five investors including its controlling shareholders and beneficial controller, resulting in the total share capital of the Company increased to 704,130,000 shares from 603,800,000 shares

Approval of changes in shares

The non-public offering plan has been examined and approved on the sixth meeting of the sixth board of directors held on March 14, 2011, the eighth meeting the sixth board of directors held on April 21, 2011, the tenth meeting of the sixth board of directors held on August 15, 2011, and the sixteenth meeting of the sixth board of directors held on April 12, 2012; it has also been examined and approved on the 2010 Annual General Meeting, class meeting with A share, and class meeting with H share which were held on June 14, 2011, as well as on the first extraordinary general meeting in 2011, class meeting with A share, and class meeting with H share which were held on October 11, 2011, and the 2011 Annual General Meeting, class meeting with A share, and class meeting with H share which were held on June 8, 2012.

On June 13, 2011, SASAC of the State Council issued *Reply on Relevant Issues about Jingwei Textile Machinery Co. Ltd's Non-public Offering of A Share* (GZCQ [2011] No. 495), and approved the Company's relevant contents on its shares-issuance plan.

On May 26, 2012, SASAC issued *Reply on Relevant Issues about Jingwei Textile Machinery Co. Ltd's Adjusting Non-public Offering of A Share* (GZCQ [2012] No. 300), and approved the Company's relevant decisions about the adjusted shares-issuance plan of non-public offering of A shares.

On July 9, 2012, the Company's application of non-public offering of shares was conditionally approved by the issuance examination committee of China Securities Regulatory Commission.

On August 17, 2012, China Securities Regulatory Commission issued the *Reply on Approving Jingwei Textile Machinery Co., Ltd's Non-public Offering of Shares* (CSRC license [2012] No. 1118), and approved that Jingwei Textile Machinery's non-public offering shall not be more than 100.39 million new shares with valid period of six months.

I. Changes in number of Shares (continued)

Transfers of shares arising from changes in shareholding

On December 4, 2012, the Company submitted relevant registration materials about the Company's newly issued shares to Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. It was confirmed that the newly issued shares has been duly registered on December 13, 2012 and has been duly recorded in the register of shareholders of the listed company.

Influence of share changes towards financial indexes in the latest year and latest period such as basic EPS and diluted EPS, and net assets per share attributable to the ordinary shareholders of the Company

Based on the numbers of shares after additional issuance of new shares, the Company's basic earnings per share is RMB0.07, while it is RMB0.71 based on the numbers of shares before the additional issuance;

Based on the numbers of shares after additional issuance of new shares, the net assets per share attributable to the Company's ordinary shareholders is RMB6.68, while the Company's net assets per share is RMB7.79 yuan based on the numbers of shares before the additional issuance.

Changes in 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	Nature of shares	Date of release from terms of lock-up
China Hengtian Group Company Limited	0	0	19,012,505	19,012,505	restricted shares for institutions after initial offering	
China Textile Machinery (Group) Company Limited	195,640,000	0	14,939,426	210,579,426	share segregation reform (number at the beginning of the year) restricted shares for institutions after initial offering (increase during the year)	–
HuaAn Funds – Industrial Bank-Tianjin Trust Co., Ltd.	0	0	32,119,914	32,119,914	restricted shares for institutions after initial offering	–
Ping An UOB Fund Company	0	0	8,758,155	8,758,155	restricted shares for institutions after initial offering	
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)	0	0	25,500,000	25,500,000	restricted shares for institutions after initial offering	
Ye Maoxin	6,435	0	0	6,435	Shares held by senior management	
Yao Yuming	7,728	0	53,250	60,978	Shares held by senior management	
Lin Jianwang	0	0	30,000	30,000	Shares held by senior management	
Shi Jianping	0	0	30,000	30,000	Shares held by senior management	
Liu Xianming	1,890	0	30,000	31,890	Shares held by senior management	–
Mao Faqing	0	0	30,000	30,000	Shares held by senior management	
Wang Xiqiao	0	0	30,000	30,000	Shares held by senior management	
Ye Xuewah	0	0	30,000	30,000	Shares held by senior management	
Total	195,656,053	0	100,563,250	296,219,303	–	–

I. Changes in 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.

II. Issuance and listing of securities

1. Issuance of securities in recent three years at the end of the reporting period

Names of stock and its derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Listing date	Number of shares approved to be listed for trading	Expiration date of trading
Stocks						
Stock	November 30, 2012	RMB 9.34/ share	100,330,000	December 14, 2012	100,330,000	

Description of the issuance of securities in recent three years

In 2012, the Company directionally issued a total of 100,330,000 ordinary shares denominated in RMB to five investors including its controlling shareholders and beneficial controller, resulting in the total share capital of the Company increased to 704,130,000 shares from 603,800,000 shares.

2. Description of changes of the Company's total share numbers and shareholder structure, as well as changes of the Company's assets and liabilities structure

As approved by the File Zheng Jian Xu Ke No. 1118 (2012) of China Securities Regulatory Commission, the Company issued totally 100,330,000 ordinary RMB shares to 5 investors including the controlling shareholder and the actual controller in 2012. Upon the completion of issuance, the total number of shares of the Company was increased from 603,800,000 shares to 704,130,000 shares. This private placement will not lead to changes in control of the Company. Upon the completion of this private placement, the asset-liability ratio of the Company has remarkably decreased, and the capital structure has been effectively improved, allowing the Company to enhance its capacity to resist financial exposure.

III. Controlling shareholder and beneficial controller

1. Number of shareholders of the Company and shareholding

Total shareholders during the reporting 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
Particulars about shares held above 5% by shareholders								
							Under pledge or lock-up	
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	Status of shares	number
China Textile Machinery (Group) Company Limited	State-owned legal person	31.13%	219,194,674		210,579,426	8,615,248	Pledge Lock-up	204,255,248 204,255,248
HKSCC Nominees Limited	overseas listed foreign shares	25.54%	179,839,399			179,839,399		
HuaAn Funds – Industrial Bank-Tianjin Trust Co., Ltd.	Others	4.56%	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)	Others	3.62%	25,500,000		25,500,000	0		
China Hengtian Group Limited	State-owned legal person	2.70%	19,012,505		19,012,505	0		
Ping An UOB Fund Company	Others	1.24%	8,758,155		8,758,155	0		
Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Fund	Others	0.58%	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)	Others	0.47%	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)	Others	0.31%	2,196,663		0	2,196,663		
Ning Yimin (寧一民)	Domestic natural person	0.23%	1,616,700		0	1,616,700		
Strategic investors or legal placement become the top ten shareholders upon placing of new shares (if any)		Inapplicable						
Connected relationship or concert-party relationship among the above shareholders		China Textile Machinery (Group) Company Limited and China Hengtian Group Company have associated relationships (please refer to below: Property right and controlling relationship between the beneficial controller and the Company) and fall within the meaning of parties acting in concert as defined in Administrative Measures for Information Disclosure of the Movement in Shareholding of Listed Companies. It is not aware whether any other shareholders are connected with each other and whether other shareholders are persons acting in concert.						
Shareholdings of the top ten shareholders of shares not being subject to term of lock-up								

III. Controlling shareholder and beneficial controller (continued)

1. Number of shareholders of the Company and shareholding (continued)

Top ten holders of shares without selling restrictions			
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.		
Note	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.		

III. Controlling shareholder and beneficial controller (continued)

2. Controlling shareholder

Legal person

Name of controlling shareholder	Legal person/ person in charge of the unit	Date of foundation	Organization code	Register capital	Main business
China Textile Machinery (Group) Company Limited	Zhang Jie	28 December 1983	10151855-4	RMB 2,735,820,000	Scope for general business: 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.

During the reporting period, there was no change of controlling shareholder.

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 2013.

(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).

III. Controlling shareholder and beneficial controller (continued)

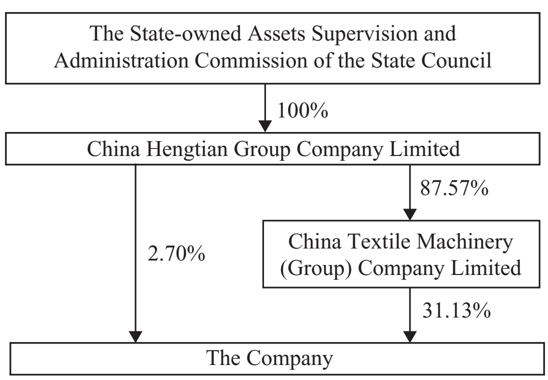
3. Beneficial controller

Legal person

Name of beneficial controller	Legal person/ person in charge of the unit	Date of foundation	Organization code	Register capital	Main business
China Hengtian Group Company Limited	Liu Haitao	9 September 1988	140888-6	RMB 2,958,228,700	Scope for general business: 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).
Equity of other foreign/domestic listed company that controlled by beneficial controller during the reporting period	1. Holding 190,926,500 shares of Kaima with a shareholding proportion of 29.83%; 2. Holding 73,255,500 shares of China Garments with a shareholding proportion of 28.39%; 3. Holding 184,145,662 shares of Baoding Swan with a shareholding proportion of 24.31%; 4. Holding 307,704,000 shares of Fong's Industries with a shareholding proportion of 55.80%;				

No Change for the beneficial controller during the reporting period

Property right and controlling relationship between the beneficial controller and the Company is as follow:



III. Controlling shareholder and beneficial controller (continued)

4. Other explanations

As at 31 December 2012, 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 *(shares)*	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 2012. 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 2012.

Long positions in the A shares of the Company:

	Capacity	Number of A shares *(shares)*	Approximate % of total issued A share capital	Approximate % of total issued share capital
China Textile Machinery (Group) Company Limited	Beneficial Owner	21,994,674	41.88	31.13

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 2012.

IV. Plan on increase of shareholding put forward or implemented by shareholders and their persons acting in concert during the reporting period

Name of shareholder or its persons acting in concert	Number of shares holdings planned to increase	Proportion of number of shares holdings planned to increase (%)	Actual number of shares holdings increased	Proportion of actual number of shares holdings increased (%)	Date of first disclosure of increasing shareholdings	Date of disclosure of completion of the shareholding increasing plan
China Textile Machinery (Group) Company Limited	14,939,426	2.12%	14,939,426	2.12%	14 March 2011	25 January 2013
China Hengtian Group Company Limited	19,012,505	2.7%	19,012,505	2.7%	14 December 2012	25 January 2013

Chapter VII Directors, Supervisors, Senior Management and Staff

I. Change in shareholdings of directors, supervisors, senior management and staff

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	50	15 August 2010	15 August 2013	0	40,000	0	40,000
Liu 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 Xuehua	Deputy General Manager, Company Secretary	In office	Male	48	15 August 2010	15 August 2013	0	40,000	0	40,000
Total							21,404	311,000		332,404

Save as disclosed above, as at 31 December 2012, 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.

II. Post-holding

Major working experience of directors, supervisors and senior management at the present in latest five years.

Executive directors

Mr. Ye Maoxin, aged 50, 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 46, a post-graduate, 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 49, 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 50, 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 of China Textile Machinery (Group) Company Limited, Secretary to the Board of China Hengtian Group Company Limited and Chief Supervisor of Shenyang Zhongheng New Materials Co., Ltd.

Mr. Yao Yuming, aged 51, 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.

II. Post-holding (continued)

Independent Non-Executive Directors

Mr. Xu Wenying, aged 61, 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 44, PhD holder, researcher, tutor of PhD course and independent director of the Company. From 1996 onwards, Mr. Liu assumed offices of General Manager of the Investment Planning Department, General Manager of Development Research Department of China Worldbest Group Co., Ltd., the chief economist, deputy general manager, general manager assistant of Shanghai Worldbest Co., Ltd, independent director of Shanghai Xinyu Hengdeli Clocks Watches Limited and Shanghai Prime Machinery Company Limited. Mr. Liu has been the independent non-executive director of the Company since June 2010. Mr. Liu currently is also the independent director of Shanghai Xinhua Media Co., Ltd. and Changan Fund Management Co., Ltd.

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 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. From 2009 to 2012, she has been committee of the Bond Market Professional Committee of the National Association of Financial Market Institutional Investors. Ms. An 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.

Li Min, aged 46, 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.

Supervisors

Mr. Tu Kelin, aged 62, 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 60, 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 42, master degree, accountant, and supervisor of the Company. From 1999 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.

II. Post-holding (continued)

Supervisors (continued)

Mr. Hu Guangfei, aged 49, a post-graduate, 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 42, 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.

Deputy General Managers

Mr. Lin Jianwang, aged 57, 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, Director of Wuxi Jingwei Textile Technology Testing Company Limited and Supervisor of the Company's equity holding company China Textile Machinery and Technology Import and Export Corporation.

Mr. Liu Xianming, aged 50, 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 55, 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.

II. Post-holding (continued)

Financial Controller

Mr. Mao Faqing, aged 43, 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, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Type Textile Machinery Company Limited, Beijing Jingpeng Investment Management Company Limited,Shanghai Weixin Mechatronics Co., Ltd., Hong Kong Huaming Company Limited and Anshan Jingwei Haihong Agricultural Machinery Technology Co., Ltd., director and Financial Controller of Beijing Jingwei Textile Machinery New Technology Company Limited, director of Zhongrong International Trust Co., Ltd., and Supervisor of the equity holding company Hongda Investment Company Limited and Beijing Hengtian Wealth Investment Management Limited.

Chief Economist

Ms. Wang Xiqiao, aged 54, 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 Jingwei Textile Machinery Co., Ltd. Yuci branch, Jingwei Textile Machinery Yuci Material Co. Limited, Zhengzhou Hongda New Textile Machinery Company Limited and Changde Textile Machinery Company Limited, chief supervisor of Qingdao Hongda Textile Machinery Company Limited and Hi-Tech Truck Co, Ltd., supervisor of Hubei Xinchufeng Automobile Company Limited, Shanxi Jingwei Heli Machinery Manufacturing Company Limited and Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited.

Deputy General Manager and Secretary to the Board

Mr. Ye Xuehua, aged 48, 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 subsidiary, namely, Shanghai Weixin Electrical and Machinery Company Limited.

Post-holding in shareholder's unit

Name	Name of shareholder's units	Position	Start date of office term	End date of office term	Whether receiving remuneration from shareholder's units or not
Ye Maoxin	China Textile Machinery (Group) Company Limited	Deputy general manager	1 September 2005		No
Ye Maoxin	China Textile Machinery (Group) Company Limited	Director	1 October 2008		No
Li Xiaohong	China Textile Machinery (Group) Company Limited	Deputy general manager	1 October 2008		No
Yan Fuquan	China Textile Machinery (Group) Company Limited	Chief Accountant	1 March 2005		No
Yan Fuquan	China Textile Machinery (Group) Company Limited	Director	1 October 2008		No
Shi Tinghong	China Textile Machinery (Group) Company Limited	Secretary to Board of Directors	1 July 2011		No
Liu Hong	China Hengtian Group Company Limited	Deputy general manager of Textile Machinery Division	1 January 2010		No
Description of post-holding in other unit	China Textile Machinery (Group) Company Limited is the largest shareholder of the Company and China Hengtian Group Company Limited is the beneficial controller of the Company				

II. Post-holding (continued)

Post-holding in other unit

Name	Name of other units	Position	Start date of office term	End date of office term	Whether receiving remuneration from shareholder's units or not
Ye Maoxin	China Hengtian Group Company Limited	Vice president	1 September 2011		Yes
Ye Maoxin	China Hi-Tech Holdings Company Limited	Chairman	1 April 2011		No
Ye Maoxin	CHTC Heavy Industry Co., Ltd.	Vice Chairman	1 July 2010		No
Ye Maoxin	China Textile Machinery and Technology Import and Export Corporation	Chief Supervisor	1 May 2009		No
Li Xiaohong	China Hengtian Group Company Limited	Vice president	1 September 2011		Yes
Li Xiaohong	CHTC Heavy Industry Co., Ltd.	Chairman	1 July 2010		No
Li Xiaohong	Kaima Co., Ltd	Director	1 July 2011		No
Li Xiaohong	China Textile Machinery and Technology Import and Export Corporation	Director	1 June 2010		No
Li Xiaohong	CHTC Power Co., Ltd.	Chief Supervisor	1 April 2011		No
Yan Fuquan	China Hengtian Group Company Limited	Chief Accountant	1 August 2009		Yes
Yan Fuquan	CHTC Investment Management Co., Ltd.	Chairman	1 May 2012		No
Yan Fuquan	CHTC Heavy Industry Co., Ltd.	Director	1 January 2010		No
Shi Tinghong	China Hengtian Group Company Limited	Secretary to the Board	1 December 2006		Yes
Shi Tinghong	CHTC Power Co., Ltd.	Director	1 April 2011		No
Shi Tinghong	Shenyang Zhongheng New Materials Co., Ltd.	Chief Supervisor	1 June 2010		No
Liu Hong	China Hengtian Group Company Limited	Deputy general manager of Textile Machinery Division	1 January 2010		Yes
Liu Hong	China Hi-Tech Holdings Company Limited	Finance director	1 April 2011		No
Liu Hong	China Textile Science and Technology Co., Ltd.	Chief Supervisor	1 April 2012		No
Xu Wenying	China Textile Industry Association	Vice-chairman	1 October 2006		Yes
Xu Wenying	Textile Products Technological Improvement Consultation Services Centre	Officer	1 August 1998		Yes
Xu Wenying	Shandong Weiqiao Textile Company Limited	Independent director	1 January 2003		Yes

II. Post-holding (continued)

Post-holding in other unit

Xu Wenying	Huafu Top Dyed Melange Yarn Co., Ltd.	Independent director	1 January 2008		Yes
Xu Wenying	Jiangsu Lianfa Textile Company Limited	Independent director	1 January 2010		Yes
Liu Huangsong	Institute of Economics of Shanghai Academy of Social Sciences	Researcher, tutor of PhD course	1 January 2003		Yes
Liu Huangsong	Xinhua Media Co., Ltd.	Independent director	1 January 2011		Yes
Liu Huangsong	Changan Fund Management Co., Ltd.	Independent director	1 January 2011		Yes
An Guojun	Financial Research Institute of Chinese Academy of Social Sciences	Associate researcher	1 December 2007		Yes
Li Min	Boyou Investment Management Limited	Vice President	1 November 2010		Yes

III. Remuneration for directors, supervisors and senior management

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

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 the year 2012, the Company did not have share incentive scheme.

Remuneration for directors, supervisors and senior management in reporting period

Name	Title	Gender	Age	Post-holding status	Total remuneration obtained from the Company (RMB'0000, before tax)	Total Remuneration obtained from shareholder's unit	Remuneration actually obtained at period-end (RMB'0000, before tax)
Ye Maoxin	Chairman	Male	50	In office			
Li Xiaohong	Vice Chairman	Male	46	In office			
Yan Fuquan	Director	Male	49	In office			
Shi Tinghong	Director	Male	50	In office			
Yao Yuming	Director, General Manager	Male	51	In office	135.69		135.69
Xu Wenying	Independent Non-executive Director	Male	61	In office	5.00		5.00
Liu Huangsong	Independent Non-executive Director	Male	44	In office	5.00		5.00
An Guojun	Independent Non-executive Director	Female	39	In office	5.00		5.00
Li Min	Independent Non-executive Director	Male	46	In office	5.00		5.00
Tu Kelin	Chairman of Supervisory Committee	Male	62	In office			
Peng Zeqing	Vice Chairman of Supervisory Committee	Female	60	In office	27.43		27.43
Liu Hong	Supervisor	Male	42	In office			
Hu Guangfei	Supervisor	Male	49	In office	21.64		21.64
An Yongzhi	Supervisor	Female	42	In office	32.22		32.22
Lin Jianwang	Standing Deputy General Manager	Male	57	In office	83.67		83.67
Shi Jianping	Deputy General Manager	Male	50	In office	72.28		72.28

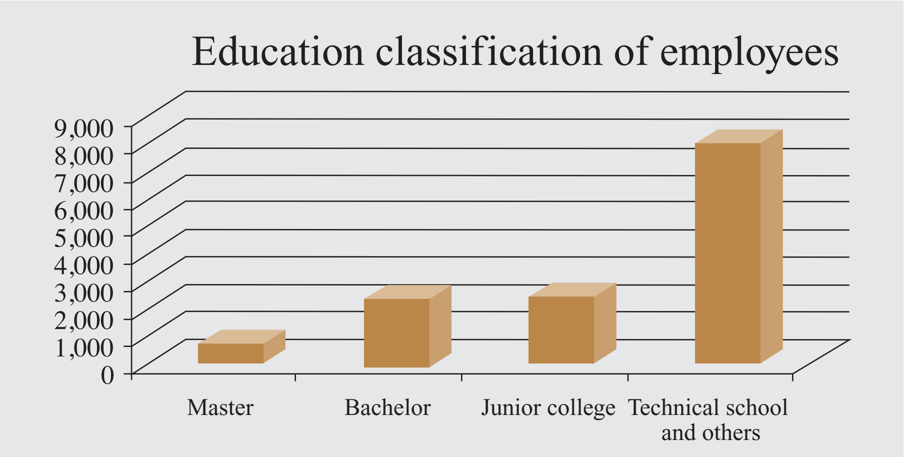
III. Remuneration for directors, supervisors and senior management (continued)

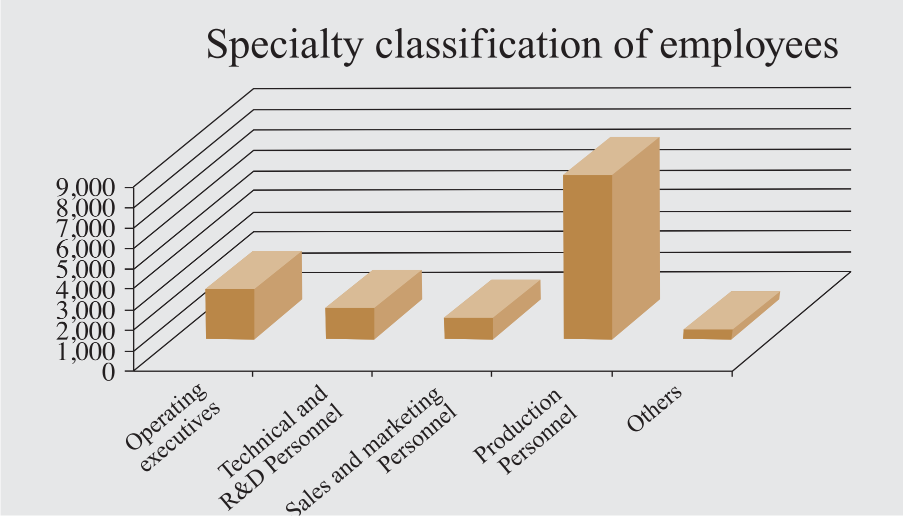
Liu Xianming	Deputy General Manager	Male	50	In office	74.35		74.35
Wang Weizhi	Deputy General Manager	Male	55	In office	26.49		26.49
Mao Faqing	Financial Controller	Male	43	In office	76.16		76.16
Wang Xiqiao	Chief Economist	Female	54	In office	71.21		71.21
Ye Xuehua	Deputy General Manager, Secretary to the Board	Male	48	In office	72.15		72.15

No equity incentive was granted to the directors, supervisors and senior executives of the Company during the reporting period.

IV. Staff

As at 31 December 2012, the total number of staff of the Group was 14,316, among which 13,699, 525, 1,066 and 725 were at the entry, senior, middle and junior levels respectively, and 5,681 received tertiary educations or above. Amongst the staff in the Group, 1,535 were engaged in technical, scientific research and development, 1,078 in sales and marketing, 2,509 in operation and management, 8,072 in production and 505 in other areas. For the year ended 31 December 2012, the total remuneration for the staff of the Group amounted to RMB1,732,645.94 thousand (RMB1,710,862 thousand 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 3,479 for the year ended 31 December 2012.





Chapter VIII Corporate Governance

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

I. Basic 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. 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.

There are no differences between the corporate governance, the Company Laws and relevant regulations from CSRC

Specific activity of the corporate governance as well as formulation and implementation of registration mechanism for insiders

1. Special corporate governance activities: the establishment of the Company's internal control system was the Company's main job in corporate governance and institution building in the year 2012; and internal control construction has been on the top agenda of the Company's 2012 annual work plan of production and operation. Under the leadership of the Board of Directors of the Company, the construction and implementation plans of internal control have been discussed and developed, and organizations and work responsibilities have been set up on the basis of the Company's industry characteristics and its actual production and management, in order to well organize the Company and orderly conduct special corporate governance activities with improving internal control as its focus. Establish a sound internal control system and strengthen supervision and inspection of the implementation of internal control system, so as to effectively prevent operational, decision-making and management risks, to ensure the Company's sound operation, and to promote the Company's sustained and healthy development.

2. The implementation of insiders registration management system: on December 15, 2011, the fourteenth meeting of the Company's sixth board of directors revised and issued *The Company's Insiders Registration Management System (2011 Amendment)*. During the reporting period, the Company has delivered this message to its internal functional departments and shareholders (holding 5% shares or more), actual controllers and external information users by issuing special learning materials such as *Notice on Strengthening Insider Information Management of State-owned Shareholders of Listed Companies* (GZFCQ [2011] No.158), *Opinions on Fighting against and Preventing Insider Trading in Capital Market* (issued by General Office of the State Council, (2010) No.55), *Provisions on Listed Company's Establishing Insiders Registration Management System* (CSRC Announcement [2011] No.30), and *Prevention and Control of Insiders Trading and Share Trading Norms* issued by Shenzhen Stock Exchange. In actual operation, during the Company's preparation of periodic reports, deliberation and disclosure period, it has made registration of insiders and reported to Shenzhen Stock Exchange in accordance with relevant provisions. The Company's information-insider shall strictly comply with confidentiality provisions without leaking, disclosing and disseminating the Company's insider information to others, without involving in illegal trading of Company stocks or recommending others to, so that the Company's share price has been in a normal state. Information-users outside the Company shall not disclose the Company's undisclosed material information, nor does he get involved in trading of the Company's securities or advise others to do so by taking advantage of obtained information. During the reporting period, the Company's directors, supervisors and senior management have not involved in any illegal trading of Company's stocks.

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

II. Annual shareholders' general meeting and extraordinary shareholders' general meeting held during the reporting period

1. Annual Shareholders' General Meeting during the reporting period

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
2011 Annual General Meeting	8 June 2012	The resolution on signing *The Supplemental Agreement II of Financial Capital Increase Agreement of Zhongrong International Trust Co., Ltd.*	99.46% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on the Company's signing *The Supplemental Agreement II of Subscription Agreement of Non-public Offering of A Shares* with China Hengtian Group Co., Ltd. which enters into force with conditions	95.84% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on the Company's signing *The Supplemental Agreement of Subscription Agreement of Non-public Offering of A Shares* with China Textile Machinery (Group) Co., Ltd. which enters into force with conditions	95.84% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on the Company's adjustment of the non-public offering of A shares involved in related party transactions	95.84% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on *The Plan of Non-public Offering of A Shares (Revised Edition)*	95.81% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on *Study Report on the Feasibility of Raising Funds from Non-public Offering of A Shares (Revised Edition)*	99.44% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on proposing the authorized Board of Directors and relevant authorized person to deal with specific matters concerning the non-public offering of A shares with full authority	99.44% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on proposing the General Meeting to agree to waive the actual controllers and controlling shareholders' holdings of shares through tender offer	95.84% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on the plan of adjusting the Company's non-public offering of A shares	95.84% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company

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

II. Annual shareholders' general meeting and extraordinary shareholders' general meeting held during the reporting period (continued)

1. Annual Shareholders' General Meeting during the reporting period (continued)

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
2011 Annual General Meeting	8 June 2012	The resolution on the Company's 2011 Annual Report of the Board of Directors	99.44% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on the Company's 2011 Annual Report of the Board of Supervisors	99.44% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on the Company and its subsidiaries' 2011 audited financial statements	99.44% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on the Company's 2011 annual profit distribution plan	99.45% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2011 Annual General Meeting	8 June 2012	The resolution on reappointing Baker Tilly Hong Kong (Hong Kong Certified Public Accountants) and Baker Tilly China (Chinese Certified Public Accountant) respectively as the Company's international and domestic auditor by the end of December 31, 2012, and authorizing the Company's Board of Directors to determine their remuneration	99.43% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
A-share class shareholders' meeting	8 June 2012	The resolution on the Company's signing *The Supplemental Agreement II of Subscription Agreement of Non-public Offering of A Shares* with China Hengtian Group which enters into force with conditions	89.97% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
A-share class shareholders' meeting	8 June 2012	The resolution on the Company's signing *The Supplemental Agreement of Subscription Agreement of Non-public Offering of A Shares* with China Textile Machinery (Group) Co., Ltd. which enters into force with conditions	89.97% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
A-share class shareholders' meeting	8 June 2012	The resolution on *The Plan of Non-public Offering of A Shares (Revised Edition)*	89.91% pass rate	9 June 2012	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company

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

II. Annual shareholders' general meeting and extraordinary shareholders' general meeting held during the reporting period (continued)

1. Annual Shareholders' General Meeting during the reporting period (continued)

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
A-share class shareholders' meeting	8 June 2012	The resolution on the plan of adjusting the Company's non-public offering of A shares	89.97% pass rate	9 June 2012	Securities Times, Websites of cninfo, the Hong Kong Stock Exchange and the Company
H share class shareholders' meeting	8 June 2012	The resolution on the Company's signing *The Supplemental Agreement II of Subscription Agreement of Non-public Offering of A Shares* with China Hengtian Group which enters into force with conditions	100.00% pass rate	9 June 2012	Securities Times, Websites of cninfo, the Hong Kong Stock Exchange and the Company
H share class shareholders' meeting	8 June 2012	The resolution on the Company's signing *The Supplemental Agreement of Subscription Agreement of Non-public Offering of A Shares* with China Textile Machinery (Group) Co., Ltd. which enters into force with conditions	100.00% pass rate	9 June 2012	Securities Times, Websites of cninfo, the Hong Kong Stock Exchange and the Company
H share class shareholders' meeting	8 June 2012	The resolution on *The Plan of Non-public Offering of A Shares (Revised Edition)*	100.00% pass rate	9 June 2012	Securities Times, Websites of cninfo, the Hong Kong Stock Exchange and the Company
H share class shareholders' meeting	8 June 2012	The resolution on the plan of adjusting the Company's non-public offering of A shares	100.00% pass rate	9 June 2012	Securities Times, Websites of cninfo, the Hong Kong Stock Exchange and the Company

2. Extraordinary general meeting held during the reporting period

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
The first extraordinary general meeting in 2012	27 August 2012	The resolution on approving to amending the Company's Articles of Associations	100% pass rate	28 August 2012	Securities Times, Websites of cninfo, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2012	27 August 2012	The resolution on approving the Company's *2012-2014 Annual Plan on Rewarding Shareholders*	100% pass rate	28August 2012	Securities Times, Websites of cninfo, the Hong Kong Stock Exchange and the Company

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

III. Responsibility performance of independent directors in report period

1. The attendance of Board meetings and shareholders' general meeting for independent directors

Attendance of Board meetings for independent directors						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of present in person	Times of attending by communication	Times of proxy presence	Times of Absence	Whether absent the Meeting for the second time in a row or not
Xu Wenying	17	14	3	0	0	No
Liu Huangsong	17	14	3	0	0	No
An Guojun	17	14	3	0	0	No
Li Min	17	14	3	0	0	No
Times presented in the general meeting by independent directors		2				

There were no independent directors who were absent for two consecutive meetings.

2. Objection for relevant events from independent directors

Independent directors has no objections for relevant events during the reporting period

3. Other explanation about responsibility performance of independent directors

Independent director's advice for the Company was adopted.

IV. Responsibility performance of subordinate special committee of the Board during the reporting period

The Audit Committee of the Board convened a meeting on March 28, 2012:

1. To consider and approve the 2011 annual financial report which was prepared in accordance with *China Enterprise Accounting Standards and Hong Kong Financial Reporting Standards* was examined and approved and then submitted to the Board for approval;

2. To consider and approve related party transactions conducted in 2011. The Audit Committee held the opinion that various related party transactions listed in the 2011 annual report are: (1) concluded in the Group's ordinary and normal course of business; (2) conducted in accordance with fair and reasonable commercial terms, and/or (if applicable) terms no less favorable than those available or provided to the independent third party (compared with the Company's independent shareholders);

3. To consider and approve the Summary Report on Accounting Firm's Engaging in the 2011 Annual Audit Report, and advise the Company to reappoint Baker Tilly Hong Kong (Hong Kong Certified Public Accountants) and Baker Tilly China (Chinese Certified Public Accountant) respectively as the Company's international and domestic auditor by the end of December 31, 2012.

Nomination and Remuneration Committee of the Board held a meeting on March 28, 2012 to review the structure, number and composition of the Board; review and approve management's resolution on remuneration.

V. Works from Supervisory Committee

The supervisory committee had found no risks in the Company in supervisory activities during the reporting period.

Supervisory committee has no objection about supervision events in reporting period

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

VI. Independency of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, institution and finance

At the end of the reporting period, the controlling shareholder of the Company is China Textile Machinery (Group) Co., Ltd., and the actual controller is China Hengtian Group Company Limited. The two together hold 238,207,179 shares which accounts for 33.83% of the total share capital of the Company. The Company has a sound corporate governance structure, and is completely separate from controlling shareholders in aspects like business, assets, institution and finance which guarantee the Company's independent and complete business and the ability to operate independently.

1. The Company is independent in its business: The Company has independent and complete business and ability to operate independently. Therefore, there is no direct or indirect intervention in the Company's operation business from controlling shareholders.

2. The Company is independent in its personnel: The Company and its controlling shareholders are independent of each other in terms of labor, personnel and payroll management; it has an independent and complete personnel system and labor management system. Executives of the Company like general manager, deputy general manager, chief financial officer, and secretary of the Board are full time; no part-time controlling shareholders are paid by the Company. Alls of the Company's directors, supervisors are elected through legal procedures, while general manager, deputy general manager, chief financial officer and secretary of the Board are recruited by the Board, and other levels of management personnel are appointed by the general manager; the Company has an independent right of appointment and removal.

3. The Company is independent in its assets. The Company is independent in its assets which are evidenced by the fact that all the Company's assets is under the control of itself, and independently owned and operated. No funds or assets have ever been occupied by controlling shareholders.

4. The Company is independent in its structures. The Company's production, operation and offices are completely separate from controlling shareholders, since it has established a sound organization system, and the board of directors, supervisory committee and other internal organizations operate independently. There is no affiliation between controlling shareholders together with its departments and the Company together with its functional departments.

5. The Company is independent in its finance. The Company has established an independent accounting department which is equipped with adequate financial and accounting staff, and established an independent accounting system and financial management system. The Company has opened its own bank account and pays tax independently by strictly conforming to various financial systems, in order to operate independently and standardize management. No intervention in the Company's financial and accounting activities from controlling shareholders has ever been witnessed.

VII. 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 5 of Section V 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 Hong Kong 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.

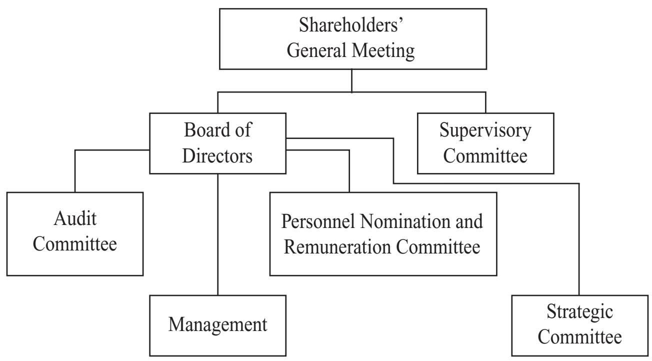
During the reporting period, the Company has adopted the Code on Corporate Governance Practices (during the period from 1 January 2012 to 31 March 2012) and the Corporate Governance Code (during the period from 1 April 2012 to 31 December 2012) in Appendix 14 to the Listing Rules of the Stock Exchange 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).

(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:



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

(II) The Board

The sixth Board of the Company comprises 9 Directors, of which 5 are Executive Directors (including Mr. Ye Maoxin, Mr. Li Xiaohong, Mr. Yan Fuquan, Mr. Shi Tinghong and Mr. Yao Yuming respectively) and 4 are Independent Non-Executive Directors (including Mr. Xu Wenying, Mr. Liu Huangsong, Ms. An Guojun and Mr. Li Min respectively).

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 acknowledge their responsibility for preparing the financial statements of the Group.

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 the year of 2012, the Chairman of the Company was Mr. Ye Maoxin, and the General Manager (Chief Executive Officer) of the Company is Mr. Yao Yuming.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(II) The Board (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at the end of 2012, 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.

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

(II) The Board (continued)

In 2012, the Company held 17 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	Whether attending in person for two consecutive meetings?
Ye Maoxin	Chairman	17	14	3	0	0	No
Li Xiaohong	Vice Chairman	17	14	3	0	0	No
Yan Fuquan	Director	17	14	3	0	0	No
Shi Tinghong	Director	17	14	3	0	0	No
Yao Yuming	Director, General Manager	17	14	3	0	0	No
Xu Wenying	Independent non-executive Director	17	14	3	0	0	No
Liu Huangsong	Independent non-executive Director	17	14	3	0	0	No
An Guojun	Independent non-executive Director	17	14	3	0	0	No
Li Min	Independent non-executive Director	17	14	3	0	0	No

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

Number of Board meetings convened during the year	17
Of which: Number of on-site meetings	14
Number of meetings convened via communication means	3
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.

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

(II) The Board (continued)

Continuing Professional development of Directors

Every newly appointed director will be arranged to attend briefings, so as to ensure that they have proper understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory and regulatory requirements. The Company periodically updates the Group's business development. The directors regularly are access to the latest developments of the Listing Rules and other applicable statutory requirements, in order to ensure the compliance and maintenance of good corporate governance practices.

The Directors are committed to comply with Code Provision A.6.5, Directors' Training, of Corporate Governance Code came in force on 1 April 2012, to ensure that they make their acknowledgement and the relevant contribution to the Board. During the year under review, the Directors of the Company have participated into the relevant training in accordance with the Listing Rules of the Stock Exchange, and have submitted their relevant training record to the Company. According to the record, the details of training directors participated into during the year under review are as follows:

	Corporate Governance, update of laws and Regulations		Accounting/Finance/Management and other Professional skills	
Name of Directors	Materials Reading	Seminars and Trainings Participation	Materials Reading	Seminars and Trainings Participation
Ye Maoxin	√	√	√	√
Li Xiaohong	√	√	√	√
Yan Fuquan	√	√	√	√
Shi Tinghong	√	√	√	√
Yao Yuming	√	√	√	√
Xu Wenying	√	√	√	√
Liu Huangsong	√	√	√	√
An Guojun	√	√	√	√
Li Min	√	√	√	√

Corporate Governance Functions

In terms of corporate governance functions, during the year under review, the Board has formulated the term of reference in respect of corporate governance functions, and have fulfilled the corporate governance duties set out in the terms of reference. Specifically, the Board has fulfilled the corporate governance duties during the year under review with details as follows:

(a) To formulate and review the Group's corporate governance and provide the Board with recommendation;

(b) To review and monitor the training and continuing professional development of Directors and senior management;

(c) To review and monitor the policies and practices of the Group's compliance with legal and regulatory requirements;

(d) To formulate, review and monitor the code of conduct and compliance manual of the employers and directors (if applicable); and

(e) To review the compliance of the Code by the Group and the disclosure in the Corporate Governance Report.

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:

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

(II) The Board (continued)

Audit Committee

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

As at 31 December 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 Nonexecutive Directors.

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 Chairman of the Audit Committee reported to the Board on all the important matters.

The attendance of members of Audit Committee during 2012 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	2	2	100%

The work of Audit Committee for the year include: reviewed the completeness of the 2011 Annual Report, 2012 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 2012.

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 Corporate Governance Code Provisions, while appropriate modifications will be made as and when necessary.

As at 31 December 2012, 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, which complied with the requirement of the relevant provision.

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.

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

(II) The Board (continued)

Personnel Nomination and Remuneration Committee (continued)

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 CNINF (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. According to the terms of reference, the Personnel Nomination and Remuneration Committee acts as the consultant regarding matters on the remuneration of the directors and senior executives of the Company, while the Board retain the ultimate power to approve the remuneration of the Directors and senior executives

In 2012, 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;

(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.

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

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 VII "Directors, supervisors, senior management and staff " of this annual report.

In 2012, the Supervisory Committee of the Company held 5 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 2011 annual report and 2012 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	5	5	100%
Peng Zeqing	Vice Chairman of Supervisory Committee	5	5	100%
Liu Hong	Supervisor	5	5	100%
An Yongzhi	Supervisor	5	5	100%
Hu Guangfei	Supervisor	5	5	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 2012) 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.

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 2012 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.

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

III. Mechanism of supervision (continued)

Fee to External Auditors and Term of Service

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

It was approved by shareholders of the Company at the 2011 annual general meeting of the Company held in June 2012 to reappoint 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 2012.

According to the "Notice of Issuing Interim Provisions of the Ministry of Finance and the State Administration for Industry and Commerce on Urging Large and Medium Accounting Firms to Adopt Special General Partnership as the Form of Organization" (Cai Hui [2010] No. 12) (《關於印發〈財政部、工商總局關於推動大中型會計師事務所採用特殊普通合夥組織形式的暫行規定〉的通知》(財會[2010]12號)), Baker Tilly China Certified Public Accountants Co., Ltd has completed the relevant work regarding the transformation as accounting firm of special general partnership at the request of the MOF and SAIC, it is now renamed as "Baker Tilly China (Special General Partnership)". For details, please refer to the announcement of the Company (No. 2012-40) published on http://www.cninfo.com.cn and website of the Stock Exchange on 17 November 2012.

The aggregate remuneration to Baker Tilly Hong Kong Limited and Baker Tilly China (Special General Partnership) (as the international and PRC auditors of the Company respectively) for the year 2012 was RMB 3,700,000.

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 "Changes in shareholdings and remuneration of Directors, Supervisors and senior management" of Chapter VII.

Interests in shares of the Substantial Shareholders

Save as disclosed in Chapter VI "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 2012, 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.

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

III. Mechanism of supervision (continued)

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.

During the year, the Company held two general meetings, the attendance of Directors is as follows:

Name of Director	Position	Total number of meetings	Attendance in person	Attendance via communication means	Attendance by proxy	Absence
Ye Maoxin	Chairman	2	2	0	0	0
Li Xiaohong	Vice Chairman	2	2	0	0	0
Yan Fuquan	Director	2	2	0	0	0
Shi Tinghong	Director	2	2	0	0	0
Yao Yuming	Director, General Manager	2	2	0	0	0
Xu Wenying	Independent non-executive Director	2	2	0	0	0
Liu Huangsong	Independent non-executive Director	2	2	0	0	0
An Guojun	Independent non-executive Director	2	2	0	0	0
Li Min	Independent non-executive Director	2	2	0	0	0

Substantial shareholder

The Company's substantial shareholder is China Textile Machinery (Group) Company Limited (holding 31.13% of shares of the issued share capital of the Company). The actual controlling company of the Group is China Hengtian Group Company ("China Hengtian"), which holds 2.7% of the issued share capital of the Company. Being the Company's substantial shareholder and actual controlling company, 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.

Shareholders convening extraordinary general meeting and ways of putting forward proposals in the general meetings

According to the Articles of Association, shareholders who request for the convening of an extraordinary general meeting or a class meeting shall comply with the following procedures:

(1) Two or more shareholders holding in aggregate 10% or more of the shares carrying the right to vote at the meeting sought to be held shall sign one or more counterpart requisitions stating the object of the meeting and requiring the Board to convene a shareholders' extraordinary general meeting or a class meeting thereof. The Board shall as soon as possible proceed to convene the extraordinary general meeting of shareholders or a class meeting thereof after receipt of such requisition(s). The amount of shareholdings referred to above shall be calculated as at the date of deposit of the requisition(s).

(2) If the Board fails to issue a notice of such a meeting within thirty days from the date of receipt of the requisition(s), the shareholders may themselves convene such a meeting (in a manner as similar as possible to the manner in which shareholders' general meetings are convened by the Board) within four months from the date of receipt of the requisition(s) by the Board.

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

III. Mechanism of supervision (continued)

Shareholders convening extraordinary general meeting and ways of putting forward proposals in the general meetings (continued)

Any reasonable expenses incurred by the shareholders by reason of failure by the Board to duly convene a meeting shall be repaid to the shareholders by the Company and any sum so repaid shall be set-off against sums owed by the Company to the defaulting directors.

In addition, according to the Articles of Association, when the Company convenes a shareholders' annual general meeting, shareholder(s) holding 5% or more of the total voting shares of the Company shall have the right to propose new motions in writing, and the Company shall place such proposed motions on the agenda for such annual general meeting if they are matters falling within the functions and powers of the general meetings.

Ways of making enquires to the Board

Shareholders may send letter to the head office of the Company with specific attention to the Company Secretary of the Company should they have any enquiries.

Material amendments to the Articles of Association

During the year under review, there are following amendments to Articles of Association of the Company:

1. Regarding amendments to Profit Distribution

   Pursuant to the requirement of the "Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies" of the CSRC, to further refine the terms regarding dividend distribution policy in the Articles, improve the transparency and operability of decision-making on dividend distribution, and to strengthen the protection of legitimate rights and interests of the Shareholders, the amendments to the terms regarding dividend distribution policy in the Articles were made as follows:

Before amendments	After amendments
Article 180 The Company may distribute dividend in cash or in specie (or both). The profit distribution policies of the Company should be consistent and stable. Dividends or other distributions for ordinary shares shall be declared and denominated in Renminbi. Dividends or other cash distributions for domestic shares shall be paid in Renminbi. Dividends or other cash distributions for overseas-listed foreign shares listed in Hong Kong shall be paid in Hong Kong dollar in accordance with the requirements of foreign exchange administration measures of the PRC. The exchange rate to be used for the conversion shall be the average closing exchange rate of Hong Kong dollar against Renminbi for each of the business day during the week prior to the declaration date as quoted by the People's Bank of China.	Article 180 The profit distribution of the Company shall focus on giving reasonable return to the investors, and the profit distribution policies of the Company shall maintain continuity and stability. The profit distribution policies of the Company are: (1) Form of profit distribution: the Company may distribute dividends in cash, in shares or in a combination of both cash and shares. The Company may distribute interim dividends. (2) Formulation and amendment process for profit distribution policies: the formulation and amendment of profit distribution policies will be proposed to the general meeting by the Board. During the discussion of profit distribution policies by the Board, thorough discussion should be made with the independent Directors, and profit distribution policies should be created after taking into account of providing sustainable, stable and scientific return for shareholders.

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

III. Mechanism of supervision (continued)

Material amendments to the Articles of Association (continued)

1. Regarding amendments to Cash Dividends Distribution (continued)

Before amendments	After amendments
	If there is significant change in external operating environment or the existing profit distribution policies affect the sustaining development of the Company, the Board may propose amendments to the profit distribution policies. In proposing any amendment to the profit distribution policies, the Board shall act in the interest of shareholders, give full consideration to medium and small shareholders' opinions and attach importance to protecting the interest of investors. Detailed explanation on the reason for the amendments shall be given in the related resolution submitted to the general meeting. The formulation and amendment of profit distribution policies by the Board shall be passed by simple majority votes of the Board with not less than two-thirds of the independent directors voted for the related resolutions. The independent directors shall express independent opinions on the formulation or amendment of profit distribution policies. The formulation and amendment of profit distribution policies of the Company shall be submitted to the general meeting of the Company for consideration and passed by votes representing not less than two-thirds of the voting rights represented by the shareholders present at the meeting. When such resolutions are considered at the general meeting, different channels should be used to communicate and interact with shareholders, in particular, the medium and small shareholders, and their opinions and requests should be fully heard, and their concern addressed in a timely manner. (3) Decision-making process and mechanism for particular profit distribution proposals of the Company: In creating the profit distribution policies, the Board shall consider the actual operating data, amount of profits, cash flow position, development stage and current requirement for funds of the Company, as well as opinions of shareholders, in particular, the medium and small shareholders, and of independent directors, and seriously examine and discuss matters such as the timing, conditions and minimum proportion, conditions for any adjustment and their decision-making process, taking into account of providing sustainable, stable and scientific return for all shareholders. Independent directors should express clear opinions on any annual or interim profit distribution proposal.

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

III. Mechanism of supervision (continued)

Material amendments to the Articles of Association (continued)

1. Regarding amendments to Cash Dividends Distribution (continued)

Before amendments	After amendments
	Any profit distribution proposal proposed by the Board shall be passed by simple majority votes of the Board with not less than two-thirds of the independent directors voted for the proposal. Any profit distribution proposal considered at the general meeting of the Company shall be passed by votes representing not less than one-half of the voting rights represented by the shareholders present at the meeting. When the profit distribution proposal is considered at the general meeting, different channels should be used to communicate and interact with shareholders, in particular, the medium and small shareholders, and their opinions and requests should be fully heard, and their concern addressed in a timely manner.

2. In relation to amendments of issue of Shares

Due to the change of share capital caused by the Issue of additional Shares, the Company will amend its articles of association. The proposed amendments are as follows:

Before amendments	After amendments
Article 22 Upon the approval by the companies approving department authorized by the State Council, the total number of ordinary shares that the Company can issue is 603.80 million, and 220 million shares was issued to the sponsor at the time of incorporation, representing 36.44% of the total number of ordinary shares that the Company can issue, such part of shares is held by China Textile Machinery (Group) Company Limited.	Article 22 Upon the approval by the companies approving department authorized by the State Council, the total number of ordinary shares that the Company can issue is 704.13 million, and 200 million shares was issued to the sponsor at the time of incorporation, representing 31.24% of the total number of ordinary shares that the Company can issue, such part of shares is held by China Textile Machinery (Group) Company Limited.
Article 23 The Company may issue 383,800,000 ordinary shares upon the establishment of its registered capital (including 180,800,000 overseas listed foreign invested shares, representing approximately 29.94% of the total number of ordinary shares that the Company can issue), and may issue a maximum of 203,000,000 domestic shares to the public. If the number of domestic shares that the Company may issue to the public exceeds or is less than 203,000,000 shares, then the Company's ordinary share capital shall be increased or decreased accordingly.	Article 23 In February 1996, the Company issued 180,800,000 additional H Shares upon the approvals by Ti Gai Sheng (1995) No. 148 of State Commission for Restructuring the Economic System and Zheng Wei Fa (1996) No. 2 of Securities Commission of the State Council. The share capital of the Company increased from 220,000,000 Shares to 400,800,000 Shares;

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

III. Mechanism of supervision (continued)

Material amendments to the Articles of Association (continued)

2. In relation to amendments of issue of Shares (continued)

Due to the change of share capital caused by the Issue of additional Shares, the Company will amend its articles of association. The proposed amendments are as follows:

Before amendments	After amendments
Upon completion of the aforementioned allotment and issue of ordinary shares, the Company's shareholding structure will be as follows: the total number of ordinary shares shall be 603,800,000, of which 220,000,000 shares are held by the promoter, China Textile Machinery (Group) Company Limited, 180,800,000 shares will be held by overseas listed foreign investors, and a maximum of 203,000,000 shares are held by other domestic shareholders. If approval from the relevant authority is granted, the Company may issue more than 203,000,000 domestic shares, and the Company's shares will be increased accordingly. Article 26 The Company's registered share capital is RMB603,800,000.	In November 1996, the Company issued 23,000,000 additional A Shares upon the approvals by Zheng Wei Fa (1996) No. 2 of Securities Commission of the State Council, and Zheng Jian Fa Zi (1996) No. 347 and Zheng Jian Fa Zi (1996) No. 348 of China Securities Regulatory Commission. The share capital of the Company increased from 400,800,000 Shares to 423,800,000 Shares; In May 2000, the Company publicly issued 180,000,000 additional A Shares upon the approval by Zheng Jian Gong Si Zi (2000) No. 35 of China Securities Regulatory Commission. The share capital of the Company increase from 423,800,000 Shares to 603,800,000 Shares; In December 2012, the Company issued 100,330,000 additional A Shares upon the approval by Zheng Jian Xu Ke [2012] No. 1118 of China Securities Regulatory Commission. The share capital of the Company increased from 603,800,000 Shares to 704,130,000 Shares. Article 26 The Company's registered share capital is RMB704,130,000.

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 VII, "Directors, Supervisors, Senior Management and Staff ".

Company Secretary

Mr. Ye Xuehua is the Company Secretary to the Board of Directors. Under the newly issued Rule 3.29 of the Listing Rules, Mr. Ye has participated in over 15 hours of professional training by the end of December 31, 2012.

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

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 modernized 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.

Chaper IX Internal control

I. The construction situation of internal control

In accordance with the requirements specified in relevant laws and regulations like Company Law, Securities Act and Basic Norms of Internal Control, and by combining with the Company's own characteristics, the Company has established a comprehensive and systematic internal control system which is in line with the Company's operating characteristics, so as to ensure the efficient operation of various businesses. Meanwhile, based on relevant requirements of the regulatory authorities and actual situation of the Company, the Company will further complement and improve its internal control system.

II. Statement of the Board of Directors on the responsibility of internal control

The board of Directors and directors hereby individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions or errors which would render any statement misleading. To establish, implement and effectively implement the internal control is the responsibility of the Board of Directors; the supervisory Company conducts supervision over the Board of Directors in establishment and implementation of the internal control; the management is in charge of organizing and leading daily operation of the Company's internal control. The objective of the Company's internal control is: to reasonably ensure the operation in compliance with the law, safety of the assets and authenticity and completeness of the financial report and relevant information, to improve operation efficiency and result and to promote realization of the development strategy. As there exits inherent limitation in internal control, it therefore can only provide reasonable assurance for realization of the aforesaid objective. In the opinion of the Board of Directors, no material defects in the design and execution of the internal control of the Company was found through self-examination of the internal control of the Company for 2012, and the internal control system of the Company was healthy and had been executed effectively in 2012.

III. Basis for establishment of internal control of the financial report

With the purposes of ensuring the accuracy of the Company's financial reporting and standardizing the preparation of financial reports, the Company has established a financial management system accentuating on Basic System of Financial Management, including systems like Financial Reporting System, Working Capital Management System, and covering aspects such as funds, guarantees, accounting, assets, tax bills, expenditure, financial reports, and financial management system on the basis of laws and regulation provided in Accounting, Accounting Standards for Enterprises, Enterprise Financial Rules, as well as Basic Norms for Enterprise Internal Control and its supporting guidelines which is jointly issued by the People's Republic of China and other five ministries, and regulatory norms of market and the Company's own business characteristics. Meanwhile, in conjunction with other business management practices, as well as projects of information technology upgrading, legality, accuracy and completeness of the Company's financial reports are guaranteed. This year has not witnessed any significant deficiencies related to internal control of financial reporting.

IV. Self-evaluation report of internal control

Details of major defects in self-evaluation report that found in reporting period	
No major defect has been found in the report period	
Date of self-evaluation report of internal control (full-text) disclosed	19 March 2013
Index of self-evaluation report of internal control (full-text) disclosed	The full text of the "Report on Self-evaluation of Internal Control System for the Year 2012" of the Company was published on the website of CNINF (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.

V. Internal control audit report

Review opinions in the internal control audit report	
In our opinion, Jingwei Textile Machinery has maintained effective financial report internal control in all material aspects according to the basic standards for Enterprise internal control and relevant regulations ended 31 December 2012.	
Date of disclosing the internal control audit report, full text	19 March 2013
Index of disclosing the internal control audit report, full text	Securities Times; Websites of CNINF (http://www.cninfo.com.cn); http://www.hkex.com.hk; http://www.jwgf.com

The CCPAs has not issued a non-standard internal control audit report.

The opinion of the internal audit report issued by the CCPAs was consistent with the self-evaluation report of the Board.

VI. Establishment and enforcement of Accountability Mechanism for Major Errors in Annual Report

The "Accountability Mechanism for Major Errors in Disclosure of Annual Report Information of Jingwei Textile Machinery Company Limited" was deliberated and approved on 16 Meeting of 5th Session of the Board dated 24 March 2010, and no major errors in annual reports found by the Company since the implemention of such policy.

Chapter X Report of the Auditor – The PRC

Auditor's Report

Baker Tilly China Jing SJ [2013] No.188

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 2012, 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 and fair presentation 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 in all material respects and fairly present the financial position and consolidated financial position as at 31 December 2012, the results of operations and the cash flows and consolidated results of operations and consolidated cash flows for the year then ended.

Chinese Certified Public Accountants:

Beijing, the People's Republic of China
19 March 2013

Chinese Certified Public Accountants:

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

Company and Consolidated Balance Sheet

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

		CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 December 2012		STATEMENT OF FINANCIAL POSITION OF THE COMPANY at 31 December 2012	
ASSETS	Note	**31-Dec 2012** *RMB*	**31-Dec 2011** *RMB*	**31-Dec 2012** *RMB*	**31-Dec 2011** *RMB*
Current Assets:					
Cash and cash equivalent	VI.1	6,548,740,008.05	3,988,190,008.10	1,058,965,290.65	538,780,806.66
Held-for-trading financial assets	VI.2	276,665,724.16	253,226,491.88		120,625.00
Bills receivable	VI.3	1,376,597,049.14	1,834,695,550.91	942,499,755.88	1,201,696,015.84
Accounts receivable	VI.5/XII.1	698,770,042.46	476,028,483.60	589,567,295.13	454,126,182.89
Advance to suppliers	VI.7	463,173,676.21	339,903,795.30	472,758,914.17	325,754,669.37
Interest receivables					
Dividend receivables	VI.4	10,265,494.00	2,880,000.00	171,845,943.46	107,167,515.25
Other receivables	VI.6/XII.2	283,950,683.69	231,697,609.34	797,763,957.33	536,054,893.87
Reverse repurchase agreements					
Inventories	VI.8	1,484,581,205.31	1,515,923,991.98	134,272,370.01	292,866,612.73
Non-current assets due within one year		22,082,751.25	69,148,193.44	19,192,751.25	64,358,193.44
Other current assets	VI.9	537,168.49	1,225,749.22		
Total current assets		**11,165,363,802.76**	**8,712,919,873.77**	**4,186,866,277.88**	**3,520,925,515.05**
Non-current Assets					
Available-for-sale financial assets	VI.10	570,852,379.82	589,545,330.98		
Long-term receivables	VI.11		14,693,407.10	231,162,252.79	169,820,910.98
Long-term equity investments	VI.13/XII.3	218,004,243.80	180,711,961.60	3,005,667,348.55	2,875,117,253.73
Fixed assets	VI.14	1,658,181,634.78	1,579,431,967.85	275,654,722.48	319,846,235.48
Construction in progress	VI.15	268,578,405.91	315,096,741.08	3,167,874.90	26,326,379.58
Construction materials	VI.16		12,086,403.58		12,086,403.58
Intangible assets	VI.17	506,237,411.28	518,149,323.97	58,259,338.38	79,038,418.35
Goodwill	VI.18	844,306,425.04	845,632,373.51		
Long-term deferred expenses	VI.19	33,060,441.34	18,618,554.54		
Deferred tax assets	VI.20	288,902,514.03	182,942,787.89		
Total non-current assets		**4,388,123,456.00**	**4,256,908,852.10**	**3,573,911,537.10**	**3,482,235,601.70**
TOTAL ASSETS		**15,553,487,258.76**	**12,969,828,725.87**	**7,760,777,814.98**	**7,003,161,116.75**

Company and Consolidated Balance Sheet (continued)

ASSETS	Note	CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 December 2012 31-Dec 2012 *RMB*	31-Dec 2011 *RMB*	STATEMENT OF FINANCIAL POSITION OF THE COMPANY at 31 December 2012 31-Dec 2012 *RMB*	31-Dec 2011 *RMB*
Current Liabilities					
Short-term borrowings	VI.22	1,455,761,360.52	1,715,651,450.37	1,267,781,292.81	1,602,001,450.37
Bills payable	VI.23	379,795,024.10	399,241,466.37	243,152,451.44	317,933,377.89
Accounts payable	VI.24	1,730,702,546.56	2,052,352,449.13	883,262,478.76	1,059,784,709.58
Advances from customers	VI.25	566,497,450.34	906,171,539.26	448,423,877.69	710,408,468.09
Employee benefits payables	VI.26	1,106,647,580.96	670,416,772.39	32,087,600.52	46,727,750.50
Taxation payables	VI.27	357,569,382.58	279,776,238.72	18,006,874.52	-592,359.30
Interest payables	VI.28	48,489,844.48	370,520.55	48,426,666.65	
Dividend payables	VI.29	5,009,834.99	4,057,201.21	2,531.35	24,801.10
Other payables	VI.30	344,259,776.02	414,136,932.51	177,827,077.25	203,517,059.64
Long-term liabilities due within one year	VI.31	93,654,888.58	401,424,295.29	91,118,935.48	338,247,078.14
Other current liabilities					
Total current liabilities		**6,088,387,689.13**	**6,843,598,865.80**	**3,210,089,786.47**	**4,278,052,336.01**
Non-current Liabilities					
Long-term borrowings	VI.32		60,000,000.00		60,000,000.00
Bonds payable	VI.33	1,200,000,000.00		1,200,000,000.00	
Long-term payables	VI.34	82,420,491.33	125,863,655.09	25,035,315.23	75,739,895.91
Special payables	VI.35	17,341,405.91	141,534,244.97	4,000,000.00	141,534,244.97
Other non-current liabilities	VI.36	96,755,977.44	67,528,021.58	16,028,578.97	17,737,578.97
Total non-current liabilities		**1,396,517,874.68**	**394,925,921.64**	**1,245,063,894.20**	**295,011,719.85**
TOTAL LIABILITIES		**7,484,905,563.81**	**7,238,524,787.44**	**4,455,153,680.67**	**4,573,064,055.86**
Shareholders' Equity					
Share capital	VI.37	704,130,000.00	603,800,000.00	704,130,000.00	603,800,000.00
Capital reserve	VI.38	1,997,154,774.06	1,193,078,144.53	2,047,893,275.55	1,245,739,205.70
Special reserve	VI.39	5,377,780.42		724.92	
Surplus reserve	VI.40	733,425,418.69	671,282,063.81	381,447,713.16	379,743,103.69
Risk preparation	VI.41	56,712,015.61	26,512,656.79		
Unappropriated profit	VI.42	1,208,748,494.14	907,076,447.30	172,152,420.68	200,814,751.50
Translation differences arising from translation of financial statements denominated in foreign currencies		-3,393,652.48	-3,360,971.19		
Total shareholders' equity attributable to equity holders of the parent		4,702,154,830.44	3,398,388,341.24	3,305,624,134.31	2,430,097,060.89
Non-controlling interests		3,366,426,864.51	2,332,915,597.19		
Total Shareholders' Equity		**8,068,581,694.95**	**5,731,303,938.43**	**3,305,624,134.31**	**2,430,097,060.89**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**15,553,487,258.76**	**12,969,828,725.87**	**7,760,777,814.98**	**7,003,161,116.75**

The accompanying notes form a part of these financial statements.

The financial statements from page 80 to page 86 are signed by the following people in charge:

Ye Maoxin, person in charge of company

Mao Faqing, person in charge of accounting function

Wang Guofeng, person in charge 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 2012	Note	CONSOLIDATED INCOME STATEMENT at 31 December 2012		INCOME STATEMENT OF THE COMPANY at 31 December 2012	
		2012 *RMB*	**2011** *RMB*	**2012** *RMB*	**2011** *RMB*
Total operating revenues		8,677,401,466.68	10,250,648,402.44	3,378,963,527.88	5,172,805,112.01
Including: Operating income	VI.43/VII.4	5,061,930,443.44	7,272,369,776.75	3,378,963,527.88	5,172,805,112.01
Interest income		81,660,031.30	96,264,639.94		
Fee and commission income		3,533,810,991.94	2,882,013,985.75		
Total operating costs		7,005,231,025.78	8,613,584,366.17	3,572,379,742.14	5,201,141,381.96
Less: Operating costs		4,198,210,324.02	6,115,704,282.02	3,128,677,153.32	4,840,790,124.79
Interest expenses		826,777.68	1,066,625.00		
Sales taxes and levies	VI.44	231,951,608.69	201,594,406.20	5,588,436.61	9,419,775.47
Selling and distribution expenses	VI.45	192,468,265.02	164,184,514.42	95,860,521.95	66,407,986.33
Administrative expenses	VI.46	2,183,175,903.25	2,022,031,683.81	176,943,713.39	218,939,751.68
Financial expenses	VI.47	140,149,934.87	73,769,625.44	119,114,827.33	55,886,248.26
Impairment loss in respect of assets		58,448,212.25	35,233,229.28	46,195,089.54	9,697,495.43
Add: Gains from changes in fair values	VI.48	43,783,411.62	-137,726,693.69	-1,253.73	-121,180.99
Investment income	VI.49/VII.6	73,128,120.12	21,690,921.42	137,260,108.03	140,912,041.95
Including: Income from investment in associates and jointly controlled entities		677,198.66	8,394,024.56	13,123,952.72	12,519,195.98
Exchange gains		-30,297.13	-560,630.44		
Operating profit		**1,789,051,675.51**	**1,520,467,633.56**	**-56,157,359.96**	**112,454,591.01**
Add: Non-operating income	VI.51	121,045,532.81	33,076,219.78	74,639,852.46	5,533,210.97
Less: Non-operating expenses	VI.52	14,598,439.77	11,737,332.19	1,401,897.79	1,714,071.17
Including: Loss from disposal of non-current assets		4,414,968.86	6,458,010.52	783,564.86	1,438,196.42
Total profit		**1,895,498,768.55**	**1,541,806,521.15**	**17,080,594.71**	**116,273,730.81**
Less: Income tax	VI.53	513,371,111.79	377,838,965.04	34,500.00	34,500.00
Net profit		**1,382,127,656.76**	**1,163,967,556.11**	**17,046,094.71**	**116,239,230.81**
Net profit attributable to shareholders of the parents		430,242,760.54	490,793,393.01	17,046,094.71	116,239,230.81
Profits and losses attributable to minority interests		951,884,896.22	673,174,163.10		
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	VI.54	0.70	0.81		
(II) Diluted earnings per share	VI.54	0.70	0.81		
Other comprehensive income	VI.55	-3,335,593.12	-170,875,025.33	-1,165,903.32	824,150.16
Total comprehensive income attributable to owners of the Company's		1,378,792,063.64	993,092,530.78	15,880,191.39	117,063,380.97
Total comprehensive income attributable to non-controling interests's		428,232,682.17	428,704,541.11	15,880,191.39	117,063,380.97
Total comprehensive income		950,559,381.47	564,387,989.67		

The accompanying notes form part of these financial statements.

Ye Maoxin, person in charge of company | Mao Faqing, person in charge of accounting function | Wang Guofeng, person in charge of accounting department

Company and Consolidated cash flow statements

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

For the year ended 31 December 2012	Notes	CONSOLIDATED CASH FLOW STATEMENT at 31 December 2012		CASH FLOW STATEMENT OF THE COMPANY at 31 December 2012	
		2012 *RMB*	2011 *RMB*	2012 *RMB*	2011 *RMB*
Cash flow from operating activities:					
Cash receipts from sale of goods and the rendering of services		3,888,607,451.56	5,653,087,920.64	2,027,188,511.93	3,523,879,643.70
Interest, fee and commission received		3,727,025,301.70	3,066,560,629.47		
Receipts of tax refunds		7,600,856.78	5,969,093.91		
Other cash receipts relating to operating activities	VI.56	180,005,737.69	190,362,103.75	425,809,094.27	255,517,028.90
Sub-total of cash inflows from operating activities		7,803,239,347.73	8,915,979,747.77	2,452,997,606.20	3,779,396,672.60
Cash payments for goods purchased and services received		2,964,951,787.68	4,451,972,013.00	1,592,367,528.92	3,298,080,854.93
Net increase on loans and advances to customers			-24,000,000.00		
Interest fee and commission paid		826,777.68	1,066,625.00		
Cash payments to and on behalf of employees		1,285,845,033.88	1,314,857,585.11	186,301,556.73	178,787,527.76
Payments of all types of taxes		1,052,471,407.23	872,038,258.17	79,458,229.78	77,018,404.23
Other cash payments relating to operating activities	VI.56	707,489,282.62	648,498,238.01	573,938,590.28	108,132,007.07
Sub-total of cash outflows from operating activities		6,011,584,289.09	7,264,432,719.29	2,432,065,905.71	3,662,018,793.99
Net cash flows from operating activities		**1,791,655,058.64**	**1,651,547,028.48**	**20,931,700.49**	**117,377,878.61**
Cash flows from investing activities					
Cash receipts from disposals of investments		841,991,440.34	1,744,959,776.09	41,296,988.32	48,491,423.22
Cash receipts from returns on investments		6,974,564.39	31,687,404.89	10,403,668.39	98,293,276.21
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets		46,514,475.58	5,723,805.34	29,233,440.46	934,822.11
Net cash received from disposals of a subsidiary and other business units		41,086,776.59	12,841,153.53		
Other cash receipts relating to investing activities			31,835,984.14		10,448,000.00
Sub-total of cash inflows from investing activities		936,567,256.90	1,827,048,123.99	80,934,097.17	158,167,521.54

Company and Consolidated Cash Flow Statements (continued)

For the year ended 31 December 2012	Notes	CONSOLIDATED CASH FLOW STATEMENT at 31 December 2012		CASH FLOW STATEMENT OF THE COMPANY at 31 December 2012	
		2012 *RMB*	2011 *RMB*	2012 *RMB*	2011 *RMB*
Cash payments to acquire fixed assets, intangible assets and other long-term assets		225,945,974.43	303,439,605.72	30,245,737.12	63,666,544.27
Cash payments to acquire investments		920,343,776.09	2,329,924,062.99	236,385,658.27	954,975,850.00
Net cash payments for purchase of subsidiaries and other business units		8,528,174.57			
Other cash payments relating to investing activities					14,090,000.00
Sub-total of cash outflows from investing activities		1,154,817,925.09	2,633,363,668.71	266,631,395.39	1,032,732,394.27
Net cash flows from investing activities		**-218,250,668.19**	**-806,315,544.72**	**-185,697,298.22**	**-874,564,872.73**
Cash flows from financing activities					
Capital injection from investments		831,059,659.39	505,451,900.00	769,309,659.39	
Including: capital injections from non-controlling interests of subsidiaries		61,750,000.00	505,451,900.00		
Cash receipts from borrowings		2,365,456,880.34	1,870,620,196.61	2,104,476,812.63	1,745,470,196.61
Proceeds from issuing bonds		1,196,400,000.00		1,196,400,000.00	
Other cash receipts relating to financing activities	VI.56	23,732,400.00	32,530,874.87	1,832,177,537.85	83,870,212.96
Sub-total of cash inflows from financing activities		4,416,648,939.73	2,408,602,971.48	5,902,364,009.87	1,829,340,409.57
Cash repayments of amounts borrowed		3,104,150,323.46	1,548,027,038.06	2,863,150,323.46	1,458,527,038.06
Cash payments for interest expenses and distribution of dividends or profits		151,101,871.31	157,777,156.67	131,075,514.23	140,997,982.71
Including: cash payments to minority shareholders for distribution of dividends or profits		5,017,949.61	5,770,405.37		
Other cash payments relating to financing activities	VI.56	85,088,299.80	89,614,289.95	2,134,711,315.01	107,722,228.00
Sub-total of cash outflows from financing activities		3,340,340,494.57	1,795,418,484.68	5,128,937,152.70	1,707,247,248.77
Net cash flows from financing activities		**1,076,308,445.16**	**613,184,486.80**	**773,426,857.17**	**122,093,160.80**
Effect of foreign exchange rate changes on cash and cash equivalents		**-869,398.32**	**-1,156,989.72**		
Net increase in cash and cash equivalents		2,648,843,437.29	1,457,258,980.84	608,661,259.44	-635,093,833.32
Add: Opening balance of cash and cash equivalents		3,807,850,611.00	2,350,591,630.16	431,749,529.22	1,066,843,362.54
Closing balance of cash and cash equivalents		6,456,694,048.29	3,807,850,611.00	1,040,410,788.66	431,749,529.22

The accompanying notes form a part of these financial statements.

Ye Maoxin, person in charge of company

Mao Faqing, person in charge of accounting function

Wang Guofeng, person in charge of accounting department

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 2012	Share Capital *RMB*	Capital Reserve *RMB*	Speicial Reserve *RMB*	Surplus Reserve *RMB*	Risk preparation *RMB*	Unappropriated Profit *RMB*	Others *RMB*	Attributable to equity non-controlling Interest *RMB*	Total Share Capital *RMB*
I. Balance at 31 December 2010	603,800,000.00	1,307,009,803.73		602,607,325.16	7,714,836.62	546,021,613.11	-3,032,308.33	1,254,393,981.92	4,318,515,252.21
II. Balance at 1 January 2011	603,800,000.00	1,307,009,803.73		602,607,325.16	7,714,836.62	546,021,613.11	-3,032,308.33	1,254,393,981.92	4,318,515,252.21
III. Changes for the year									
(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 contributed by owners								505,451,900.00	505,451,900.00
(IV) Provision for special reserves									
(V) Others		-52,171,470.16						17,865,210.95	-34,306,259.21
Sub-total of (I) to (V)		-113,931,659.20				490,793,393.01	-328,662.86	1,087,705,100.62	1,464,238,171.57
(VI) Profit distribution									
1. Transfer to surplus reserve				68,674,738.65		-68,674,738.65			
2. Transfer to general 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
4. Others									
(VII) Reduction in special resevers									
Sub-total of (VI) to (VII)				68,674,738.65	18,797,820.17	-129,738,558.82		-9,183,485.35	-51,449,485.35
IV. 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
I. Balance at 1 January 2012	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
II. Changes for the year									
(I) Net profit						430,242,760.54		951,884,896.22	1,382,127,656.76
(II) Other comprehensive income		-1,977,397.08					-32,681.29	-1,325,514.75	-3,335,593.12
(III) Capital contributed by owners	100,330,000.00	803,319,973.17						88,358,090.62	992,008,063.79
(IV) Provision for special reserves			11,484,367.67					2,913,452.40	14,397,820.07
(V) Others		2,734,053.44						-676,272.57	2,057,780.87
Sub-total of (I) to (V)	100,330,000.00	804,076,629.53	11,484,367.67			430,242,760.54	-32,681.29	1,041,154,651.92	2,387,255,728.37
(VI) Profit distribution									
1. Transfer to surplus reserve				62,143,354.88		-62,143,354.88			
2. Transfer to risk preparation					30,199,358.82	-30,199,358.82			
3. Distribution to shareholders						-36,228,000.00		-6,212,739.17	-42,440,739.17
4. Others									
(VII) Reduction in special resevers			-6,106,587.25					-1,430,645.43	-7,537,232.68
Sub-total of (VI) to (VII)			-6,106,587.25	62,143,354.88	30,199,358.82	-128,570,713.70		-7,643,384.60	-49,977,971.85
III. Balance at 31 December 2012	704,130,000.00	1,997,154,774.06	5,377,780.42	733,425,418.69	56,712,015.61	1,208,748,494.14	-3,393,652.48	3,366,426,864.51	8,068,581,694.95

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

For the year ended 31 December 2012	Statements of Changes in Shareholders' Equity						
	Share Capital *RMB*	**Capital Reserve** *RMB*	Speicial **Reserve** *RMB*	**Surplus Reserve** *RMB*	**Risk preparation** *RMB*	**Unappropriated profit** *RMB*	**Total holders of the parents** *RMB*
I. Balance at 12 December 2010	603,800,000.00	1,244,915,055.54		368,119,180.61		138,465,443.77	2,355,299,679.92
II. 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
III. Changes for the year							
(I) Net profit						116,239,230.81	116,239,230.81
(II) Other comprehensive income		824,150.16					824,150.16
(III) Capital contributed by owners							
(IV) Provision for special reserves							
(V) Others							
Sub-total of (I) to (V)		824,150.16				116,239,230.81	117,063,380.97
(IV) Profit distribution							
1. Transfer to surplus reserve					11,623,923.08	-11,623,923.08	
2. Transfer to general risk preparation							
3. Distribution to shareholders						-42,266,000.00	-42,266,000.00
4. Others							
(VII) Reduction in special resevers							
Sub-total of (VI) to (VII)				11,623,923.08		-53,889,923.08	-42,266,000.00
IV. 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
I. Balance at 1 January 2012	603,800,000.00	1,245,739,205.70		379,743,103.69		200,814,751.50	2,430,097,060.89
II. Changes for the year							
(I) Net profit						17,046,094.71	17,046,094.71
(II) Other comprehensive income		-1,165,903.32					-1,165,903.32
(III) Capital contributed by owners	100,330,000.00	803,319,973.17					903,649,973.17
(IV) Provision for special reserves			1,542,777.11				1,542,777.11
(V) Others							
Sub-total of (I) to (IV)	100,330,000.00	802,154,069.85	1,542,777.11			17,046,094.71	921,072,941.67
(VI) Profit distribution							
1. Transfer to surplus reserve				1,704,609.47		-1,704,609.47	
2. Transfer to risk preparation							
3. Distribution to shareholders						-36,228,000.00	-36,228,000.00
4. Others						-7,775,816.06	-7,775,816.06
(VII) Reduction in special resevers			-1,542,052.19				-1,542,052.19
Sub-total of (VI) to (VII)			-1,542,052.19	1,704,609.47		-45,708,425.53	-45,545,868.25
III. Balance at 31 December 2012	704,130,000.00	2,047,893,275.55	724.92	381,447,713.16		172,152,420.68	3,305,624,134.31

Notes to the Financial Statements
For the year ended 31 December 2012
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II. 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 the approval by 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. In November 2012, after the approval by China Securities Regulatory Commission with regulatory approval [2012] No. 1118, the Company privately issued 100,330,000 A shares. Subsequent to these issuances, the total number of shares issued by the Company amounted to 704,130,000.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. 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 on the February 15, in 2006.

2. 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 2012, the Company's and Group's results of operations and cash flows for the year end.

3. Accounting year

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

4. 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. Original currency of foreign subsidiaries Hongkong Huaming Co., Limited, Hi-Tech Huanyu (International) Limited and China Hi-Tech (International) Limited is Hong Kong Dollar. Original currency of foreign subsidiaries CHTC Europe Holding B.V. and Ginaf Trucks Nederland B.V. is Euro Dollar. The Group adopts RMB as the functional currency for the preparation of the financial statements.

5. Business combination

(1) A business combination involving enterprises under common control

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

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

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

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For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Business combination (continued)

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

(a) 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.

The cost of audit, legal services and assets appraisal intermediary costs and other administrative expenses incurred for business combination are charged to profit or loss in current period.The cost of issuing the equity securities and debt securities should recognize as the Initial recognized cost of equity securities and debt securities.

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

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized 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 recognizes the remaining difference immediately in profit or loss for the current period.

(b) For a business combination achieved in stages that involves multiple exchange transactions

In individual financial statement, investment cost should be calculated by amount of additional investment cost and the carrying amount of net asset value of equity being invested in the date of acquisition. Any other comprehensive income of equity being invested before the day of acquisition should be transferred to investment income on the day of deposal of investment, for example, fair value change on available-for-sale financial assets.

In consolidated financial statement, equity investment before acquisition should be revalued in the day of acquisition and the difference between the fair value and book value should be transferred to investment income. Other comprehensive income for equity before acquisition should be also transferred to investment income.

6. Preparation of consolidated financial statements

(1) 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.

Notes to the Financial Statements
For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (continued)

(1) Preparation of consolidated financial statements (continued)

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.

(2) The accounting treatment of acquired then disposal or disposal then acquired for the same subsidiary in the two consecutive years.

Null.

7. Cash and cash equivalents

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.

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

(1) Foreign currency transactions

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.

Notes to the Financial Statements
For the year ended 31 December 2012

(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Translation of foreign currency and financial statements denominated in foreign currencies (continued)

(1) Foreign currency transactions (continued)

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 or shareholders' equity for the period.

(2) The foreign operation translation of financial statements

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.

9. Financial instruments

At initial recognition, 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.

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss and others financial liabilities.

(1) Classification and measurement of financial instruments

The Group's financial assets are mainly held-for-trading financial assets, available-for-sale financial assets, loans and receivables.

The Group's financial liabilities are mainly account payables, borrowings, notes payable and other financial liabilities.

(2) Recognition conditions and measurement methods of financial instruments

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

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

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.

(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.

Notes to the Financial Statements
For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(2) Recognition conditions and measurement methods of financial instruments (continued)

(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.

(3) The recognized conditions and measurement methods of transfer of financial assets

Transfer of financial assets refers to the Group transferring or delivering a financial asset to a party other than the issuer of the financial asset (the transferee). Where the Group has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset. 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:

(a) 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.

(b) 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) The derecognized conditions of financial liabilities

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.

(5) The fair value recognized methods of financial assets and financial liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties 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.

Notes to the Financial Statements
For the year ended 31 December 2012

(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(6) Impairment test and impairment provision methods of financial assets (not including the receivables)

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.

The carrying amounts of financial assets valued at cost or amortized cost should be reduced to the present value of future cash flow and the reduction should be written down to income statement. 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.

10. Receivables

The Group assesses the receivables value 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.

(1) Providing for bad debts of 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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables (continued)

(2) Providing for bad debts of receivables according to combination of receivables

At the balance sheet date, receivables with insignificant 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 in previous years, 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) Providing for bad debts of receivables with not significant single amounts

The Group made a separate impairment test for receivables which was not individually significant, however, it has 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 recognize an impairment loss and make provision for bad debts. Provision for bad debts of prepayments should be made according to amount of the carrying amount that higher than present value of future cash flow.

11. 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

Valuation method: weighted average method.

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

(3) The recognized criterion of net realizable value and 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.

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(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories (continued)

(5) Amortization method for low-value consumables and packaging materials

Low-value consumables

Amortization method: One-off amortization method.

Packaging materials

Amortization method: One-off amortization method.

12. Long-term equity investment

(1) Recognition of initial cost of investment

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

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 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.

Notes to the Financial Statements
For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investment (continued)

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

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

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.

(d) Loss of control of investment arising from disposal or other reason

In individual financial statement, accounting treatment for the amount of equity disposed should be recognized based on aforementioned section. Residual balance should be recognized as long-term equity investment or other financial assets. If residual balance can maintain control to long-term equity investment, the balance would be changed from cost method to equity method and recognized according to corresponding accounting standard.

In consolidated financial statement, fair value of the amount of equity retained should be revalued at the date of loss of control. Result on disposal of equity should be recognized by the difference between consideration received and fair value of amount of equity retained, and share portion of net asset value of subsidiaries from the date of acquisition. Other comprehensive income for long-term equity investment should be transfer to investment income on the date of disposal.

(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.

(4) Impairments test and impairments provision method

The Group reviews whether there are possibility for Indication of impairment at every balance sheet date, if it exist the indication, then the Group will revalue the recoverable amount. If the recoverable amount is lower the carrying amount, then the difference between recoverable amount and carrying amount will be provided for impairment of assets and will be transferred to profit or loss in the current period.

Goodwill due to business combination will be test no matter if there is indication of impairment. The test will be together with the related asset portfolio or combination of asset portfolio. If the allocated goodwill in reasonable way to related asset portfolio lowers the carrying amount, the Group will recognize the provision for impairment of asset. The amount of provision should be firstly reduced the allocated goodwill to related asset portfolio, then according to the carrying amount of each assets proportion of portfolio except for the allotted goodwill reduce the carrying amount of each assets.

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 2012

(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Fixed assets

(1) The recognition of fixed assets

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

(2) The recognition and measurement of fixed assets with finance lease

The fixed assets with finance lease are initially measured at lower of fair value and present value at finance lease date, and depreciated according to the depreciation policy of fixed assets. Conforming to random conditions below will be recognized the fixed assets with finance lease.

(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 that 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.

(3) Depreciation of each category

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%

(4) The impairment test and impairment provision for fixed assets

The Group reviews whether there is the probability of indication of impairment at each balance sheet date, if it exists, the Group will revalue the recoverable amount. If the recoverable amount lowers the carrying amount, the difference will be provided for impairment and transferred to profit or loss in the current period.

Notes to the Financial Statements
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Construction in progress

(1) The classification of construction in progress

The construction in progress are included the construction projects, installation project, installing equipment, technological transformation project, considerable repaired project and other projects.

(2) The point of time and recognition of transfer to fixed assets

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.

(3) The impairment test and impairment provision for construction in progress

The Group reviews whether there is the probability of indication of impairment, if it exists, the Group will revalue the recoverable amount at each balance sheet date. If the recoverable amount lowers than the carrying amount, the difference will be provided for impairment and transferred to profit or loss in the current period.

15. Borrowing costs

(1) The principle of capitaliaztion for 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. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, should be capitalized, and the amount of that borrowing costs could be counted in when calculating the cost of the asset. The amount of other borrowing costs incurred is recognized as an expense in the period in which they are incurred.

(2) The capitalization period for borrowing costs

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.

(3) Suspension of capitalization for borrowing costs

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.

(4) The capitalization calculation for borrowing costs

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.

Notes to the Financial Statements
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Intangible assets

(1) The measurement of intangible assets

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.

(2) The useful life estimate of the definite useful life

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.

The Group reviews the useful life and amortization method 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.

Item	Estimated useful life	Basis
Land-use right	50 years	50 years of land-use right

(3) The principle of determine for indefinite useful life

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

If the Group cannot establish the economic useful life of this intangible asset by using the above methods, this intangible asset is regarded as intangible asset with indefinite useful life.

(4) The impairment provision for Intangible assets

The Group reviews whether there is the probability of indication of impairment of Intangible assets, if it exists, the Group will revalue the recoverable amount at each balance sheet date. If the recoverable amount lowers than the carrying amount, the difference will be provided for impairment and transferred to profit or loss in the current period.

(5) The standard of distinguishing research and development phase

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase. The research phase is the planning survey and research for obtaining the new technology and knowledge. The development phase is applying the result of research or other knowledge to some plans or designs for producing new or substantial improvements materials, equipments, product etc. before production for commercial and using.

(6) The measurement for internal research and development

Expenditure on the research phase is recognized in profit or 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:

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

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

(c) 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;

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

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

Notes to the Financial Statements
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(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Intangible assets (continued)

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

17. Long-term prepaid expenses

Long-term prepaid expenses are recognized on actual incurred and amortized according to the straight-line method in the benefit period or stipulated amortized period. If the long-term prepaid expenses could not make the subsequent accounting years enjoy benefits, then the rest of them should transferred to profit or loss in the reporting period.

18. Revenue

(1) The point of time and recognition standards of revenue from sale of goods

Revenue from 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.

(2) Transfer of assets ownership

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.

Fee income is determined according to contracts charging time and charging methods.

(3) Recognition standards of 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.

Notes to the Financial Statements
For the year ended 31 December 2012

(All amounts are stated in RMB unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Government grants

(1) The type of 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.

(2) The accounting treatment

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.

20. Deferred tax assets and deferred tax liabilities

(1) The principle of recognition of deferred tax assets

The Group will recognize the deferred tax assets if all the below conditions are satisfied:

(a) The temporary difference is probable to reverse in the foreseeable future.

(b) The Group will be probable to obtain taxable income of the deductible temporary difference in the future and as the obtained taxable income limitation.

(2) The principle of recognition of deferred tax liabilities

Deferred tax liabilities are not recognized for taxable temporary differences related to (1) the initial recognition recognized accordingly to the differences (temporary difference) between the carrying value and the tax basis of an asset or a liability 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.

21. Operating lease and finance leases

(1) The accounting treatment of operating lease

(a) 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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Operating lease and finance leases (continued)

(1) The accounting treatment of operating lease (continued)

(b) 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.

(2) The accounting treatment of financial lease

Recording of finance leases by the Group as lessee:

At the commencement of the lease term, lessees shall recognize finance leases assets 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, and long-term payables at amounts equal to the minimum lease payments each determined at the inception of the lease and record the difference as unsettled financing expenses. Initial direct expenses that occured during the negotiating and contract signing process, which attributable to the lease transaction, such as commission charges, attorney fee, travel expenses and stamp-tax, should be counted in when recording the leased asset. 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. Loan interest rate of banks during the same period should be used when the lessee's incremental borrowing rate is not accessible. 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.

22. Accounting policies and accounting estimates

No significant change in accounting policies, accounting estimates in the current period.

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.

23. Previous accounting errors

No previous accounting errors were found in the current period.

(1) Retrospective restatement method

No previous accounting errors were found using retrospective restatement method in the current period.

(2) Applied prospectively method

No previous accounting errors were found using applied prospectively methods in the current period.

Notes to the Financial Statements
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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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, 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.

IV. TAXATION

1. Main taxes and tax rates of the Company

Taxes	Tax basis	Tax rate
VAT	VAT payable is the balance of output VAT subtracting the deductable input tax. Output VAT is calculated at 17%,13%,6% and 4% halved of sales amount according to the tax law.	19%(Nederland), 17%, 13%, 6% and 4% halved
Business tax	The Group calculates and pays the business tax at 5% of the taxable income.	5%
Urban maintenance and construction tax	According to the different locations of the Companies, urban maintenance and construction tax should be calculated and paid at 7%,5% and 1% of the turnover tax.	7%, 5%, 1%
Corporate income tax	Income tax should be calculated and paid according to the taxable income	25%, 24%, 16.5% (Hong Kong), 15%

The executive tax rate of branches

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 and identified as high-tech enterprises. Pursuant to the law of the PRC on Enterprise Income Tax promulgated on 16 March 2007 and the requirements of relevant policies, the enterprise income tax rate of 15% became effective since 1 January 2008.

2. Tax incentives and official approval documents

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 2012.

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 2012.

Pursuant to the approval document No. GF201112000001 jointly issued by four government authorities including National Taxation Bureau of Tianjin Municipal, Tianjin Hongda Textile Machinery Company Limited ("Tianjin Hongda"), a subsidiary of the Company, is designated as a new and high technology enterprise and enjoys the preferential income tax rate of 15% for 2012.

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 2012.

IV. TAXATION (CONTINUED)

2. Tax incentives and official approval documents (continued)

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 2012.

Pursuant to the approval document No. GF201131001477 jointly 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 2012.

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 2012.

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 2012.

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 2012.

Pursuant to the approval document No. GF201142000258 jointly issued by four government authorities including National Taxation Bureau of Hubei Province, Yichang Jingwei Textile Machinery Company Limited ("Yichang Jingwei"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2012.

Pursuant to the approval document No. GR201261000045 jointly issued by four government authorities including National Taxation Bureau of Shaanxi Province, Xianyang Jingwei Textile Machinery Company Limited ("Xianyang Textile"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2012.

Pursuant to the approval document No. GF201121000037 jointly issued by four government authorities including National Taxation Bureau of Liaoning Province, Aushan Jingwei Haihong Agricultural Machinery Company Limited ("Aushan Haihong"), a subsidiary of the Company, is designated as a new and hi-tech enterprise and enjoys the preferential income tax rate of 15% for 2012.

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 three halve and the year of 2012 do not subject to enterprise income tax.

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

Hi-Tech Huanyu (International) Limited, a subsidiary of the Company, and its subsidiary China Hi-Tech (International) Limited, is registered in Hong Kong which is subject to 16.5% income tax rate.

CHTC Europe Holding B.V. and Ginaf Trucks Nederland B.V., subsidiaries of Hi-Tech Huanyu (International) Limited, were registered in Netherland. 20% would be chargeable for first EUR200,000 tax income, and then the balance would be chargeable on 25%. Tax loss could be carry forward up to 9 years.

3. Other notes

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

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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	114,282.77
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	5,000,000.00	T&M	1,800,000.00	36.00	66.67	Yes	9,727,648.30
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	4,974,705.97
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	627.37
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	3,620,091.25
Hongkong Huaming Co., Limited	Limited Liability Company	Hong Kong	M&S	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	5,332,805.75
Xianyang Jingwei Textile Machinery Company Limited	Limited Liability Company	Xianyang	M&S	50,000,000.00	T&M	48,680,000.00	97.36	97.36	Yes	1,373,045.14
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	38,955,367.49
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	-15,460.49
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	
Shanghai Shenxin Machinery Technology Co., Ltd	Limited Liability Company	Shanghai	M&S	2,000,000.00	M&S	2,000,000.00	100.00	100.00	Yes	683,382.46
Beijing Jinwei Huaqing Medical Technology Co., Ltd.	Limited Liability Company	Beijing	M&S	1,000,000	M&S	1,000,000.00	100.00	100.00	Yes	-32,978.77
Yichang Jingwei Machinery Company Limited	Limited Liability Company	Yichang	M&S	80,000,000	M&S	78,927,593.34	100.00	100.00	Yes	
Hubei Hengtian Motor Co., Ltd	Limited Liability Company	Suizhou	Automobile sales	43,550,000	Automobile sales	26,130,000.00	60.00	60.00	Yes	17,641,330.69
Jingwei Tsudakoma Textile Machinery (Xianyang) Co., Ltd.	Limited Liability Company	Xianyang	M&S	126,000,000	M&S	64,260,000.00	51.00	51.00	Yes	61,740,000.00

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V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Scope of consolidated financial statements (continued)

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

Name of Subsidiaries	Type	Place of incorporation	Nature of business	Registered capital	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	81,994,300.00	T&M	80,354,414.00	98.00	98.00	Yes	2,205,000.93
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	29,664,753.64
Shanxi Jingwei Heli Supplementary Machinery Company Limited	Limited Liability Company	Jinzhong	M&S	1,260,000.00	T&M	1,260,000.00	100.00	100.00	Yes	
Shanxi Jingwei Heli Electronic Machinery Company Limited	Limited Liability Company	Jinzhong	M&S	250,000.00	T&M	250,000.00	100.00	100.00	Yes	
Shanxi Jingwei Heli General Machinery Company Limited	Limited Liability Company	Jinzhong	M&S	4,207,950.00	T&M	4,207,950.00	100.00	100.00	Yes	
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	9,078,560.73
Tianjin Hongda Textile Machinery Company Limited	Limited Liability Company	Tianjin	M&S	96,084,000.00	T&M	96,084,000.00	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	7,038,539.24
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	1,691,560.83

(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	51,219,808.00
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	3,493,272.81
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	14,358,008.08
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	16,940,158.59
Zhongrong International Trust Company Limited	Limited Liability Company	Haerbin	Trust	1,475,000,000.00	Trust	1,585,565,021.62	36.60	57.14	Yes	3,070,710,317.69
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	Limited Liability Company	Jinzhong	M&S	31,000,000.00	T&M	23,300,000.00	65.48	65.48	Yes	12,121,520.88
Hi-Tech Huanyu (International) Limited	Limited Liability Company	Hong Kong	Equity investment	HKD5,000,000.00	Equity investment	HKD4,974,976.00	100.00	100.00	Yes	278,442.64
China Hi-Tech (International) Limited	Limited Liability Company	Hong Kong	Equity investment	HKD10,000.00	Equity investment	HKD10,000.00	100.00	100.00	Yes	

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For the year ended 31 December 2012

(All amounts are stated in RMB 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)

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
CHTC Europe Holding B.V.	Limited Liability Company	Netherlands	Equity investment	EUR1,500,002.04	Equity investment	EUR1,500,002.04	100.00	100.00	Yes	
Ginaf Trucks Nederland B.V.	Limited Liability Company	Netherlands	Automobiles sales	EUR2,000,000.00	Automobiles sale	EUR2,000,000.00	100.00	100.00	Yes	
Jinzhong Jingwei Hengxin Machinery Fiber Company Limited	Limited Liability Company	Jinzhong	M&S	7,900,000.00	T&M	4,029,000	51	51	Yes	3,512,072.52

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

Shanghai Huayuan Hyperthermia Technology Co., Ltd., the subsidiary of the Company, invested RMB2,000,000.00 to incorporate a new company named Shanghai Shenxin Medical Machinery Technology Co., Ltd. with 100% equity interest. It is included in the scope of consolidation.

Shanghai Huayuan Hyperthermia Technology Co., Ltd., the subsidiary of the Company, invested RMB1,000,000.00 to incorporate a new company named Beijing Jingwei Huaqing Medical Technology Co., Ltd. with 100% equity interest. It is included in the scope of consolidation.

The Company contributed net assets valued at RMB31,137,600 which contained RMB47,790,000, assets and liabilities to incorporate a new company named Yichang Jingwei Machinery Company Limited with 100% equity interest. It is included in the scope of consolidation.

Hubei Xinchufeng Automobile Co., Ltd., the subsidiary of the Company, invested RMB26,130,000 to incorporate a new company named Hubei Hengtian Motor Co., Ltd. with 60% equity interest. It is included in the scope of consolidation.

The company invested RMB64,260,000.00 to incorporate a new company named Jingwei Tsudakoma Textile Machinery (Xianyang) Co., Ltd. with 51% equity interest. It is included in the scope of consolidation.

Hong Kong Huaming Co.Ltd.and Hubei Xinchufeng Automobile Co., Ltd., the subsidiary of the Company, acquired 100% equity interest of Hi-Tech Huanyu (International) Limited, including China Hi-Tech (International) Limited, CHTC Europe Holding B.V. and Ginaf Trucks Nederland B.V.. With a consideration of RMB7,834,400 and RMB1,561,000. It is included in the scope of consolidation.

The company acquired 51% equity interest of Jinzhong Jingwei Hengxin Machinery Co., Ltd., with contribution of RMB4,029,000. It is included in the scope of consolidation.

(2) Decrease in scope of consolidation

The Company disposed 75% equity interest of Xianyang Jingwei Machinery Manufacture Company Limited. It is excluded from the scope of consolidation.

Notes to the Financial Statements
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(All amounts are stated in RMB unless otherwise stated)

V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Acquisition and disposal of subsidiaries

(a) Subsidiaries acquired during the year

Name of Subsidiaries	Net assets at 31 December 2012	Net profit to 31 December 2012 since the date of acquisition
Shanghai Shenxin Medical Machinery Technology Co., Ltd.	3,394, 658.08	1,394,658.08
Beijing Jingwei Huaqing Medical Technology Co., Ltd.	932,696.39	-67,303.61
Yichang Jingwei Machinery Company Limited	75,745,453.52	-3,182139.82
Hubei Hengtian Motor Co., Ltd.	43,952,419.43	402,419.43
Jingwei Tsudakoma Textile Machinery (Xianyang) Co., Ltd.	126,000,000.00	
Hi-Tech Huanyu (International) Limited (consolidated)	4,235,803.87	1,286,114.35
Jinzhong Jingwei Hengxin Machinery Co., Ltd.	7,167,495,01	239,834.03

(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
Xianyang Jingwei Machinery Manufacture Company Limited	30,321,410.75	-731,065.45

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

Acquiree	Goodwill	Goodwill calculation
Hi-Tech Huanyu (International) Limited		N/A
Jinzhong Jingwei Hengxin Machinery Co., Ltd.	556,468.53	The investment subtract the share of investee's fair value of net assets in the acquisition date

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

Name of subsidiary	Date of disposal	Recognition method for loss and profit
Xianyang Jingwei Machinery Manufacture Company Limited	March 2012	Result on disposal of equity should be recognized by the difference between consideration received and fair value of amount of equity retained, and share portion of net asset value of subsidiaries from the date of acquisition

Notes to the Financial Statements
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(All amounts are stated in RMB unless otherwise stated)

V. COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. 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. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 0.8108. All equity items, except for retained earnings, are translated at the historical rate. The revenue and expenses are translated using the spot exchange rate or its approximation when the transaction occurred in the income statements. The translation difference has been recognised as exchange reserve in consolidation.

Hi-Tech Huanyu (International) Limited, a subsidiary of the Company, is registered in Hong Kong, PRC. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 0.8108. All equity items, except for retained earnings, are translated at the historical rate. The revenue and expenses are 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.

China Hi-Tech (International) Limited, a subsidiary of Hi-Tech Huanyu (International) Limited and an indirect subsidiary of the Company, is registered in Hong Kong, PRC. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 0.8108. All equity items, except for retained earnings, are translated at the historical rate. The revenue and expenses are 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.

CHTC Europe Holding B.V.and Ginaf Trucks Nederland B.V., subsidiaries of Hi-Tech Huanyu (International) Limited and an indirect subsidiary of the Company, is registered in Netherland. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 8.3176. All equity items, except for retained earnings, are translated at the historical rate. The revenue and expenses are 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 2012
(All amounts are stated in RMB unless otherwise stated)

VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31-DEC-2012			1-JAN-2012		
Item	**Original currency**	**Exchange rate**	**RMB equivalent**	**Original currency**	**Exchange rate**	**RMB equivalent**
Petty cash			958,851.87			769,922.45
RMB	826,985.03	1.0000	826,985.03	701,370.53	1.0000	701,370.53
USD	5,754.00	6.2855	36,166.77	229.00	6.3009	1,442.91
HKD	31,850.00	0.8108	25,823.98	31,849.99	0.8107	25,820.79
Euro	3,776.78	8.3176	31,413.75	4.24	8.1625	34.61
JPY	375,401.78	0.0730	27,404.33	375,163.87	0.0811	30,425.79
GBP	1,050.00	10.1611	10,669.16	1,050.00	9.7116	10,197.17
CHF	57.00	6.8219	388.85	57.00	6.7287	383.54
CAD				40.00	6.1777	247.11
Cash at bank			6,440,035,225.72			3,752,588,950.56
RMB	6,417,357,372.74	1.0000	6,417,357,372.74	3,733,966,479.28	1.0000	3,733,966,479.28
USD	3,071,001.72	6.2855	19,302,781.28	2,259,808.40	6.3009	14,238,826.78
HKD	771,780.37	0.8108	625,759.52	2,915,306.22	0.8107	2,363,438.75
Euro	220,590.90	8.3176	1,834,786.86	121,391.15	8.1625	990,855.23
CHF	134,057.27	6.8219	914,525.32	152,979.11	6.7287	1,029,350.52
Other cash and bank balances						234,831,135.09
RMB	107,743,840.85	1.0000	107,743,840.85	234,824,624.93	1.0000	234,824,624.93
HKD	2,577.22	0.8108	2,089.61	8,030.29	0.8107	6,510.16
Total			6,548,740,008.05			3,988,190,008.10

Note: At the balance sheet date, pledged deposit amounted to RMB 92,045,959.76, which was used as security deposit.

2. Held-for-trading financial assets

Item	Fair value at 31st December 2012	Fair value at 1st January 2012
Held-for-trading securities	276,665,724.16	253,226,491.88
Total	276,665,724.16	253,226,491.88

Notes to the Financial Statements
For the year ended 31 December 2012
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

(1) By categories

Category	31-DEC-2012	1-JAN-2012
Bank acceptance bills	1,330,747,049.14	1,834,695,550.91
Commercial acceptance bills	45,850,000.00	
Total	1,376,597,049.14	1,834,695,550.91

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

Name of Drawer	Date of issue	Due date	Balance	Remark
Ningbo Jianying Fabrics Company Limited	July14,2012	January14,2013	10,000,000.00	Bank acceptance bill
Far Eastern Leasing Company Limited	November14,2012	May14,2013	9,101,100.00	Bank acceptance bill
Wenzhou Tiancheng Textile Company Limited	September26,2012	March26,2013	7,643,200.00	Bank acceptance bill
Dongguan Celucasn limited Company Limited	October23,2012	January10,2013	6,704,200.00	Bank acceptance bill
Fuzhou Xianglong Textile Company Limited	October11,2012	April11,2013	6,000,000.00	Bank acceptance bill
Others			82,951,033.64	Bank acceptance bill
Total			122,399,533.64	

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

Name of Drawer	Date of issue	Due date	Balance
Far Eastern Leasing Company Limited	November14,2012	May14,2013	11,900,000.00
Far Eastern Leasing Company Limited	November14,2012	May14,2013	11,900,000.00
Far Eastern Leasing Company Limited	November14,2012	May14,2013	11,900,000.00
Fuzhou Xianglong Textile Company Limited	November20,2012	May19,2013	11,089,671.93
HuaFang Textile Group Company Limited	July4,2012	January,4,2013	10,000,000.00
Total			56,789,671.93

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

4. Dividend receivables

Name of company	As at 1 January 2012	Increase	Decrease	As at 31 December 2012	Reason for non-settlement	Impairment
Dividend receivables less than 1 year		7,385,494.00		7,385,494.00		
China Texmatech Company Limited		785,494.00		785,494.00	Unpaid	No
Jingwei Machinery (Group) Company Limited		1,600,000.00		1,600,000.00	Unpaid	No
Beijing Hang Tang Wealth Investment Management Company Limited		5,000,000.00		5,000,000.00	Unpaid	No
Dividend receivables more than 1 year	2,880,000.00			2,880,000.00		
Total	2,880,000.00	7,385,494.00		10,265,494.00		

5. Accounts receivable

(1) By categories

	31-DEC-2012				1-JAN-2012			
Category	Balance	Proportion (%)	Provision for bad debt	Proportion (%)	Balance	Proportion (%)	Provision for bad debt	Proportion (%)
Significant balance under assessment of impairment individually	20,168,810.80	2.75	274,600.82	1.36	76,105,669.19	13.73		
Aggregate balance under assessment of impairment by category of:								
Aging analysis	704,472,538.82	96.00	32,685,164.78	4.64	468,281,695.62	84.51	74,305,141.16	15.87
Subtotal	704,472,538.82	96.00	32,685,164.78	4.64	468,281,695.62	84.51	74,305,141.16	15.87
Insignificant balance under assessment of impairment individually	9,189,842.57	1.25	2,101,384.13	22.87	9,725,054.85	1.76	3,778,794.90	38.86
Total	733,831,192.19	100.00	35,061,149.73		554,112,419.66	100.00	78,083,936.06	

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (continued)

(1) By categories (continued)

Aging analysis of accounts receivable

	31-DEC-2012			1-JAN-2012		
Aging	Balance *RMB*	Proportion	Provision for bad debt	Balance *RMB*	Proportion	Provision for bad debt
Less than 1 year	639,186,118.07	90.74		375,183,897.37	80.12	
1-2 years	34,184,182.29	4.85	6,836,836.45	21,379,002.29	4.57	4,275,800.57
2-3 years	10,507,820.32	1.49	5,253,910.19	3,378,910.75	0.72	1,689,455.38
Over 3 years	20,594,418.14	2.92	20,594,418.14	68,339,885.21	14.59	68,339,885.21
Total	704,472,538.82	100.00	32,685,164.78	468,281,695.62	100.00	74,305,141.16

Insignificant balance under assessment of impairment individually:

Particulars	Balance *RMB*	Provision for bad debt	Proportion	Reasons of impairment
Champions of the Earth Green Material Company Limited	2,122,600.00			N/A
Jiaxing Yaxi Textile Finishing Company Limited	992,400.00			N/A
Jinan Distribution of Tianjin Textile Machinery Factory	694,547.24			N/A
Chuzhou Dream Home Textile Company Limited	604,540.00	90,000.00	14.89	Expect to be partially irrecoverable
Taifeng Textile Group Company Limited	557,122.04			N/A
Others	4,218,633.29	2,011,384.13	47.68	Expect to be partially irrecoverable
Total	9,189,842.57	2,101,384.13		

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

Name	Reason for recovery	Reason of provision of bad debt provided in previous periods	Accumulated impairment amount	Recovered amount
Qiuxin Textile Dyeing & Printing Company Limited	Balance Collected	According to the accounting policy	1,138,554.61	1,107,167.59
China Texmatech Company Limited	Balance Collected	According to the accounting policy	643,180.85	426,888.79
China Textile Industry Foreign Economic & Technical Cooperation Company Limited	Balance Collected	According to the accounting policy	554,603.10	96,787.07
HuaFang Textile Group Company Limited	Balance Collected	According to the accounting policy	15,162.41	15,162.41
Total			2,351,500.97	1,646,005.86

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (continued)

(3) Accounts receivable written-off during the year

Accounts receivable written off in 2012 for the Group and its subsidiaries is RMB47,690,219.63.

(4) Accounts receivable include any balance due from shareholders hold 5% or more equity interest in the Company.

	31-Dec-2012		1-Jan-2012	
Name of company	Balance	Provision for bad debt	Balance	Provision for bad debt
China Hi-Tech Group Corporation	63,998.00	0	63,998.00	0
Total	63,998.00	0	63,998.00	0

(5) Top five accounts receivable outstanding as at 31 December 2012 are as follows:

Name of Company	Relationship with the Group	Balance	Aging	Proportion
Pulead Technology Industry Company Limited	Third party	50,885,520.00	Less than 1 year	6.93
Jingwei Machinery (Group) Company Limited	Associate	45,573,794.15	Less than 1 year	6.21
China National Technical Import and Export Corporation	Third party	40,426,614.00	Less than 1 year	5.51
China Texmatech Company Limited	Associate	39,516,998.14	Less than 1 year	5.39
Shanghai SuoYuan Trading Company Limited	Third party	29,078,405.66	Less than 1 year	3.96
Total		205,481,331.95		28.00

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (continued)

(6) The situation of accounts receivable from related parties

Name of Company	Relationship with the Group	Balance	Proportion
Jingwei Machinery (Group) Company Limited	Associate	45,573,794.15	6.21%
China Texmatech Company Limited	Associate	39,516,998.14	5.39%
Hengtian Heavy Industries Company Limited	Company controlled by the same actual controller	4,455,225.65	0.61%
Qingdao Textile Machinery Company Limited	Company in which key personnel	2,586,114.26	0.35%
Jiang Xi KAIMA BAILUJIA bus co., LTD	Company controlled by the same actual controller	2,300,000.00	0.31%
China Textile Industry Foreign Economic & Technical Cooperation Company Limited	Company controlled by the same actual controller	1,255,944.03	0.17%
Jingwei General Machinery (Group) Company Limited	Associate	336,739.86	0.05%
Handan Hongda Chemical Fiber Machinery Company Limited	Company controlled by the same actual controller	308,692.95	0.04%
Hengyang Textile Machinery Company Limited	Company controlled by the same actual controller	295,034.82	0.04%
China Textile Machinery Industry Corporation Sales Technology Service Company	Company controlled by the same parent company	140,641.73	0.02%
Tianjin Textile Machinery Company Limited	Company in which key personnel	111,000.00	0.02%
Shenyang Textile Machinery Factory Company Limited Textile Machinery Branch	Company in which key personnel	79,692.27	0.01%
China Hi-Tech Group Corporation	The actual control	63,998.00	0.01%
Tianjin Tianfangji Textile Machinery Parts Distribution Company Limited	Company in which key personnel	44,829.46	0.01%
Shaoyang Textile Machinery Company Limited	Company controlled by the same actual control	34,268.80	0.00%
Shenyang Textile Machinery Factory Company Limited	Company in which key personnel	34,253.30	0.00%
Hongda Industrial Company Limited	Company controlled by the same parent company	7,000.00	0.00%
Lixinmen Fushi Textile Machinery (Shenzhen) Company LimitedShenyang Hongsheng	Company controlled by the same actual controller	2,453.43	0.00%
Textile Machinery Company Limited	Company in which key personnel	161.77	0.00%
Total		97,146,842.62	13.24%

6. Other receivables

(1) By categories

Category	31-DEC-2012 Balance	31-DEC-2012 Proportion	31-DEC-2012 Provision for bad debt	31-DEC-2012 Proportion	1-JAN-2012 Balance	1-JAN-2012 Proportion	1-JAN-2012 Provision for bad debt	1-JAN-2012 Proportion
Significant balance under assessment of impairment	113,368,561.91	38.42			79,868,561.91	32.69		
Aggregate balance under Massessment by category of:								
Aging analysis	134,477,981.51	45.58	6,250,067.11	4.65	146,730,478.56	60.06	8,872,208.55	6.05
Subtotal	134,477,981.51	45.58	6,250,067.11	4.65	146,730,478.56	60.06	8,872,208.55	6.05
Insignificant balance under assessment of impairment individually	47,214,703.52	16.00	4,860,496.14	10.29	17,720,654.32	7.25	3,749,876.90	21.16
Total	295,061,246.94	100.00	11,110,563.25		244,319,694.79	100.00	12,622,085.45	

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

(1) By categories (continued)

Significant balance under assessment of impairment individually

Category	Amount	Provision for bad debt	Proportion	Provision grounds
Beijing Guanghe Realty Company Limited	58,000,000.00			recoverable
The Anhui Huamao Jingwei New Textile Company Limited	26,168,561.91			recoverable
Beijing Liangyou Investment Government Company Limited	29,200,000.00			recoverable
Total	113,368,561.91			

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

	31-DEC-2012			1-JAN-2012		
Aging	Balance	Proportion	Provision for bad debt	Balance	Proportion	Provision for bad debt
Less than 1 year	121,314,185.46	90.21		136,560,479.18	93.07	
1-2 years	8,202,224.70	6.10	1,640,444.94	1,554,691.73	1.06	310,938.35
2-3 years	703,898.37	0.52	351,949.19	108,074.90	0.07	54,037.45
Over 3 years	4,257,672.98	3.17	4,257,672.98	8,507,232.75	5.80	8,507,232.75
Total	134,477,981.51	100.00	6,250,067.11	146,730,478.56	100.00	8,872,208.55

Insignificant balance under assessment of impairment individually:

Category	Amount *RMB*	Provision for bad debt	Proportion	Provision grounds
Rental equipment deposit	8,850,000.00			N/A
Housing deposit	3,835,717.20			N/A
Staff Petty Cash	3,188,291.20			N/A
Housing maintenance fund	1,306,637.72			N/A
Guarantee deposit	1,240,191.00			N/A
Others	28,793,866.40	4,860,496.14	16.88	Expect to be irrecoverable
Total	47,214,703.52	4,860,496.14		

(2) Other receivables written-off:

Other receivables written off in 2012 for the Group are RMB 4,592,644.60.

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For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

(3) Major other receivables s are shown as follows

Name of company	Balance	Nature	Proportion
Beijing Guanghe Realty Company Limited	58,000,000.00	the funds of equity transfer	19.66%
Beijing Bohong Real Estate Company Limited	41,160,000.00	the funds of equity transfer	13.95%
Total	99,160,000.00		33.61%

(4) Top five other receivables outstanding as at 31 December 2012 are as follows:

Name	Relationship with the Group	Amount	Aging	Proportion
Beijing Guanghe Realty Company Limited	Third party	58,000,000.00	1-2 years	19.66%
Beijing Bohong Real Estate Company Limited	Actual controller	41,160,000.00	Less than 1 year	13.95%
Beijing Liangyou Investment Management Company Limited	Third party	29,200,000.00	Over 3 years	9.90%
The Anhui huamao Jingwei New Textile Company Limited	Associates	26,168,561.91	Over 3 years	8.87%
CMB Financial Leasing Company Limited	Third party	8,850,000.00	1 to 3 years	3.00%
Total		163,378,561.91		55.38%

(5) Other receivables from related parties

Name of company	Relationship with the Group	Balance	Proportion
Beijing Bohong Real Estate Company Limited	Key controlled	41,160,000.00	13.95%
The Anhui Huamao Jingwei New Textile Company Limited	Associates	26,168,561.91	8.87%
Total		67,328,561.91	22.82%

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

7. Advance to suppliers

(1) Aging analysis

	31-Dec-2012		1-Jan-2012	
Aging	Balance	Proportion	Balance	Proportion
Less than 1 year	378,858,991.57	81.80	222,113,145.00	65.35
1-2 years	25,300,802.04	5.46	99,650,034.40	29.32
2-3 years	46,252,268.92	9.99	17,584,713.46	5.17
Over 3 years	12,761,613.68	2.76	555,902.44	0.16
Total	463,173,676.21	100.00	339,903,795.30	100.00

Name of company	Relationship with the Group	Balance	Reason for non-settlement
Hengtian Heavy Industries Company Limited	Actual controller	53,899,367.01	Advance payment for goods
Xinjiang Tiansheng Industrial Company Limited	Third party	52,375,016.55	Advance payment for goods
Tianjin Textile Machinery Company Limited	Key personnel	44,904,430.05	Advance payment for goods
Hubei Zhongjia Trading Company Limited	Third party	33,826,431.74	Advance payment for goods
Wuxi Huaming Auto technology Co,Ltd..	Third party	19,063,445.86	Advance payment for goods
Total		204,068,691.21	

8. Inventories

(1) By categories

	31-DEC-2012			1-JAN-2012		
Category	Book value	Inventories Provision	Carrying value	Book value	Inventories Provision	Carrying value
Raw materials	467,324,226.32	26,621,802.71	440,702,423.61	368,621,799.24	25,388,581.11	343,233,218.13
Work-in-progress	551,933,858.16	30,708,660.76	521,225,197.40	449,403,331.70	34,188,074.48	415,215,257.22
Finished goods	571,964,094.66	52,210,828.76	519,753,265.90	804,898,549.27	50,309,046.39	754,589,502.88
Revolving materials	4,192,397.89	1,292,079.49	2,900,318.40	4,178,093.24	1,292,079.49	2,886,013.75
Total	1,595,414,577.03	110,833,371.72	1,484,581,205.31	1,627,101,773.45	111,177,781.47	1,515,923,991.98

(2) Accumulated inventories write-down

Category	At 1 January 2012	Provision	Decrease Reverse	Written-down	At 31 December 2012
Rawmaterials	25,388,581.11	6,016,402.90	4,286,788.44	496,392.86	26,621,802.71
Work-in-progress	34,188,074.48	1,390,607.62	4,376,304.60	493,716.74	30,708,660.76
Finishedgoods	50,309,046.39	12,106,016.79	889,630.41	9,314,604.01	52,210,828.76
Revolvingmaterials	1,292,079.49				1,292,079.49
Total	111,177,781.47	19,513,027.31	9,552,723.45	10,304,713.61	110,833,371.72

Notes to the Financial Statements
For the year ended 31 December 2012
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

9. Other current assets

Categories	31-DEC-2012	1-JAN-2012
Prepaid income tax	537,168.49	1,225,749.22
Total	537,168.49	1,225,749.22

10. Available for sale financial assets

Category	31-DEC-2012	1-JAN-2012
Available for sale debentures	29,605,350.00	
Available for sale equity instruments	541,247,029.82	589,545,330.98
Total	570,852,379.82	589,545,330.98

Long-term debt investments of available for sale financial assets

Bond project	Bond type	Par value	Investment cost	Due date	Ending balance
09 Mianyang commercial bond	subordinated bonds	30,000,000.00	27,804,060.00	28-DEC-2019	29,605,350.00

11. Long-term receivables

Items	31-DEC-2012	1-JAN-2012
The receivables of installment sales of goods		14,693,407.10
Total		14,693,407.10

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments to joint ventures and associates

Name of Investee	Percentage of shareholding (%)	Percentage of voting right held (%)	Total assets	Total liabilities	Total Shareholders' Equity	Total operating revenues	Net profit
(1) joint ventures							
(2) associates							
Shenzhen Huarong Equity Investment and Fund Management Company Limited	49%	49%	19,032,968.64	6,019,878.11	13,013,090.53	9,093,496.00	3,019,830.27
China Texmatech Company Limited	25%	25%	1,300,936,169.45	1,058,843,946.84	242,092,222.61	3,563,834,140.99	5,295,837.15
Hongda Research Company Limited	40%	40%	78,745,163.02	48,613,769.63	30,131,393.39	97,521,920.79	412,728.85
Jingwei Machinery (Group) Company Limited	18.83%	18.83%	708,231,601.92	646,165,385.12	60,278,547.56	353,329,216.89	15,738,546.47
Beijing Hang Tang Wealth Investment Management Company Limited	20%	20%	203,876,264.09	81,276,339.52	122,599,924.57	705,291,487.96	69,614,837.06
Anhui Huamao Jingwei New Type Textile Company Limited	25%	25%	312,623,676.74	316,835,756.59	-4,212,079.85	317,398,356.56	-36,775,284.61
Xianyang Jingwei Machinery Manufacture Company Limited	25%	25%	109,722,100.36	86,736,289.84	22,985,810.52	205,000.00	-4,325,476.03
Xinhu Wealth Company Limited	23.08%	23.08%	102,530,286.89	17,288,351.22	85,241,935.67	252,088,963.64	20,092,115.71

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity invest

By details

Name of Investee	Initial investment cost	At 1 January 2012	Increase	Decrease	At 31 December 2012	Proportion of ownership held by the Group	Impairment provision at 31 DEC 2012	Impairment provision of the current period	Cash dividends
(1) Cost method:									
Jianghai Securities Company Limited	28,673,400.00	28,673,400.00			28,673,400.00	2.10			
China Aviation Investment Holdings Co., Ltd	3,390,947.82	3,390,947.82			3,390,947.82	0.44	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		
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	725,193.50	725,193.50		725,193.50					500,000.00
Qingdao Textile Machinery Manufacturing Company Limited	15,802,027.04	15,802,027.04			15,802,027.04	17			
Changde Tianhe Powder Metallurgy Company Limited	200,000.00	200,000.00			200,000.00	10.00			
Qingdao Jinyi Pressing and Casting Company Limited	1,057,000.00	1,057,000.00			1,057,000.00	27.00			
Qingdao Qingfeng Forging Company Limited	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			
The Wuxi Guochuang Investment Management Company Limited	980,000.00		980,000.00		980,000.00	0.49			
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	4,896,697.53	1,479,716.83		6,376,414.36	49.00			
Shanghai Rongling Equity Investment and Fund Management Enterprise (Limited Partnership)	1,600,000.00	1,570,613.35	29,386.65	1,600,000.00					
China Texmatech Company Limited	30,000,000.00	62,373,971.72		4,498,173.74	57,875,797.98	25			785,494.00
Hongda Research Company Limited	20,000,000.00	11,887,465.82	165,091.53		12,052,557.35	40			
Jingwei Machinery (Group) Company Limited	8,000,000.00	10,316,833.69	2,842,875.84	1,807,817.31	11,351,892.22	18.83			1,600,000.00
Beijing Hang Tang Wealth Investment Management Company Limited	10,000,000.00	15,597,017.50	13,922,967.41	5,000,000.00	24,519,984.91	20.00			5,000,000.00
Anhui Huamao Jingwei New Type Textile Company Limited	11,344,404.85	8,196,357.86		8,196,357.86		25.00			
Xianyang Jingwei Machinery Manufacture Company Limited	27,453,333.33		27,453,333.33	1,081,369.04	26,371,964.29	25.00			
Xinhu Wealth Company Limited	15,000,000.00		15,000,000.00	1,672,177.94	13,327,822.06	23.08			
Total		205,283,664.71	61,873,371.59	24,581,089.39	242,575,946.91		24,571,703.11		8,085,494.00

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed Assets

(1) Listed by details

Item	1-Jan-2012	Increase	Decrease	31-Dec-2012
Cost	3,161,950,702.23	339,986,273.44	306,907,561.46	3,195,029,414.21
Building and plant	1,269,493,087.54	187,147,522.02	103,813,883.54	1,352,826,726.02
Machinery and equipment	1,750,178,793.58	131,307,114.47	185,029,749.23	1,696,456,158.82
Motor vehicle	142,278,821.11	21,531,636.95	18,063,928.69	145,746,529.37

		Increase	Provision		
Accumulated depreciation	1,558,615,604.02	8,050,718.34	130,907,759.19	175,678,568.59	1,521,895,512.96
Building and plant	365,990,707.30	718,206.72	32,284,922.95	28,484,026.34	370,509,810.63
Machinery and equipment	1,119,004,424.16	5,878,245.42	84,268,061.63	134,965,199.31	1,074,185,531.90
Motor vehicle	73,620,472.56	1,454,266.20	14,354,774.61	12,229,342.94	77,200,170.43
Net book value	1,603,335,098.21				1,673,133,901.25
Building and plant	903,502,380.24				982,316,915.39
Machinery and equipment	631,174,369.42				622,270,626.92
Motor vehicle	68,658,348.55				68,546,358.94
Accumulated provision for impairment	23,903,130.36				14,952,266.47
Building and plant	1,378,136.16				1,155,327.60
Machinery and equipment	22,454,044.87				13,725,989.54
Motor vehicle	70,949.33				70,949.33
Net book value	1,579,431,967.85				1,658,181,634.78
Building and plant	902,124,244.08				981,161,587.79
Machinery and equipment	608,720,324.55				608,544,637.38
Motor vehicle	68,587,399.22				68,475,409.61

Note: The depreciation expense of this period was RMB130,907,759.19 and the fixed assets transferred from construction in progress was RMB234,343,233.85.

(2) Assets held under finance lease

Item	Cost	Accumulated depreciation	Net book value
Machinery and equipment	246,053,029.95	156,159,233.44	89,893,796.51

(3) Assets leased under operating leases as at 31 December 2012

Item	Net book value
Building and plant	25,805,547.90
Machinery and equipment	14,335,666.82
Motor vehicle	402,737.70

(4) Fixed assets without certificates of ownership

As at 31 December 2012, the buildings and plants with book value of RMB253,168,273.15 (31 December 2011: RMB388,095,871.71) have no certificates of ownership, while the groups applying for them.

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress

(1) Listed by details

Unit: RMB

Item	At 31 December 2012			At 1 January 2012		
	Book value	Impairment provision	Carrying value	Book value	Impairment provision	Carrying value
New plant in Tianjin industry zone	113,885,168.22		113,885,168.22	214,664,782.14		214,664,782.14
Jingwei new plant project in Xianyang	39,800,833.13		39,800,833.13	6,044,930.18		6,044,930.18
Changde Textile New Plant Project	22,281,745.25		22,281,745.25	15,426,192.25		15,426,192.25
Qingdao Hongda Laoshan the Second Phase of the Project	12,375,484.96		12,375,484.96	10,002,323.02		10,002,323.02
Qingdao Hongda Sifang Factory Heating Facilities				5,614,482.10		5,614,482.10
Yichang Xiaoting New Plant Construction Project	35,860,355.00		35,860,355.00	18,800,000.00		18,800,000.00
Others	44,374,819.35		44,374,819.35	44,544,031.39		44,544,031.39
Total	268,578,405.91		268,578,405.91	315,096,741.08		315,096,741.08

(2) Movements on significant construction in progress

Item	Budget	Amount at 1 January 2012	Additions	Transferred into fixed assets	Other reduction	Proportion of construction investment in budget (%)	Progress	Total amount of interest capitalized	Amount of interest capitalized of this period	Rate of Capitalization (%)	Funding	At 31 December 2012
New plant in Tianjin industry zone	237,510,000.00	214,664,782.14	46,891,017.08	147,650,631.00	20,000.00	99.00%	99.00%	20,645,524.37	11,788,240.71	6.15%	Self-raised funds, loans	113,885,168.22
Jingwei new plant project in Xianyang	121,000,000.00	6,044,930.18	33,820,332.23	64,429.28		66.00%	66.00%	399,666.66	399,666.66	6.15%	Loans	39,800,833.13
Hengtian Motor Vehicle Plant Project	85,170,000.00		4,462,435.80	4,462,435.80		100.00%	100.00%				Self-raised funds	
Changde Textile New Plant Project	100,000,000.00	15,426,192.25	6,855,553.00			36.69%	36.69%				Self-raised funds	22,281,745.25
Qingdao Hongda Laoshan the Second Phase of the Project	130,000,000.00	10,002,323.02	2,385,484.96	12,323.02		95.88%	95.88%				Self-raised funds	12,375,484.96
Qingdao Hongda Heating Facilities Reform	5,800,000.00	5,614,482.10		5,614,482.10		97.00%	97.00%				Self-raised funds	
Yichang Xiaoting New Plant Construction Project	100,000,000.00	18,800,000.00	17,060,355.00			35.86%	35.86%				Self-raised funds	35,860,355.00
Others		44,544,031.39	76,710,811.20	76,538,932.65	341,090.59						Self-raised funds	44,374,819.35
Total	779,480,000.00	315,096,741.08	188,185,989.27	234,343,233.85	361,090.59			21,045,191.03	12,187,907.37			268,578,405.91

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction materials

Item	1-JAN-2012	Increase	Decrease	31-DEC-2012
Prepaid machinery money	12,086,403.58	40,718,881.14	52,805,284.72	
Total	12,086,403.58	40,718,881.14	52,805,284.72	

17. Intangible assets

(1) Listed by details

Unit: RMB

Item	At 1 January 2012	Increase	Decrease	At 31 December 2012
Cost	617,603,477.56	38,380,328.31	39,384,931.13	616,598,874.74
Land use rights	562,166,140.09	1,343,980.00	33,984,208.06	529,525,912.03
Computer software	28,002,389.15	19,003,380.46	5,400,723.07	41,605,046.54
Patents	21,795,767.32	720,051.28		22,515,818.60
Non-patented technology	3,369,468.00	17,312,916.57		20,682,384.57
Others	2,269,713.00			2,269,713.00
Accumulated amortization	99,454,153.59	20,861,890.90	9,954,581.03	110,361,463.46
Land use rights	69,214,205.00	10,706,598.42	4,553,857.96	75,366,945.46
Computer software	15,240,127.31	5,817,451.66	5,400,723.07	15,656,855.90
Patents	10,268,525.84	2,995,237.47		13,263,763.31
Non-patented technology	3,369,468.00	1,115,632.11		4,485,100.11
Others	1,361,827.44	226,971.24		1,588,798.68
Net book value	518,149,323.97	17,518,437.41	29,430,350.10	506,237,411.28
Land use rights	492,951,935.09	-9,362,618.42	29,430,350.10	454,158,966.57
Computer software	12,762,261.84	13,185,928.80	0.00	25,948,190.64
Patents	11,527,241.48	-2,275,186.19	0.00	9,252,055.29
Non-patented technology		16,197,284.46	0.00	16,197,284.46
Others	907,885.56	-226,971.24	0.00	680,914.32

(2) Development and research of internally

Unit: RMB

Item	1-JAN-2012	Increase	Decrease: Recognize in profit or loss	Decrease: Recognized as intangible asset	31-DEC-2012
Textile Machinery Research expenditure		155,428,207.24	155,428,207.24		
Total		155,428,207.24	155,428,207.24		

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill

Name of investee	At 1 January 2012	Increase	Decrease	At 31 December 2012	Provision for impairment
Xianyang Jingwei Machinery Manufacturing Company Limited	1,882,417.00		1,882,417.00		
Wuxi Hongda Textile Machinery and Special Parts Company Limited	375,995.00			375,995.00	
Anshan Jingwei Haihong Agricultural Machinery Company Limited	7,341,351.32			7,341,351.32	
Shanghai Huayuan Hyperthermia Technology Company Limited	168,039.33			168,039.33	
Zhongrong International Trust Co., Ltd.	833,388,872.51			833,388,872.51	
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	2,475,698.35			2,475,698.35	
Jinzhong Jingwei Hengxin Machinery Co., Ltd.		556,468.53		556,468.53	
Total	845,632,373.51	556,468.53	1,882,417.00	844,306,425.04	

19. Long-term prepaid expenses

Item	At 1 January 2012	Increase	Decrease	Other reductions	At 31 December 2012	Other reasons for reductions
Leasehold improvements expenses on operating leases of fixed assets	18,618,554.54	19,512,732.24	12,740,845.44		25,390,441.34	
Expenses on product announcements and customer resources		9,000,000.00	1,330,000.00		7,670,000.00	
Total	18,618,554.54	28,512,732.24	14,070,845.44		33,060,441.34	

20. Deferred tax assets and deferred tax liabilities

(1) Before offsetting deferred tax assets and liabilities components

Item	at 31 December 2012	at 1 January 2012
Deferred tax assets:		
Asset impairment provision	4,418,858.13	3,993,794.27
Wages payable	251,093,346.93	138,721,027.28
Elimination of unrealized profits of inventories	3,761,711.33	438,364.90
Changes in fair value of held-for-trading financial assets	22,953,177.59	33,716,434.18
Changes in fair value of available-for-sale financial assets	6,675,420.05	6,001,167.26
Others		72,000.00
Total	288,902,514.03	182,942,787.89

Deferred tax liabilities:

Item	31-DEC-2012	1-JAN-2012
Deductible temporary differences	254,016,642.07	277,432,079.58
Deductible tax losses	462,736,328.04	342,214,813.88
Total	716,752,970.11	619,646,893.46

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

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

(1) Before offsetting deferred tax assets and liabilities components (continued)

Tax losses not recognized as deferred tax assets will be expired as follows:

Years	31-DEC-2012	1-JAN-2012	NOTE
2012		24,434,804.39	
2013	107,303,380.65	110,601,079.74	
2014	52,788,006.97	57,571,284.49	
2015	67,014,102.40	67,014,102.40	
2016	75,721,548.61	82,593,542.86	
2017	159,074,883.80		
No expiry date	834,405.61		
Total	462,736,328.04	342,214,813.88	

(2) After offsetting deferred tax assets and deferred tax liabilities components

Composition after offsetting of deferred income tax assets and liabilities

Unit: RMB

Item	Set-off of deferred income tax assets and liabilities at 31 December 2012	Set-off deductible or taxable temporary differences at 31 December 2012	Set-off of deferred income tax assets and liabilities at 1 January 2012	Set-off deductible or taxable temporary differences at 1 January 2012
Deferred tax assets	288,902,514.03		182,942,787.89	

21. Provision for impairment

Item	At 1 January 2012	IncreaseTotal	Decrease Total		At 31 December 2012
			Reversals	Written-off	
Provision for bad debts	100,218,714.51	57,380,435.08	1,646,005.86	54,049,543.46	101,903,600.27
Provision for inventories written-down	111,177,781.47	19,513,027.31	9,552,723.45	10,304,713.61	110,833,371.72
Provision for impairment on long-term equity investments	24,571,703.11				24,571,703.11
Provision for impairment on of fixed assets	23,903,130.36			8,950,863.89	14,952,266.47
Total	259,871,329.45	76,893,462.39	11,198,729.31	73,305,120.96	252,260,941.57

Notes to the Financial Statements
For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

22. Short-term borrowings

Category	31-DEC-2012	1-JAN-2012
Pledged loans	63,713,831.00	10,650,000.00
Mortgage loans	46,000,000.00	15,000,000.00
Guaranteed loans	52,920,828.71	118,000,000.00
Credit loans	1,293,126,700.81	1,572,001,450.37
Total	1,455,761,360.52	1,715,651,450.37

23. Bills payables

Unit:RMB

Category	31-DEC-2012	1-JAN-2012
Commercial bills under acceptance	18,613,439.06	7,485,162.38
Bank bills under acceptance	361,181,585.04	391,756,303.99
Total	379,795,024.10	399,241,466.37

24. Accounts payables

Unit:RMB

(1) By aging

Aging	31-DEC-2012	1-JAN-2012
Less than 1 year	1,589,893,455.29	1,969,110,759.04
1-2 years	87,449,721.59	54,356,792.95
2-3 years	31,539,429.86	14,910,539.75
Over 3 years	21,819,939.82	13,974,357.39
Total	1,730,702,546.56	2,052,352,449.13

(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.

Company name	At 1 January 2012	At 31 December 2012
China Textile Machinery (Group) Co., Ltd	6,301,379.63	6,301,379.63
Total	6,301,379.63	6,301,379.63

Notes to the Financial Statements
For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

25. Advances from customers

(1) By aging

Unit:RMB

Aging	31-DEC-2012	1-JAN-2012
Less than 1 year	419,349,469.92	777,944,492.95
1-2 years	99,382,639.55	89,368,895.64
2-3 years	22,057,414.03	5,146,330.38
Over 3 years	25,707,926.84	33,711,820.29
Total	566,497,450.34	906,171,539.26

26. Employee benefits payables

Item	At 1 January 2012	Increase	Decrease	At 31 December 2012
I. Salaries, bonuses, allowances and subsidies	603,452,875.02	1,465,342,986.34	1,021,758,657.82	1,047,037,203.54
II. Staff welfare	1,750,000.00	31,240,994.32	30,996,004.83	1,994,989.49
III. Social insurance	18,500,496.80	165,847,049.50	158,438,157.17	25,909,389.13
Including:				
1. Medical insurance	1,029,554.99	47,127,629.73	46,188,858.50	1,968,326.22
2. Basic pension contributions	15,561,292.31	101,463,680.48	96,213,498.26	20,811,474.53
3. Annuity payments				
4. Unemployment insurance	1,205,276.96	9,485,197.65	8,714,117.28	1,976,357.33
5. Work Physical injury insurance	364,090.68	4,609,318.43	4,147,822.74	825,586.37
6. Maternity insurance	340,281.86	3,161,223.21	3,173,860.39	327,644.68
IV. Housing funds	11,211,482.03	41,141,513.79	43,720,839.92	8,632,155.90
V. Compensation to employees for termination of employment relationship	21,058,190.57	4,516,467.60	16,517,279.35	9,057,378.82
VI. Others	14,443,727.97	24,843,811.94	25,271,075.83	14,016,464.08
Total	670,416,772.39	1,732,932,823.49	1,296,702,014.92	1,106,647,580.96

27. Taxation payables

Tax items	1-Dec-12	1-Jan-12
(1). VAT	–692,391.81	–33,561,158.82
(2). Business tax	91,596,453.83	79,424,393.64
(3). Enterprise income tax	177,749,171.34	150,695,962.96
(4). Individual income tax	48,783,562.11	39,724,691.94
(5). Urban maintenance and construction tax	10,151,672.82	8,222,850.84
(6). Land use tax	10,380,618.08	17,803,261.36
(7). Property Tax	4,231,126.78	4,384,916.63
(8). Education surcharges	9,229,542.70	7,546,362.08
(9). Others	6,139,626.73	5,534,958.09
Total	357,569,382.58	279,776,238.72

Notes to the Financial Statements
For the year ended 31 December 2012

(All amounts are stated in RMB unless otherwise stated)

VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

28. Interest payables

	31-DEC-2012	1-JAN-2012
Interests on notes payable to small-and-medium sized enterprises		370,520.55
Interests on corporate bonds	47,221,666.65	
Interest payables for short-term borrowings	1,268,177.83	
Total	48,489,844.48	370,520.55

29. Dividend payables

Investor	31-DEC-2012	1-JAN-2012	Reason for not yet paid over one year
Changde Textile Machinery Factory	2,901,357.98	2,251,856.06	
Shenyang Textile Machinery Manufacturing Company Limited	38,806.67	219,886.42	
Others	2,069,670.34	1,585,458.73	
Total	5,009,834.99	4,057,201.21	

30. Other payables

(1) By aging

Aging	31-DEC-2012	1-JAN-2012
Less than 1 year	129,126,896.19	254,911,106.65
1-2 years	111,785,582.18	69,452,618.68
2-3 years	40,448,203.08	17,610,439.11
Over 3 years	62,899,094.57	72,162,768.07
Total	344,259,776.02	414,136,932.51

(2) For other payables due to shareholders with 5% or more of the voting shares of the Group and other related parties.

Company name	At 31 December 2	At 1 January 2012
China Textile Machinery (Group) Co., Ltd	20,231,020.72	20,231,020.72
Total	20,231,020.72	20,231,020.72

(3) Note: At 31 December 2012, other payables aged over one year amounted to RMB215,132,879.83, as the balances are not yet settled.

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

31. Non-current liabilities due within one year

(1) Non-current liabilities due within one year

Currency unit: yuan

Item	31-DEC-2012	1-JAN-2012
Long-term borrowings due within one year	60,000,000.00	208,370,000.00
Debenture payables due within one year		60,000,000.00
Long-term payables due within one year	33,654,888.58	133,054,295.29
Total	93,654,888.58	401,424,295.29

(2) Long-term borrowings due within one year

Long-term borrowings due within one year

Currency unit: yuan

Item	31-DEC-2012	1-JAN-2012
Pledged loans		8,370,000.00
Credit loans	60,000,000.00	200,000,000.00
Total	60,000,000.00	208,370,000.00

Top five long-term borrowings due within one year

Currency unit: yuan

Lender	Start date	Maturity date	Currency	Rate (%)	31-DEC-2012 Foreign currency RMB	1-JAN-2012 Foreign currency RMB
Guangdong Development Bank, Olympic Village Branch	2010-05-27	2013-05-27	RMB	4.86%	60,000,000.00	
Total					60,000,000.00	

(3) Long-term payables due within one year

Currency unit: yuan

Borrowing unit	Term	Initial amount	Rate (%)	Accrued interest	31-DEC-2012	Borrowing conditions
CMB Finance Lease Company Limited					31,118,935.48	
Retirement and supplemental benefit obligation					1,633,486.53	
Wanxiang Lease Company Limited					763,839.90	
Others					138,626.67	

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term borrowings

(1) Listed by categories

Currency unit: yuan

Item	31-DEC-2012	1-JAN-2012
Credit loans		60,000,000.00
Total		60,000,000.00

33. Bonds Payable

Currency Unit: yuan

Name of bond	Amount	Issue date	Term	Principal	Accrued interest at the beginning of the year	Accrued interest for the year	Interest paid during the year	Accrued interest at the end of year	Ending balance
Medium term notes	1,200,000,000.00	2012/4/24	5years	1,200,000,000.00	–	47,221,666.65	–	47,221,666.65	1,200,000,000.00

On 24 April 2012, the Group issued a 5-year bond with principal amount of RMB1,200,000,000 and interest bearing at 5.65% per annum interest repayed annually.

34. Long-term payables

(1) Top five long-term payables

Currency unit: yuan

Units	Term	Initial amount	Rate (%)	Accrued interest	31-DEC-2012	Borrowing conditions
CMB Finance Lease Company Limited					25,035,315.23	
Suizhou City Investment Group Company Limited					29,994,000.00	
Retirement and supplemental benefit obligation					27,183,236.16	
Others					207,939.94	
Total					82,420,491.33	

(2) Details of finance leases payable in long-term payable

Currency unit: yuan

	31-DEC-2012		1-JAN-2012	
Unit	Foreign currency	RMB	Foreign currency	RMB
CMB Finance Lease Company Limited		25,035,315.23		57,193,190.51
Total		25,035,315.23		57,193,190.51

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

35. Special payables

Item	1-JAN-2012	Additions	Reductions	31-DEC-2012	Notes
Refund of custom duty and VAT of imported winders (Note 1)	79,534,244.97		79,534,244.97		Note 1
Central state-owned capital budget for capacity-building funds of substantial technological innovation and industrialization	60,000,000.00		60,000,000.00		Note 2
Earmarks of the capacity expansion project for annual output of 100 biaxial and multi-axial warp knitting machines		5,200,000.00		5,200,000.00	Note 3
Relocation grants		8,747,100.00	2,605,694.09	6,141,405.91	Note 4
New spinning frames and its manufacturing processing facilities construction projects	2,000,000.00	2,000,000.00		4,000,000.00	Note 5
Enterprise information technology upgrade projects		2,000,000.00		2,000,000.00	Note 6
Total	141,534,244.97	17,947,100.00	142,139,939.06	17,341,405.91	

Notes to special payables

Note 1: According to the file 'Circular of the Ministry of Finance, the National Development and Reform Commission, the General Administration of Customs and the State Administration of Taxation to implement certain opinions of the State Council on accelerating the revitalization of the equipment manufacturing industry related to the import taxes policies (Cai Guan Shui No. 11 (2007)) and other relevant documents, the received refund of imported key components of the automatic winders needs to be transferred to state capital. The Group has recorded such tax refund in special payables in 2011 and transferred such amount to capital in 2012.

Note 2: According to the file 'Circular of the Ministry of Finance related to the issue of central state-owned operating budget earmark' (Cai Qi No.319 (2009)) and "China Hi-tech Zhan" (No. 45 (2010)), this special payables represented the capacity-building fund of major technological innovation and industrialization and were transferred to capital in 2012.

Note 3: According to the file' the National development and Reform Commission, the Ministry of Industry and Information Technology related to the implementation of industry revitalization and technology upgrade project (central assessment of the third batch) and the 2012 central budget for investment plan'(Development and Reform Commission Investment No.3166 (2012)), these government subsidies represented the grants for Changde Textile Machinery Company Limited for its construction of annual output of 100 biaxial and multi-axial warp knitting machines.The Group has recorded such amount as special payables temporarily and will transfer such amount to capital in the future.

Note 4: Due to urban planning, a subsidiary, Jinzhong Jingwei Hengx n Machinery Company Limited had to be demolished. Relocation grant of RMB8,747,100 was received from the Jinzhong Park Bureau in 2012. The amount of RMB2,605,694.09 was recognized as non-operating income.

Note 5: According to the file "new spinning frame and comber assembly plant and its manufacturing processing facilities construction project in Jingwei Textile Machinery Company Limited Yuci Brach" (Jin Development and Reform Commission of Industry Fa No. 955(2010)), this special circulation fund is obtained for the new spinning frame and comber assembly plant and its manufacturing processing facilities construction projects. The Group has recorded such amount as special payables temporarily and will transfer such amount to capital in future.

Note 6: According to the file 'Shanxi Jingwei Heli Machinofacture Company Limited information technology upgrade project' (Yu Cai Jian Zi No.7(2012)), this fund is obtained for information technology upgrade project. The Group has recorded such amount as special payables temporarily and will transfer such amount to capital in future.

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

36. Other non-current liabilities

Currency unit: yuan

Item	31-DEC-2012	1-JAN-2012
– Relocation grant	40,467,224.29	
– Grant for investment on the industrialization of efficient modern weaving machine project	21,609,946.71	26,514,854.69
– Refund of acquisition cost of land	9,417,652.52	9,623,953.78
– Development and industrialization investment grant for efficient intelligent coarse spinner series products	7,605,120.01	8,000,000.00
– Grant on investment on high point twisting machine project	3,115,000.00	3,893,750.00
– Grant on investment on the project of textile machinery special precise super-speed bearing and spindle	3,045,000.00	3,480,000.00
– Oil free dry type car of ring spinning spindle project	1,408,000.00	1,408,000.00
– Leading enterprise of agricultural industrialization infrastructure subsidies	1,312,500.00	1,387,500.00
– 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	1,040,000.00
– Hubei Wujiagang Industrial Area Management Committee Land Subsidy	574,080.00	586,040.00
– The industrialization of LED high efficiency and energy saving lighting lamps projects	390,000.00	390,000.00
– Corn united harvest machine patent technology transformation funds	288,300.00	325,500.00
– New type Air-jet loom special grant	174,553.91	228,423.11
– Grant on high performance expansion and reconstruction industrialization of the warp knitting machine		3,600,000.00
– Grant on embedded composite spinning key technology research and application demonstration		1,720,000.00
– Grant on carbon fiber multi-storey corner weaving equipment and technology R&D projects		1,600,000.00
– Grant on special precision high-speed textile machinery bearings and spindles project		800,000.00
– Grant on short and efficient process blowing-carding machine project		300,000.00
– JWF1561 type ring spinning machine project		750,000.00
– Others	250,000.00	250,000.00
– G4729 textile machinery funds	1,400,000.00	
– The multifunctional magnetic induction hyperthermia system R&D funding	827,600.00	
– 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
– Others	2,501,000.00	
Total	96,755,977.44	67,528,021.58

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

37. Share capital

Currency unit: yuan

	As at 1 January 2012	Changes (+/-) New issue	Bonus share	Reserve transfer to shares	Others	Total	As at 31 December 2012
Total shares	603,800,000.00	100,330,000.00				100,330,000.00	704,130,000.00

Notes to the changes of share capital

If there is an increase or decrease in capital during the report period, the name of the certified public accountants that implementing the capital verification and the number of the capital verification report should be disclosed. As to the company that operates less than 3 years, it should only disclose the net assets before it was established; as to the company limited that integrally restructured into incorporated corporation, it should disclose the capital verification conditions when established.

The Company`s raised funds by non-public offering of shares are audited and verified by Baker Tilly China (Special general partnership). And a capital verification report numbered Baker Tilly Jing QJ [2012] T348 was issued by it.

38. Special reserve

Notes to the special reserve

According to CaiQi [2012] No.16, “Measures for the usage management and accrual of the Production safety funds”, issued by Ministry of Finance (“MOF”) and Safety Production General Bureau, the Group is required to accrue a “Production safety funds” from this year.

39. Capital reserve

Currency unit: yuan

Item	At 1 January 2012	Additions	Reductions	At 31 December 2012
Capital premium(Share premium)	1,196,620,526.31	806,204,350.22	150,323.61	2,002,674,552.92
Other capital reserves	–3,542,381.78		1,977,397.08	–5,519,778.86
Total	1,193,078,144.53	806,204,350.22	2,127,720.69	1,997,154,774.06

Notes to the capital reserve

During the year, the Company’s non-public offering of the ordinary shares of 100,330,000 shares. Capital reserve increased by RMB803,319,973.17 after netting of issuance costs with actual receipt of the funds raised.

During the year, minority shareholders raised their investments in Shanghai Chuangan Trading Company Limited, a subsidiary of the Group. This led to the shareholding of the Company in Shanghai Chuangan Trading Company Limited decreased from 90% to 36% and capital reserve increased by RMB2,884,002.01 accordingly.

During the year, the Company raised its investment in Xianyang Jingwei Textile Machinery Company Limited, a subsidiary of the Group. This led to the shareholding of the Company in Xianyang Jingwei Textile Machinery Company Limited increased from 97.33% to 97.36% and capital reserve increased by RMB375.04 accordingly.

During the year, the Company raised its investment in Jinzhong Jingwei Chemical Fibre Machinery Company Limited, a subsidiary of the Company. This led to the shareholding of the Company in Jinzhong Jingwei Chemical Fibre Machinery Company Limited increased from 51% to 65.48% and capital reserve decreased by RMB150,323.61 accordingly.

Due to the influence of the changes in fair value of available-for-sale financial assets within the Group, there was a decrement of RMB740,329.56 in capital reserve.

During the year, changes in other shareholders’ equities of the Company’s associates led to a decrement in capital reserve by RMB1,165,903.32.

During the year, the Company disposed Xianyang Jingwei Machinery Manufacture Company Limited, originally a subsidiary of the Company, which led to a decrement of RMB71,164.20 in capital reserve.

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

40. Surplus reserve

Item	At 1 January 2012	Additions	Reductions	At 31 December 2012
Statutory surplus reserve	492,375,261.21	61,430,582.80		553,805,844.01
Discretionary surplus reserve	178,906,802.60	712,772.08		179,619,574.68
Total	671,282,063.81	62,143,354.88		733,425,418.69

41. General Risk Reserve

Notes to the general risk reserve

Trust compensation reserve should be withdrawn at 5% of its net profit according to Article 49 of "Trust Company Management Approach". Zhongrong International Trust Company Limited, a subsidiary of the Company, withdraws trust compensation reserve until it reached 20% of the registered capital or above. Trust compensation reserves are mainly used to make up trust property losses which caused by mismanagement.

General risk reserve is extracted in accordance with 1% of risk assets as a profit distribution, which was based on the Ministry of Finance [2005] No. 49, "Usage Management of extract of provision for doubtful debts of financial companies". General risk reserve is used to cover the potential losses that not yet identified.

General risk reserve was restored based on the shares that attributable to the owners of the Company.

42. Undistributed profits

Currency unit: yuan

Item	Amount
At the end of 2011 before adjustment	907,076,447.30
At the beginning of 2012 after adjustment	907,076,447.30
Add: Net profit of 2012 attributable to the owner of parent company	430,242,760.54
Less: Withdraw legal surplus reserve	61,430,582.80
Withdraw discretionary surplus reserve	712,772.08
Withdraw general risk reserve	2,468,895.31
Dividend payable of ordinary shares	36,228,000.00
Extraction of trust compensation reserve	27,730,463.51
At the end of 2012	1,208,748,494.14

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

43. Operating revenue and operating cost

(1) Operating revenue and operating cost

Currency unit: yuan

Item	2012	2011
Principal operating revenue	4,415,390,469.08	6,549,037,882.35
Other operating revenue	646,539,974.36	723,331,894.40
Operating cost	4,198,210,324.02	6,115,704,282.02

(2) Main business (by industry)

	2012		2011	
Name of industry	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Textile machinery	4,001,458,814.37	3,398,185,381.77	6,306,919,051.86	5,355,073,140.35
Non textile machinery	413,931,654.71	375,105,154.64	242,118,830.49	215,476,196.91
Total	4,415,390,469.08	3,773,290,536.41	6,549,037,882.35	5,570,549,337.26

(3) Main business (by geographical area)

	2012		2011	
Name of geographical area	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Domestic	3,876,460,009.14	3,257,714,175.25	6,044,426,624.20	5,116,400,918.80
Overseas	538,930,459.94	515,576,361.16	504,611,258.15	454,148,418.46
Total	4,415,390,469.08	3,773,290,536.41	6,549,037,882.35	5,570,549,337.26

(4) Operating revenue from the top five customers

Customer name	Principal operating revenue	Proportion
Client 1	463,736,429.39	9.16%
Clinet 2	171,263,589.74	3.38%
Client 3	55,170,000.00	1.09%
Client 4	43,491,897.47	0.86%
Client 5	42,771,116.88	0.84%
Total	776,433,033.48	15.33%

44. Sales taxes and levies

Currency unit: yuan

Item	2012	2011	Standard charge rate
Business tax	185,952,146.02	155,378,149.58	5%
City construction tax	24,256,901.89	25,435,018.38	1%\5%\7%
Education surcharge tax	17,096,241.85	16,607,778.16	3%\5%
Others	4,646,318.93	4,173,460.08	
Total	231,951,608.69	201,594,406.20	

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

45. Selling and distribution expenses

Currency unit: yuan

Item	2012	2011
Employee benefits	62,523,148.91	49,172,834.80
Travelling expenses	24,100,549.57	20,256,731.93
Transportation expenses	19,140,994.18	21,830,035.18
Exhibition expenses	15,860,817.36	6,410,085.67
Operation expenses	12,973,940.14	15,579,274.53
Labor expenses	12,192,042.21	7,620,680.53
Sales service expenses	11,872,723.15	12,144,002.65
Office expenses	4,192,247.67	3,564,776.57
Sample and product losses	3,631,612.97	5,669,224.69
Depreciation expenses	3,401,700.39	2,002,788.75
Advertisement expenses	3,066,926.79	4,482,185.59
Repair and maintenance expenses	1,705,804.99	1,455,090.18
Loading and unloading expenses	1,102,473.81	2,260,827.11
Others	16,703,282.88	11,735,976.24
Total	192,468,265.02	164,184,514.42

46. Administrative expenses

Currency unit: yuan

Item	2012	2011
Employee benefits	1,267,238,319.01	1,216,994,244.41
Consultancy service fee	320,615,641.33	195,543,372.33
Research and development expenses	155,428,207.24	182,357,248.12
Rent	63,012,191.84	51,873,848.86
Travelling expenses	47,828,630.68	44,816,830.01
Business entertainment expenses	43,869,332.03	36,235,750.51
Depreciation expenses	39,907,055.71	38,290,998.03
Taxes	29,885,407.59	35,580,348.21
Repairing and maintenance	28,371,468.11	33,392,472.95
Office expenses	23,231,971.56	22,761,404.34
Meeting expenses	17,810,256.82	21,678,449.19
Amortization of intangible assets	16,332,321.80	13,099,184.28
Long-term deferred expenses	14,070,845.44	5,031,655.38
Agency expenses	13,970,702.10	17,684,099.53
Utility bills	10,195,395.49	9,971,685.64
Transportation expenses	8,457,497.77	12,211,330.71
Amortization of consumables	6,216,697.44	6,370,523.58
Labor protection expenses	3,041,922.47	2,272,041.69
Heating expenses	2,789,379.22	2,794,528.53
Environment expenses	2,425,399.95	3,518,182.56
Security and fire protection	2,391,809.56	2,997,362.95
Insurance expenses	2,127,056.40	2,911,595.95
Sewage charges	1,848,837.41	1,747,839.68
Management expenses	1,087,837.66	191,094.39
Warehouse expenses	774,108.08	836,150.09
Board of directors expenses	569,376.40	621,360.10
Litigation expenses	384,848.47	1,302,268.19
Foreign expenses	378,817.20	1,505,478.65
Internet expenses	330,761.83	593,586.84
Inventory shortage and damage expenses	306,503.23	1,086,461.22
Land use expenses	23,000.00	20,000.00
Others	58,254,303.41	55,740,286.89
Total	2,183,175,903.25	2,022,031,683.81

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

47. Financial expenses

Currency unit: yuan

Item	2012	2011
Interest expense	149,093,673.19	101,982,467.22
Interest income	–14,601,197.94	–15,862,396.22
Exchange loss	1,063,547.29	61,869.47
Exchange gain	–3,153,463.12	–18,119,613.43
Others	7,747,375.45	5,707,298.40
Total	140,149,934.87	73,769,625.44

48. Gains from changes in fair value

Currency unit: yuan

Source	2012	2011
Held-for-trading financial assets	43,783,411.62	–137,726,693.69
Total	43,783,411.62	–137,726,693.69

49. Investment income

(1) Disclosure of investment income by item is as follows:

Currency unit: yuan

Item	2012	2011
Income from long-term equity investment under the cost method	700,000.00	5,500,000.00
Income from long-term equity investment under the equity method	677,198.66	8,394,024.56
Gain on disposal of long-term equity investments	78,321,740.78	4,555,590.40
Investment income from held-for-trading financial assets	2,044,564.39	2,981,533.08
Gain on held-to-maturity investments	639,123.29	
Gain on available-for-sale financial assets	4,230,000.00	24,584,051.81
Gain on disposal of held-for-trading financial assets	-60,056,666.89	-26,070,279.77
Gain on disposal of available-for-sale financial assets	45,949,614.89	
Others	622,545.00	1,746,001.34
Total	73,128,120.12	21,690,921.42

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

49. Investment income (continued)

(2) Long-term equity investment income under cost method

Currency unit: yuan

Investee	2012	2011	Reason for changes
BSI Management Systems Certification (Beijing) Company Limited	500,000.00		The dividend has been paid
Jiangsu Hongyuan Company Limited	200,000.00	200,000.00	The dividend has been paid
Hengtian Real Estate Company Limited		3,600,000.00	Equity has been disposed
Qingdao Textile Machinery Company Limited		1,700,000.00	Dividend has not been paid yet
Total	700,000.00	5,500,000.00	

(3) Long-term equity investment income under equity method

Currency unit: yuan

investee	2012	2011	Reason for changes
Beijing Hang Tang Wealth Investment Management Company Limited	13,922,967.41	5,597,017.50	
Jingwei Mechanics (Group) Ltd Company	2,842,875.83	2,316,833.68	
Hongda Research Institute Company Limited	165,091.53	45,260.06	
Xianyang Jingwei Textile Machinery Company Limited	–1,081,369.01		
China Texmatech Company Limited	82,948.57	5,164,656.86	
Anhui Huamao Jingwei New Textile Company Limited	–8,196,357.86	–4,697,054.42	
China Hi-tech Huanyu (International) Company Limited	–6,895,883.35		
Shenzhen Huarong Equity Investment & Fund Management Company Limited	1,479,716.83	–3,302.47	
Shanghai Rongling Equity Investment & Fund Management Enterprise (Limited partnership)	29,386.65	–29,386.65	
Xinhu Wealth Investment Management Company Limited	–1,672,177.94		
Total	677,198.66	8,394,024.56	

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

50. Assets impairment losses

Currency unit: yuan

Item	2012	2011
1. Bad debts	52,646,708.39	5,465,622.61
2. Written-down of inventories	5,801,503.86	27,617,606.67
5. Impairment loss on long-term equity investment		2,150,000.00
Total	58,448,212.25	35,233,229.28

51. Non-operating income

(1) Disclosure of non-operating income by item is as follows

Currency unit: yuan

Item	2012	2011	Included in the current non-recurring items
Total gains on disposal of non-current assets	36,196,783.41	6,807,873.81	36,196,783.41
Including: Gains on disposal of fixed assets	36,196,783.41	6,807,873.81	36,196,783.41
Receipt from debt restructuring	2,529,961.84	991,292.15	2,529,961.84
Government grants	46,799,833.43	21,874,703.07	39,198,976.65
Others	35,518,954.13	3,402,350.75	35,518,954.13
Total	121,045,532.81	33,076,219.78	113,444,676.03

Notes to the Financial Statements
For the year ended 31 December 2012
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

51. Non-operating income (continued)

(2) Details of government grants

Currency unit: yuan

Item	2012	2011	Notes
Scientific and technological innovation projects	8,640,000.00		Note 1
Efficient modern cotton textile equipment industrialization project grants	4,992,006.26	1,405,992.48	Note 2
High performance warp knitting machine capacity industrialization reconstruction project	3,600,000.00	2,800,000.00	Note 3
Land use tax and real estate tax rebate	3,195,711.25	1,173,570.00	Note 4
VAT Refund	2,929,248.88	1,540,651.28	Note 5
Carbon fiber multilayer Angle league woven equipment and technology research and development program subsidies	2,250,000.00	1,200,000.00	Note 6
VAT rebate	1,475,896.65	2,400,236.23	Note 7
High-speed warp knitting machine, high-end twisting machine, high-speed spindle investment grants	1,213,750.00	2,667,881.64	Note 8
Job subsidies		1,363,109.00	
Others	18,503,220.39	7,323,262.44	
Total	46,799,833.43	21,874,703.07	

Note 1: Pursuant to Cai Qi No.153 (2010), "Central state-owned capital operating budget for management measures of major technology innovation and industrialization fund", and Cai Qi Ban No.31 (2012), "Circular of declare of central state-owned capital operating budget for major technology innovation and industrialization fund in 2012", Yuci branch bore the JWF1562 ring spinning frame pilot research project. And it obtained technology innovation project grants amounted to RMB8,640,000.

Note 2: Pursuant to No. 2472 (2007) of Fa Gai Tou Zi, since 2008, the Group has received the grants of Efficient modern cotton manufacturing complete sets of equipment industrialization projects amounted to RMB27,450,000.00, in which the Group has confirmed the non-operating income of RMB4,992,006.26 during the year.

Note 3: Pursuant to Changde finance bureau, Economic and Informatization committee, Changde development zone management committee's Caiqi No.5 (2011) "the Notice of the First batch of Plan about Hunan Province to Advance the New Industrialization Special Direct Funds", and Changde economic and technological Development Zone Management Committee's reply to 'Changde Textile Machinery Company Limited 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 the project to advance the technological level, production capacity of the new high performance warp knitting machine. The Group has confirmed it as non-operating income of RMB3,600,000.00.

Note 4: Pursuant to Yuci Local taxation bureau Fa No.139 (2012) and Local Taxation Bureau Office Fa No.49 (2012), about "Jinzhong local taxation bureau`s reply to reduce the land tax and property tax of Jinzhong Yuci Jitianli Steel Pipe Company Limited and the other five companies", Shanxi Jingwei Heli Machinofacture Company Limited obtained land use tax and property tax refund amounted to RMB3,195,711.25.

Note 5: Pursuant to Caishui No.25(2000) "the Notice of related tax policy about Encouraging the development of Software Industry and Integrated Circuit Industry", Shanghai Huayuan Hyperthermia Technology Company Limited, a subsidiary of the Company, received a value-added-tax refund amounted to RMB2,929,248.88.

Note 6: Pursuant to Guo Ke Fa Cai No.105 (2011), Jingwei Textile Machinery Company Limited Loom Division participated in the carbon fiber multilayer angle weaving equipment and technology Research and Development topics. The state funded RMB6,800,000 and in 2011, the Company received the amount of RMB2,800,000 and recognized the amount of RMB1,200,000 as non-operating income. In 2012, it received funds of RMB2,050,000 and recognized the amount of RMB2,250,000 as non-operating income.

Note 7: VAT rebate represents a value-added tax rebate received by Shanxi Jingwei Heli Machinofacture Company Limited, 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]), a subsidiary,Shanxi Jingwei Heli Machinofacture Company Limited, received a VAT rebate of RMB1,475,896.65 in 2012.

Note 8: Pursuant to the "Notice of the National Development and Reform Commission on the Issue of new central investment plan within a budget in the year of 2008 concerning the advances in industrial technology (the third batch)" (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 "industrialization of new type super speed warp knitting machine project", "High-end twisting 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 RMB1,213,750.00.

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

52. Non-operating expenses

Currency unit: yuan

Item	2012	2011	Included in the current non-recurring items
Total loss on disposal of non-current assets	4,414,968.86	6,458,010.52	4,414,968.86
Including: Loss on disposal of fixed assets	4,414,968.86	6,004,677.10	4,414,968.86
Loss on disposal of intangible assets		453,333.42	
Loss from debt restructuring	395,101.87	1,396,391.79	395,101.87
Donations	598,000.00	2,150,164.40	598,000.00
Others	9,190,369.04	1,732,765.48	9,190,369.04
Total	14,598,439.77	11,737,332.19	14,598,439.77

53. Income tax expenses

Currency unit: yuan

Item	2012	2011
Including: Current income tax calculated in accordance with the tax law and related regulations	618,656,585.14	479,659,546.35
Deferred income tax adjustment	–105,285,473.35	–101,820,581.31
Total	513,371,111.79	377,838,965.04

54. Calculation process of basic earnings per share and diluted earnings per share

Basic EPS = P÷S= P/(S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk) Where: P refers to net profit attributable to ordinary shareholders or net profit (excluding non-recurring profit or loss) attributable to ordinary shareholders; 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 debt to equity; 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 shareholders and net profit (exclusive of non-recurring profit or loss) attributable to ordinary shareholders, considering the effects of the dilution potential ordinary shares and modulating 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.

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

55. Other comprehensive income

Item	2012	2011
1. Gain (Loss) arising from available-for-sale financial assets	–2,697,011.16	–228,494,016.85
Less: Income tax effect arising from available-for-sale financial assets	–674,252.79	–57,123,504.22
Sub-total	–2,022,758.37	–171,370,512.63
2. Shares held of other comprehensive income in investee under the equity method	–1,165,903.32	824,150.16
Sub-total	–1,165,903.32	824,150.16
3. Exchange differences arising from translation of financial statements denominated in foreign currencies	–75,767.23	–328,662.86
Sub-total	–75,767.23	–328,662.86
4. Others	–71,164.20	
Sub-total	–71,164.20	
Total	–3,335,593.12	–170,875,025.33

56. Notes to the cash flow statement

(1) Other cash receipts relating to operating activities

Item	Amount
Government grants	79,067,978.72
Proceeds from other companies	61,756,786.31
Interest income	14,601,197.94
Receipt in advance of advertisement exhibition expenses	6,168,900.00
Customer security deposit received from Qingdao Liuting Airport	2,278,000.00
Receipt of share transfer funds on behalf of labor union	1,873,942.03
Service income	522,968.26
Others	13,735,964.43
Total	180,005,737.69

Notes to the Financial Statements
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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

56. Notes to the cash flow statement (continued)

(2) Other cash payments relating to operating activities

Currency unit: yuan

Item	Amount
Agency and consultancy service expenses	326,606,518.37
Travelling expenses	67,142,637.02
Rental expenses	64,801,845.71
Business entertainment expenses	45,287,225.68
Goods delivery expenses	30,151,951.99
Office expenses	28,317,692.46
Repair and maintenance expenses	26,090,249.87
Meeting expenses	20,022,244.28
Research and development expenses	19,181,094.64
Business operating expenses	14,264,803.92
Exhibition expenses	12,513,834.12
Sales services expenses	11,659,269.26
Labor union expense	10,863,121.57
Agency and consultancy service expenses	8,262,018.23
Water, electricity and heat expenses	7,996,689.14
Advertisement and Promotion expenses	2,777,181.56
Insurance expenses	2,329,632.87
Others	9,221,271.93
Total	707,489,282.62

(3) Other cash receipts relating to financing activities

Currency unit: yuan

Item	Amount
Receipts of non-operating funds	14,532,400.00
Government grants	9,200,000.00
Total	23,732,400.00

(4) Other cash payments relating to financing activities

Currency unit: yuan

Item	Amount
Including: Payments of financing lease	35,433,055.61
Expenses arising from increase of capital	5,193,931.19
Cash payments in purchase of minority shareholders equities of subsidiaries	4,641,313.00
Payments of non-operating funds	39,820,000.00
Total	85,088,299.80

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

57. Supplementary information of the cash flow statement

(1) Supplementary information of the cash flow statement

Currency unit: yuan

Supplementary information	2012	2011
1. Adjust net profit to cash flow from operating activities		
Net profit	1,382,127,656.76	1,163,967,556.11
Add: Provision for impairment of assets	58,448,212.25	17,802,406.17
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	130,907,759.19	136,278,368.14
Amortization of intangible assets	20,861,890.90	17,821,391.59
Amortization of long-term deferred payment	14,070,845.44	5,031,655.38
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed in "-")	–31,781,814.55	–349,863.29
Loss on retirement of fixed assets (gain expressed in "-")		234,266.33
Loss on fair value changes (gain expressed in"-")	–43,783,411.62	137,726,693.69
Finance cost (gain expressed in"-")	154,530,590.94	83,163,860.26
Investment losses (gain expressed in"-")	–73,128,120.12	–21,690,921.42
Decrease in deferred tax assets (increase expressed in "-")	–105,285,473.35	–101,820,581.31
Decrease in inventories (increase expressed in "-")	58,615,166.79	–319,396,442.82
Decrease in trade and other receivables (increase expressed in "-")	115,547,603.36	373,008,018.89
Increase in trade and other payables (decrease expressed in"-")	103,663,565.26	159,770,620.76
Others	6,860,587.39	
Net cash flow from operating activities	1,791,655,058.64	1,651,547,028.48
2. Significant Investing and financing activities not involved in cash receipts and payments		
3. Net changes of cash and cash equivalents		
Closing balance of cash	6,456,694,048.29	3,807,850,611.00
Less: Opening balance of cash	3,807,850,611.00	2,350,591,630.16
Net increase in cash and cash equivalents	2,648,843,437.29	1,457,258,980.84

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VI. NOTES TO THE CONSOLIDATATED FINANCIAL STATEMENTS (CONTINUED)

57. Supplementary information of the cash flow statement (continued)

(2) Details of acquisition and disposal of subsidiaries and other business units

Currency unit: yuan

Supplementary information	2012	2011
(I) Acquisition of subsidiaries and other business units		
(i) Consideration on acquisition of subsidiaries and other business units	13,424,371.66	18,810,000.00
(ii) Cash and cash equivalents paid for acquisition of subsidiaries and other business units	12,675,371.66	
Less: Cash and cash equivalents held by the subsidiaries and other business units	4,147,197.09	13,261,742.83
(iii) Net cash paid on acquisition of subsidiaries and other business units	8,528,174.57	
(iv) Net assets on acquisition of subsidiaries	9,930,918.56	32,028,042.45
Current assets	55,986,185.52	99,822,735.36
Non-current assets	19,367,169.57	24,718,559.99
Current liabilities	43,111,901.10	92,513,252.90
Non-current liabilities	22,310,535.43	
(II) Information for disposal of the subsidiary and other business units		
(i) Consideration paid for disposal of the subsidiaries and other business units	82,360,000.00	20,000,000.00
(ii) Cash and cash equivalents received from disposal of the subsidiary and other business units	41,200,000.00	13,000,000.00
Less: Cash and cash equivalents held by the subsidiary and other business units	113,223.41	158,846.47
(iii) Net cash received on disposal of the subsidiaries and other business units	41,086,776.59	12,841,153.53
(iv) Net assets on disposal of the subsidiary	30,321,410.75	14,904,709.60
Current assets	113,223.41	14,478,846.47
Non-current assets	73,703,907.14	739,272.78
Current liabilities	43,495,719.80	313,409.65

(3) Constitution of Cash and cash equivalents

Currency unit: yuan

Item	31-Dec-2012	1-Jan-2011
1. Cash	6,456,694,048.29	3,807,850,611.00
Including: Cash on hand	958,851.87	769,922.45
Cash at bank that can be readily withdrawn on demand	6,440,035,225.72	3,752,588,950.56
Other monetary fund that can be readily withdrawn on demand	15,699,970.70	54,491,737.99
2. Closing balance of Cash and cash equivalents	6,456,694,048.29	3,807,850,611.00

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VII. RELATED PARTIES AND TRANSACTIONS

1. Details of the ultimate holding company

Name of Company	Incidence relation	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
China Textile Machinery (Group) Company Limited	Majority shareholder	Limited liability company	Beijing	Zhang Jie	Manufacturing and trading of textile machinery	2,735,820,000.00	31.13	31.13	China Hi-tech Group Corporation	101518554

Note: CTMC is the largest shareholder of the Company, its shareholding is 31.13% of the Company, CHTC directly holds 2.70% shares 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.

2. Details of subsidiaries at 31 December 2012 are as follows:

Name of subsidiaries	Company type	Form of business enterprise	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	Subsidiary	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	Subsidiary	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	Subsidiary	Limited Liability Company	Beijing	Yao Yuming	T&M	100,000,000.00	100.00	100.00	70024399-4
Yichang Jingwei Textile Machinery Company Limited	Subsidiary	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	Subsidiary	Limited Liability Company	Tianjin	Zhang Jianguo	T&M	16,000,000.00	100.00	100.00	77732301-X
Shanghai Chuangan Trading Company Limited	Subsidiary	Limited Liability Company	Shanghai	Yao Yuming	T&M	5,000,000.00	36.00	66.67	70336610-5
Shanghai Weixin Electrical and Machinery Company Limited	Subsidiary	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	Subsidiary	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	Subsidiary	Limited Liability Company	Shanghai	Lin Jianwang	Precision injection plastic parts mamufacturing	5,256,800.00	50.00	100.00	74929286-9
Jingwei Textile Machinery Yuci Material Company Limited	Subsidiary	Limited Liability Company	Jinzhong	Ren Yansheng	Metallurgy and metal material suppliers	5,000,000.00	99.92	100.00	11278984-3
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	T&M special parts mamufacturing	40,000,000.00	89.65	89.65	11274383-7
Hongkong Huaming Co. Limited	Subsidiary	Limited Liability Company	Hong Kong	Ye Maoxin	T&M	USD 7,700,000.00	100.00	100.00	
Jinzhong Jingwei Foundry Company Limited	Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	Foundry mould manufacturing	25,000,000.00	68.80	68.80	69223011-3
Shenyang Hongda Textile Machinery Company Limited	Subsidiary	Limited Liability Company	Shenyang	Wang Jue	T&M	81,994,300.00	98.00	98.00	71579925-8
Shanxi Jingwei Heli Machinery Manufacturing Company Limited	Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	Mechanical and electrical products manufacturing	100,000,000.00	30.00	71.43	11278606-0
Changde Textile Machinery Company Limited	Subsidiary	Limited Liability Company	Changde	Yao Yuming	T&M	42,349,900.00	95.00	95.00	73474692-8

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VII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

2. Details of subsidiaries at 31 December 2012 are as follows: (continued)

Name of subsidiaries	Company type	Form of business enterprise	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding (%)	Percentage of voting right held (%)	Organization code
Tianjin Hongda Textile Machinery Company Limited	Subsidiary	Limited Liability Company	Tianjin	Zhang Jianguo	T&M	96,084,000.00	100.00	100.00	71294571-5
Qingdao Hongda Textile Machinery Company Limited	Subsidiary	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	Subsidiary	Limited Liability Company	Wuxi	Lin Jianwang	Cotton yarn manufacturing	49,530,000.00	100.00	100.00	75000921-5
Wuxi Jingwei Textile Technology Sales Company Limited	Subsidiary	Limited Liability Company	Wuxi	Shi Jianping	T&M	1,000,000.00	100.00	100.00	77050566-2
Zhengzhou Hongda New Textile Machinery Company Limited	Subsidiary	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	Subsidiary	Limited Liability Company	Wuxi	Xiong Jianlin	T&M special parts mamufacturing	20,000,000.00	35.00	51.25	13589190-4
Taiyuan Jingwei Electrical Company Limited	Subsidiary	Limited Liability Company	Taiyuan	Guan Youping	Machine tool control manufacturing	5,000,000.00	100.00	100.00	60207789-X
Huangshi Jingwei Textile Machinery Company Limited	Subsidiary	Limited Liability Company	Huangshi	Liu Xianming	T&M	32,000,000.00	45.00	60.00	17841272-3
Xianyang Jingwei Textile Machinery Company Limited	Subsidiary	Limited Liability Company	Xianyang	Cheng Jianrong	T&M	50,000,000.00	97.36	97.36	56375549-0
Hubei Xinchufeng Automobile Company Limited	Subsidiary	Limited Liability Company	Suizhou	Ye Maoxin	Automobile	200,000,000.00	75.00	75	79876653-0
Anshan Jingwei Haihong Agricultural Machinery Company Limited	Subsidiary	Limited Liability Company	Anshan	Shi Jinen	A&M	40,000,000.00	51.00	51.00	68007495-0
Shanghai Huayuan Hyperthermia Technology Company Limited	Subsidiary	Limited Liability Company	Shanghai	Yao Yuming	M&D	20,000,000.00	51.00	51.00	76839464-1
Zhongrong International Trust Company Limited	Subsidiary	Limited Liability Company	Harbin	Liu Yang	Trust	1,475,000,000.00	36.60	57.14	12704434-2
Hengtian Motor Vehicle Company Limited	Subsidiary	Limited Liability Company	Hubei	Ye Maoxin	Automobile	50,000,000.00	100.00	100.00	57371112-5
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	Subsidiary	Limited Liability Company	Shanxi	Wu Xudong	T&M	31,000,000.00	65.48	65.48	74350587-8
Beijing Zhongrong Dingxin Investment Management Company Limited	Subsidiary	Limited Liability Company	Beijing	Zhang Dong	Equity Investment	100,000,000.00	100.00	100.00	58766588-7
Yichang Jingwei Machinery Company Limited	Subsidiary	Limited Liability Company	Yichang	Yao Yuming	T&M	80,000,000.00	100.00	100.00	59146114-X
Hubei Hengtian Motor Co., Ltd.	Subsidiary	Limited Liability Company	Suizhou	Lee Wai	Automobile	43,550,000.00	60.00	60.00	58822497-9
Jinzhong Jingwei Hengxin Machinery Co., Ltd	Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	T&M	7,900,000.00	51.00	51.00	11277614-5
Hi-Tech Huanyu (International) Limited	Subsidiary	Limited Liability Company	Hong Kong	Ye Maoxin	Equity Investment	HKD 5,000,000.00	100.00	100.00	
Jingwei Tsudakoma (Xianyang)Textile Machinery Company Limited	Subsidiary	Limited Liability Company	Xianyang	Cheng Jianrong	T&M	126,000,000.00	51.00	51.00	05477472-2
Beijing Jingwei Huaqing Medical Technology Co., Ltd.	Subsidiary	Limited Liability Company	Beijing	Sun Yinhui	M&D	1,000,000.00	100.00	100.00	05358949-6
China Hi-Tech (International) Limited	Subsidiary	Limited Liability Company	Hong Kong	Ye Maoxin	Equity Investment	HKD10,000.00	100.00	100.00	
CHTC Europe Holding B. V.	Subsidiary	Limited Liability Company	Nederland	Ye Maoxin	Equity Investment	EUR 1,500,002.04	100.00	100.00	
Ginaf Trucks Nederland B. V.	Subsidiary	Limited Liability Company	Nederland	Ye Maoxin	Automobile	EUR 2,000,000.00	100.00	100.00	
Jinzhon Jingwei Heli Supplementary Machinery Co., Ltd	Subsidiary	Limited Liability Company	Jinzhong	Cai Xiaohua	T&M	1,260,000.00	100.00	100.00	11278908-5
Jinzhon Jingwei Heli Electronic Machinery Co., Ltd	Subsidiary	Limited Liability Company	Jinzhong	Cai Xiaohua	T&M	250,000.00	100.00	100.00	11277906-3
Jinzhon Jingwei Heli General Machinery Co., Ltd	Subsidiary	Limited Liability Company	Jinzhong	Cai Xiaohua	T&M	4,207,950.00	100.00	100.00	11277525-7
Shanghai Shenxin Medical Machinery Technology Co., Ltd.	Subsidiary	Limited Liability Company	Shanghai	Sun Yinhui	M&D	2,000,000.00	100.00	100.00	59316468-3

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VII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. 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	77497496-8
Jingwei Machinery (Group) Co., Ltd.	Limited Liability Company	Jinzhong	Wu Xudong	Production & sales of textile machinery	42,480,000.00	18.83%	18.83%	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 Xianyang Jingwei Machinery Manufacture Company Limited	Limited Liability Company	Xianyang	Cheng Jianrong	T&M	75,079,600.00	25%	25%	Associates	71350210-7
Xinhu Fortune Investment Management Company Limited	Limited Liability Company	Beijing	Qu Guang	Investment Management	65,000,000.00	23.08%,	23.08%	Associates	58255583-0

4. Details of other related parties

Name of related parties	Relationship with the Group	Organization code
Changde Textile Machinery Factory	Company controlled by the same parent company	18648128-6
State-run yichang textile machinery	Company controlled by the same parent company	17921223-X
Hongda Industrial Company Limited	Company controlled by the same parent company	71092571-0
Wuxi Textile Machinery Research Institution	Company controlled by the same parent company	46628536-X
Xianyang Textile Machinery Plant	Company controlled by the same parent company	22052462-3
Yichang Zhongfang Hotel	Company controlled by the same parent company	17921239-5
Yichang Zhongfang Industry Company Limited	Company controlled by the same parent company	71469741-X
China Textile Machinery Industry Corporation Sales Technology Service Company	Company controlled by the same parent company	10147628-6
Beijing Bohong Real Estate Development Company Limited	Company controlled by the same actual controller	80294840-X
Chifeng Huayuan Wool Industry Company Limited	Company controlled by the same actual controller	70128008-4
Handan Hongda Chemical Fiber Machinery Company Limited	Company controlled by the same actual controller	71583516-7
Hengtian Real Estate Company Limited	Company controlled by the same actual controller	71782576-3
CHTC Heavy Industry Company Limited	Company controlled by the same actual controller	73908078-2
Hengyang Textile Machinery Company Limited	Company controlled by the same actual controller	18500076-X

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VII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related Party Transactions

(1) Purchases of goods and services for related party transactions

Related party	Content	Make a price	2012	Rate(%)	2011	Rate(%)
Associates	Purchase of tools and molds	agreement	5,679,821.71	100	8,802,933.31	100
Total			5,679,821.71	100	8,802,933.31	100
Companies in which key personnel of subsidiaries have significant influence	Purchased of casting	agreement	38,941,793.70	100	95,667,405.07	100
Total			38,941,793.70	100	95,667,405.07	100
Companies controlled by actual controlling company	Purchased of energy	agreement			47,763.96	2
Companies in which key personnel of subsidiaries have significant influence	Purchased of energy	agreement	1,279,347.57	100	2,351,172.49	98
Total			1,279,347.57	100	2,398,936.45	100
Associates	Purchased of packaging materials	agreement	6,538.46	0	8,741.92	0
Companies controlled by actual controlling company	Purchased of packaging materials	agreement	22,771,911.02	100	50,045,772.00	100
Total			22,778,449.48	100	50,054,513.92	100
Companies controlled by the same parent company	Purchased of raw materials and parts	agreement	2,382,526.13	1	1,314,355.96	0
Companies controlled by actual controlling company	Purchased of raw materials and parts	agreement	565,229.38	0	4,228,025.62	1
Associates	Purchased of raw materials and parts	agreement	82,811,436.27	30	87,997,310.24	18
Companies in which key personnel of subsidiaries have significant influence	Purchased of raw materials and parts	agreement	191,497,506.31	69	395,536,579.82	81
Total			277,256,698.09	100	489,076,271.64	100

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VII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related Party Transactions (continued)

(1) Purchases of goods and services for related party transactions (continued)

Related party	Content	Make a price	2012	Rate(%)	2011	Rate(%)
Companies controlled by the same parent company	Purchased of finished goods	agreement		0	2,779.60	–
Companies controlled by actual controlling company	Purchased of finished goods	agreement	291,721,352.71	86	426,414,994.04	75
Companies in which key personnel of subsidiaries have significant influence	Purchased of finished goods	agreement	47,738,496.49	14	144,649,924.58	25
Total			339,459,849.20	100	571,067,698.22	100
Companies controlled by the same parent company	Processing expenses	agreement	48,328.20	2	202,268.18	3
Associates	Processing expenses	agreement	806,033.26	28	9,112.00	0
Companies in which key personnel of subsidiaries have significant influence	Processing expenses	agreement	1,977,394.20	70	7,006,175.45	97
Total			2,831,755.66	100	7,217,555.63	100
Companies controlled by the same parent company	Transportation services expenses	agreement	2,855,479.21	98	4,078,514.65	100
Companies controlled by actual controlling company	Transportation services expenses	agreement		0	765.00	0
Associates	Transportation services expenses	agreement	55,959.83	2	0	
Total			2,911,439.04	100	4,079,279.65	100
Companies controlled by the same parent company	Repair and maintenance expenses	agreement	2,516,188.55	25	4,109,871.96	21
Associate	Repair and maintenance expenses	agreement	7,473,035.48	75	15,813,596.30	79
Total			9,989,224.03	100	19,923,468.26	100
Companies controlled by the same parent company	Other supporting service expenses	agreement	4,174,783.08	57	4,512,374.45	51
Companies controlled by actual controlling company	Other supporting service expenses	agreement	50,000.00	1	713,514.97	8
Associate	Other supporting service expenses	agreement	751,672.14	10	1,318,382.91	15
Companies in which key personnel of subsidiaries have significant influence	Other supporting service expenses	agreement	2,342,277.12	32	2,343,342.24	26
Total			7,318,732.34	100	8,887,614.57	100

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VII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related Party Transactions (continued)

(1) Purchases of goods and services for related party transactions (continued)

Sales of goods and services for related party transactions

Related party	Content	Make a price	2012	Rate(%)	2011	Rate(%)
Companies controlled by the same parent company	Sales of finished goods	agreement	51,282.05	0		
Companies controlled by actual controlling company	Sales of finished goods	agreement	22,983,573.19	5	102,409,607.00	20
Associates	Sales of finished goods	agreement	472,743,178.14	95	403,407,232.97	79
Companies in which key personnel of subsidiaries have significant influence	Sales of finished goods	agreement	754,700.85	0	5,974,451.23	1
Total			496,481,452.18	100	511,842,573.25	100
Companies controlled by the same arent company	Sold of raw materials and parts	agreement	15,380.46	0		
Companies controlled by actual controlling company	Sold of raw materials and parts	agreement	4,810,846.87	32	9,011,268.40	25
Associates	Sold of raw materials and parts	agreement	6,180,005.68	41	22,115,702.63	60
Companies over which key personnel of subsidiaries have significant influence	Sold of raw materials and parts	agreement	4,129,364.67	27	5,558,879.40	15
Total			15,120,217.22	100	36,701,230.89	100
Associates	Processing fee income	agreement	587,548.76	100	435,969.63	91
Companies in which key personnel of subsidiaries have significant influence	Processing fee income	agreement			45,087.18	9
Total			587,548.76	100	481,056.81	100
Companies controlled by the same parent company	Other supporting services income	agreement	308,426.38	13		
Associates	Other supporting services income	agreement	2,000,202.02	87	2,217,415.35	100
Total			2,308,628.40	100	2,217,415.35	100

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VII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related Party Transactions (continued)

(2) Leasing service received and provided from/to related parties

(a) The Group as lessor

Lessor Name	Lessee name	Types of leased assets	Lease commence date	Lease termination date	Basis of pricing	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	3,015,968.01

(b) The Group as lessee

Lessor Name	Lessee name	Types of leased assets	Lease commence date	Lease termination date	Basis of pricing	Annual rental income recognized
Qingdao Textile Machinery Company Limited	Qingdao Hongda Textile Machinery Company Limited	Buildings	2012/01/01	2012/12/31	Agreement Price	2,952,306.70
Qingdao Textile Machinery 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	2012/7/31	Agreement Price	1,618,333.57
Changde Textile Machinery Factory	Changde Textile Machinery Company Limited	Buildings	2012/01/01	2012/12/31	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

(3) Transactions of shareholder's equity

Related party	Type	Content	The pricing principle	2012	Rate (%)	2011	Rate(%)
Beijing Bohong Real Estate Development Company Limited	Stock right transfer	Equity transaction	Assess	82,360,000.00	100		

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VII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amount due from/to related parties

Amount due from related parties

Item	Relation	31-DEC-2012	Bad debt provision	1-JAN-2012	Bad debt provision
Accounts receivable	Ultimate holding company	63,998.00		63,998.00	
Accounts receivable	Companies controlled by the same parent company	147,641.73		147,641.73	
Accounts receivable	Companies controlled by actual controlling company	8,651,619.68		7,748,690.35	
Accounts receivable	Associates	85,427,532.15		78,686,321.80	
Accounts receivable	Companies in which key personnel of subsidiaries have significant influence	2,856,051.06		1,724,371.69	
	Total	97,146,842.62		88,371,023.57	
Bills receivable	Companies controlled by the same parent company	250,000.00		100,000.00	
Bills receivable	Companies controlled by actual controlling company	400,000.00		6,657,000.00	
Bills receivable	Associates	27,682,677.44		75,542,839.36	
Bills receivable	Companies in which key personnel of subsidiaries have significant influence	3,680,000.00		2,700,000.00	
	Total	32,012,677.44		84,999,839.36	
Advances to suppliers	Companies controlled by actual controlling company	54,914,602.28		12,899,631.74	
Advances to suppliers	Companies in which key personnel of subsidiaries have significant influence	52,456,221.42		43,062,769.39	
	Total	107,370,823.70		55,962,401.13	
Other receivables	Companies controlled by actual controlling company	41,160,000.00			
Other receivables	Associates	30,315,105.95		50,668,561.91	
	Total	71,475,105.95		50,668,561.91	
Dividend receivable	Companies controlled by actual controlling company	2,880,000.00		2,880,000.00	
Dividend receivable	Associates	7,385,494.00			
	Total	10,265,494.00		2,880,000.00	

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VII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amount due from/to related parties (continued)

Amount due to related parties

Item	Relation	31-DEC-2012	1-JAN-2012
Accounts payable	The Company	6,301,379.63	6,301,379.63
Accounts payable	Companies controlled by the same parent company	3,280,787.80	911,386.53
Accounts payable	Companies controlled by actual controlling company	122,717,348.93	156,013,164.57
Accounts payable	Associates	74,167,051.59	11,515,915.93
Accounts payable	Companies in which key personnel of subsidiaries have significant influence	72,305,973.69	184,457,787.80
	Total	278,772,541.64	359,199,634.46
Bills payable	Companies controlled by actual controlling company	50,000.00	
Bills payable	Associates	410,220.00	5,900,000.00
Bills payable	Companies in which key personnel of subsidiaries have significant influence	58,026,300.00	60,536,656.00
	Total	58,486,520.00	66,436,656.00
Advance from customers	The Company		1,000,087.16
Advance from customers	Companies controlled by the same parent company		367,581.11
Advance from customers	Companies controlled by actual controlling company	5,700.00	506,589.60
Advance from customers	Associates	14,170,472.30	14,663,635.49
Advance from customers	Companies in which key personnel of subsidiaries have significant influence		303,545.26
	Total	14,176,172.30	16,841,438.62
Other payables	The Company	20,231,020.72	20,231,020.72
Other payables	Companies controlled by the same parent company	15,657,241.63	26,742,430.40
Other payables	Companies controlled by actual controlling company	36,609,040.40	97,727,466.49
Other payables	Associates	352,755.76	4,479,109.68
Other payables	Companies in which key personnel of subsidiaries have significant influence		613,917.34
	Total	72,850,058.51	149,793,944.63
Dividend payables	Companies controlled by the same parent company	2,901,357.98	2,251,856.06
Dividend payables	Companies controlled by actual controlling company	11,932.15	
Dividend payables	Companies in which key personnel of subsidiaries have significant influence	38,806.67	219,886.42
	Total	2,952,096.80	2,471,742.48

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VIII. CONTINGENT LIABLITIES

1. Guarantees

Item	31-DEC-2012	1-JAN-2012
Guarantees to third parties:		
Guarantee provided for bank borrowings to a third party (Note1)	150,000,000.00	150,000,000.00
Guarantees to subsidiaries:		
Guarantee provided for bank credit granted to the subsidiaries (Note 2)	70,000,000.00	95,000,000.00
Guarantee provided for issuing small-and-medium sized enterprises collective bonds		60,000,000.00
Provision of joint liability guarantee for lease acquired by subsidiaries (Note3)	5,000,000.00	5,000,000.00
Total	225,000,000.00	310,000,000.00

Note 1: The Company provided an irrecoverable joint guarantee responsibility for Beijing Hualian Group Investment Holding Company ("Hualian Group") for a line of credit amounted to RMB150,000,000.00, which was applied in China Merchants Bank. Meanwhile, as a consideration, certain related parties of Beijing Hualian Group Investment Holding Company provided a guarantee for the Company`s credit limit of RMB150,000,000.00.

Note 2: As at 31 December 2012, The Company has provided guarantees to its subsidiaries such as Shenyang Hongda Textile Machinery Company Limited and Changde Textile Machinery Company Limited to obtain comprehensive credit, of which RMB23,945,000.00 was used. Such remaining comprehensive credit amounted to RMB46,055,000.

Note 3: At 31 December 2012, Beijing Jingwei Textile Machinery New Technology Company Limited, a subsidiary of the Company, has provided an irrevocable joint guarantee responsibility that Fenghui Leasing Company as the beneficiary for a signed leasing contract between its subsidiary Shanghai Huayuan Hyperthermia Technology Company Limited ("Shanghai Huayuan") and Fenghui Leasing Company, including covering liabilities of all related items listed within the attachments of the leasing contract. Shanghai Huayuan has pledged 49% of shareholding from the minority shareholders to the Company for any losses resulting from the guarantee in order to guarantee the joint responsibilities of the two parts.

IX. COMMITMENTS

1. Capital commitments

Item	31-DEC-2012	1-JAN-2012
Contracted but not recognized in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	141,361,322.09	96,815,669.22
Total	141,361,322.09	96,815,669.22

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
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IX. 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:

Item	31-DEC-2012	1-JAN-2012
Minimum lease payments under non-cancellable finance leases:		
The first year subsequent to the balance sheet date	34,211,939.73	34,575,606.65
The second year subsequent to the balance sheet date	25,835,728.58	34,920,170.95
The third year subsequent to the balance sheet date	74,608.87	25,686,510.84
Subsequent periods		
Total	60,122,277.18	95,182,288.44

Note: For more details, please refers to VIII (35).

X. EVENTS AFTER REPORTING DATE

1. Profit distribution plan

The net profit of the Company of year 2012 is RMB17,046,094.71, according to the profit allocation proposal approved by the 21st 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., RMB1,704,609.47. After the provision of statutory surplus reserve, the Company's distributable profit of year 2012 is RMB15,341,485.24 and the total distributable profit to shareholders is RMB172,152,420.68. The proposal suggested to distribute cash dividends of RMB0.10 per share (including tax), i.e., RMB70,413,000.00 after taking into consideration of shareholders' interest and the Company's long-term development. The undistributed profit of RMB101,739,420.68 will be carried forward to next year.

2. Completion of share capital increase of Zhongrong International Trust Company Limited, a subsidiary of the Company

According to permission of China Securities Regulatory Commission (CSRC) file No. 1118 (2012), Jingwei Textile Machinery Company Limited (the Company) issued 100,330,000 RMB ordinary shares to 5 investors including controlling shareholders and ultimate holding company. The funds totally raised amounted to RMB937,082,206.13. Among these, cash amounted to RMB797,547,961.16, and debt transfer amounted to RMB139,534,244.97. Net funds raised was RMB903,649,973.17 after netting off related issuance cost. At 30 November 2012, the raised funds of non-public offering of stock was in place and a valuation report QJ[2012]T348 by Baker Tilly China has been issued in respect of this issue.

According to Zhongrong Trust share capital increase agreement – supplementary agreement 2, the Company should pay the second installment RMB477,580,300 to Zhongrong International Trust Company Limited (Zhongrong Trust) regarding the share capital increase afer the permission of CSRC concerning the non-public offering of stock and the raised fund's being in place. As a result, the Company transferred RMB477,567,600 to Zhongrong Trust on 25 January 2013. Zhongrong Trust self-financing the insufficient balance of RMB12,700.

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XI. OTHER IMPORTANT MATTERS

1. Lease

(1) Minimum lease payment of finance lease as lessee:

To be expired in	Minimum lease payments
Less than 1 year	34,211,939.73
1-2 years	25,835,728.58
2-3 years	74,608.87
Over 3 years	
Total	60,122,277.18

(2) Minimum lease payment of operating lease as lessee

To be expired in	Minimum lease payments
Less than 1 year	49,049,694.78
1-2 years	27,838,023.53
2-3 years	10,696,745.47
Over 3 years	2,309,784.30
Total	89,894,248.08

2. 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 or loss for the current period (derivative financial assets exclude)	253,226,491.88	43,783,411.61			276,665,724.16
2. Derivative financial assets					
3. Available-for-sale financial assets	589,545,330.98		6,172,041.63		570,852,379.82
Total	842,771,822.86	43,783,411.61	6,172,041.63		847,518,103.98
Financial liabilities Total					

3 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	46,135,488.71				107,327,039.60
Sub-total of financial assets	46,135,488.71				107,327,039.60
Financial liabilities					
Other financial liabilities	296,615,219.70				161,363,311.51
Sub-total of financial liabilities	296,615,219.70				161,363,311.51

Notes to the Financial Statements
For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

XII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) By categories

	31-DEC-2012				1-JAN-2010			
	Amount	Proportion	Allowance for bad debt	Proportion	Amount	Proportion	Allowance for bad debt	Proportion
Significant balance under assessment of impairment individually	256,191,590.18	43.13%	216,292.06	0.08%	76,864,789.87	16.37%		
Aggregate balance under assessment by category of:								
Aging analysis	310,129,856.57	52.19%	4,379,164.29	1.41%	389,808,108.95	83.02%	13,621,970.30	3.49%
Subtotal	310,129,856.57	52.19%	4,379,164.29	1.41%	389,808,108.95	83.02%	13,621,970.30	3.49%
Insignificant balance under assessment of impairment individually	27,812,734.69	4.68%	71,429.96	0.26%	2,881,157.79	0.61%	1,805,903.42	62.68%
Total	594,234,181.44	100.00%	4,666,886.31		469,554,056.61	100.00%	15,427,873.72	

(2) Significant balance under assessment of impairment individually

The contents of accounts receivable	Amount RMB	Provision for bad debt	Proportion	Provision grounds
Qingdao Hongda Textile Machinery Company Limited	75,748,302.13			subsidiary
Tianjin Hongda Textile Machinery Company Limited	67,362,563.06			subsidiary
Shanxi Jingwei Heli Machinery Manufacturing Company Limited	39,567,432.03			subsidiary
Huangshi Jingwei Textile Machinery Company Limited	27,145,158.93			subsidiary
Changde Textile Machinery Company Limited	16,130,195.84			subsidiary
Others	30,337,938.19	216,292.06	0.71%	
Total	256,291,590.18	216,292.06		

(3) Aging analysis of accounts receivable for impairment assessment on a portfolio basis

	31-DEC-2012			1-JAN-2012		
Aging	Amount	Proportion	Allowance for bad debt	Amount	Proportion	Allowance for bad debt
Less than 1 year	295,596,609.58	95.31		372,343,387.32	95.52	
1-2 years	11,336,796.22	3.66	2,267,359.24	4,766,285.04	1.22	953,257.01
2-3 years	2,169,291.45	0.70	1,084,645.73	59,446.60	0.02	29,723.30
Over 3 years	1,027,159.32	0.33	1,027,159.32	12,638,989.99	3.24	12,638,989.99
Total	310,129,856.57	100.00	4,379,164.29	389,808,108.95	100.00	13,621,970.30

Notes to the Financial Statements
For the year ended 31 December 2012

(All amounts are stated in RMB unless otherwise stated)

XII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (continued)

(4) Insignificant balance under assessment of impairment individually:

The contents of accounts receivable	Amount RMB	Provision for bad debt	Proportion	Provision grounds
Aushan Jingwei Haihong Agricultural Machinery Company Limited	8,319,660.62			N/A
Yichang Jingwei Textile Machinery Company Limited	6,516,414.05			N/A
Hubei Xinchufeng Automobile Co., Ltd.	2,759,225.64			N/A
Wuxi Hongda Textile Machinery and Special Parts Company Limited	2,144,836.80			N/A
Wuxi JingweiTextile Technology Sales Company Limited	1,896,743.28			N/A
Others	6,175,854.30	71,429.96	1.16%	Part expected to be irrecoverable
Total	27,812,734.69	71,429.96		

(5) Accounts receivable written off in 2012

Accounts receivable be written off by the Company is RMB 7,740,202.22 for the current year.

(6) Top five accounts receivable as at 31 December 2012

Name	Relationship with the Company	Balance	Period	Proportion
Qingdao Hongda Textile Machinery Company Limited	Subsidiary	75,748,302.13	Less than 1 year	12.75
Tianjin Hongda Textile Machinery Company Limited	Subsidiary	67,362,563.06	Less than 2year	11.34
Shanxi Jingwei Heli Machinery Manufacture Company Limited	Subsidiary	39,567,432.03	Less than 2 year	6.66
Jingwei Machinery (Group) Company Limited	Associate	37,019,653.54	Less than 1 year	6.23
China Texmatech Company Limited	Associate	31,154,776.81	Less than 1 year	5.24
Total		250,852,727.57		42.21

(7) Accounts receivable related payment

Name	Relationship with the Company	Balance	Proportion
China Texmatech Company Limited	Associate	31,154,776.81	5.24%
Tianjin Textile Machinery Company Limited	Company in which key personnel of subsidiaries has significant influence	111,000.00	0.02%
CHTC Heavy Industry Company Limited	Company controlled by the same actual controller	4,055,950.40	0.68%
Hengyang Textile Machinery Company Limited	Company controlled by the same actual controller	295,034.82	0.05%
Jingwei Machinery (Group) Co., Ltd.	Associate	37,019,653.54	6.23%
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	Company controlled by the same actual controller	17,885.00	0%
Total		72,654,300.57	12.22%

Notes to the Financial Statements
For the year ended 31 December 2012

(All amounts are stated in RMB unless otherwise stated)

XII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) By categories

	31-DEC-2012				1-JAN-2012			
	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Significant balance under assessment of impairment individually	675,099,467.94	84.60			474,887,523.72	88.57		
Aggregate balance under assessment by category of:								
Aging analysis	57,108,876.19	7.16	207,454.67	0.36	25,069,774.99	4.68	103,447.70	0.41
Subtotal	57,108,876.19	7.16	207,454.67	0.36	25,069,774.99	4.68	103,447.70	0.41
Insignificant balance under assessment of impairment individually	65,763,067.87	8.24			36,241,018.96	6.75	39,976.10	0.11
Total	797,971,412.00	100.00%	207,454.67		536,198,317.67	100.00%	143,423.80	

(2) Significant balance under assessment of impairment individually

The contents of accounts receivable	Amount RMB	Provision for bad debt	Proportion	Provision grounds
Tianjin Hongda Textile Machinery Company Limited	215,500,000.00			subsidiary
Hubei Xinchufeng Automobile Company Limited	153,350,000.00			subsidiary
Xianyang Jingwei Textile Machinery Company Limited	88,433,228.98			subsidiary
Wuxi Jingwei Textile Technology Testing Company Limited	54,295,188.00			subsidiary
Others	163,521,050.96			subsidiary
Total	675,099,467.94			

(3) Aging analysis of other receivables under impairment assess on a portfolio basis

	31-DEC-2012			1-JAN-2012		
Aging	Amount	Proportion	Provision for bad debt	Amount	Proportion	Provision for bad debt
Less than 1 year	56,308,161.56	98.60			24,752,536.49	98.73
1-2 year	725,558.85	1.27	145,111.77	267,238.50	1.07	53,447.70
2-3 year	25,625.77	0.04	12,812.89			
Over 3 years	49,530.01	0.09	49,530.01	50,000.00	0.20	50,000.00
Total	57,108,876.19	100.00	207,454.67	25,069,774.99	100.00	103,447.70

Notes to the Financial Statements
For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

XII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(4) Insignificant balance under assessment of impairment individually

The contents of other receivables	Amount RMB	Provision for bad debt	Proportion	Provision grounds
Aushan Jingwei Haihong Agricultural Machinery Company Limited	8,630,000.00			N/A
CMB financial leasing company limited	8,850,000.00			N/A
Shenyang Hongda Textile Machinery Company Limited	7,060,000.00			N/A
Yichang Jingwei Machinery Company Limited	6,945,942.01			N/A
Qingdao Hongda Textile Machinery Company Limited	6,280,000.00			N/A
Others	27,997,125.86			N/A
Total	65,763,067.87			

(5) Top five other receivables as at 31 December 2012

Name	Relationship with the Company	Balance	Nature of receivables	Period	Proportion
Tianjin Hongda Textile Machinery Company Limited	Subsidiary	243,159,545.55	Inter Company Funds	Within 4 years	30.47
Hubei Xinchufeng Automobile Co., Ltd	Subsidiary	153,350,000.00	Inter Company Funds	Within 1 year	19.22
Xianyang Jingwei Textile Machinery Company Limited	Subsidiary	88,435,378.98	Inter Company Funds	Within 1 year	11.08
Wuxi Jingwei Textile Technology Testing Company Limited	Subsidiary	54,295,188.00	Inter Company Funds	Within 3 years	6.80
Qingdao Hongda Textile Machinery Company Limited	Subsidiary	48,280,000.00	Inter Company Funds	Within 1 year	6.05
Total		587,520,112.53			73.63

(6) Accounts receivable related payment

Name	Relationship with the Company	Balance	Proportion
Anhui Huamao Jingwei New Type Textile Company Limited	Associate	26,168,561.91	3.28%
Beijing Bohong Real Estate Development Company Limited	Company controlled by the same actual controller	41,160,000.00	5.16%
Total		67,328,561.91	8.44%

Notes to the Financial Statements
For the year ended 31 December 2012

(All amounts are stated in RMB unless otherwise stated)

XII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment

(1) Listed by details

Name of Investee	accounting method	Cost	As at 1 January 2012	Increase/ Decrease during the year	As at 31 December 2012	Proportion of ownership (%)	Proportion of vote (%)	Ownership and voting rights inconsistent description	Accumulated Impairment	Impairment for the year	Cash dividends
China Texmatech Company Limited	Equity method	30,000,000.00	62,373,971.72	–4,498,173.74	57,875,797.98	25.00	25				785,494.00
Hongda Research Company Limited	Equity method	20,000,000.00	11,887,465.82	165,091.53	12,052,557.35	40.00	40.00				
Jingwei Machinery(Group) Company Limited.	Equity method	8,000,000.00	10,316,833.68	1,035,058.52	11,351,892.20	18.83	18.83				1,600,000.00
Beijing Hengtian Fortune Investment Management Company Limited	Equity method	10,000,000.00	15,597,017.50	8,922,967.41	24,519,984.91	20.00	20.00				5,000,000.00
Xianyang Jingwei Machinery Manufacture Company Limited	Equity method	7,102,828.08		6,050,439.76	6,050,439.76	24.33	24.33				
Hongda investment Company Limited	Cost method	24,866,602.17	24,866,602.17		24,866,602.17	9.38	9.38				14,823,871.42
Qingdao Hongda Textile Machinery Company Limited	Cost method	44,100,000.00	96,009,790.51		96,009,790.51	97.66	97.66				20,664,446.77
Zhengzhou Hongda New Textile Machinery Company Limited	Cost method	23,010,000.00	80,805,191.00		80,805,191.00	98.00	98.00				584,675.40
Shenyang Hongda Textile Machinery Company Limited	Cost method	69,580,000.00	81,301,993.00	10,774,414.00	92,076,407.00	98.00	98.00				1,901,506.10
Tianjin Hongda Textile Machinery Company Limited	Cost method	76,930,000.00	71,005,633.00	17,232,320.00	88,237,953.00	98.00	98.00				2,232,720.40
Changde Textile Machinery Company Limited	Cost method	29,644,900.00	35,279,928.00		35,279,928.00	70.00	70.00				9,093,026.92
Beijing Jingwei Textile Machinery New Technology Company Limited	Cost method	98,400,000.00	98,407,084.00		98,407,084.00	98.40	98.40				46,000,000.00
Tianjin Jingwei New Type Textile Machinery Company Limited	Cost method	12,000,000.00	12,000,000.00		12,000,000.00	75.00	75.00				
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Cost method	2,000,000.00	4,765,534.00		4,765,534.00	10.00	51.25	The Company held less than 50% interest in Wuxi Hongda Textile Machinery and Special Parts Company Limited 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			600,000.00
Wuxi Jingwei Textile Technology Testing Company Limited	Cost method	32,960,000.00	34,152,507.00		34,152,507.00	66.55	66.55				
Shanxi Jingwei Heli Machinery Manufacture Company Limited	Cost method	30,000,000.00	39,288,285.00		39,288,285.00	30.00	71.43	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.			
Yichang Jingwei Textile Machinery Company Limited	Cost method	15,000,000.00	15,000,000.00		15,000,000.00	75.00	75.00				6,706,530.75
Beijing Jingpeng Investment Management Company Limited	Cost method	96,000,000.00	96,000,000.00		96,000,000.00	96.00	96.00				563,227.82
Jingwei Textile Machinery Yuci Material Company Limited	Cost method	4,960,000.00	5,000,000.00		5,000,000.00	99.92	99.92				33,592.30
Shanghai Weixin Electrical and Machinery Company Limited	Cost method	14,400,000.00	14,400,000.00		14,400,000.00	90.00	90.00				

Notes to the Financial Statements
For the year ended 31 December 2012
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XII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment (continued)

(1) Listed by details (continued)

Name of Investee	accounting method	Cost	As at 1 January 2012	Increase/ Decrease during the year	As at 31 December 2012	Proportion of ownership (%)	Proportion of vote(%)	Ownership and voting rights inconsistent description	Accumulated Impairment	Impairment for the year	Cash dividends
Shanghai Chuangan Trading Company Limited	Cost method	1,800,000.00	1,800,000.00		1,800,000.00	36.00	60.00	The Company held less than 50% interest in Shanghai Chuangan Trading Company Limited ("Shanghai Chuangan"). But pursuant to the Articles of Association of Shanghai Chuangan, the Group has more than half of the seats of the Board of Directors and hence has actual control over the Board			10,096.66
Hongkong Huaming Co. Limited	Cost method	4,966,416.00	62,559,880.00		62,559,880.00	100.00	100.00				
Huangshi Jingwei Textile Machinery Company Limited	Cost method	17,851,007.41	17,851,007.41		17,851,007.41	45.00	60.00	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 three of five seats of this company's Board of Directors and hence has actual control over the Board.	7,051,007.42		
Wuxi Jingwei Textile Machinery Sales Service Company Limited	Cost method	4,793,503.17	4,793,503.17		4,793,503.17	100.00	100.00				
Aushan Jingwei Haihong Agricultural Machinery Company Limited	Cost method	38,855,400.00	38,855,400.00		38,855,400.00	51.00	51.00				
Hubei Xinchufeng Automobile Co., Ltd	Cost method	100,000,000.00	150,000,000.00		150,000,000.00	75.00	75.00				
Xianyang Jingwei Textile Machinery Company Limited	Cost method	57,468,693.00	48,200,000.00	480,000.00	48,680,000.00	97.36	97.36				
Zhongrong International Trust Co., Ltd	Cost method	1,585,565,021.62	1,585,565,021.62		1,585,565,021.62	36.60	57.14	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.			
Yichang Jingwei Machinery Company Limited	Cost method	78,927,593.34		78,927,593.34	78,927,593.34	100.00	100.00				
Jingwei Tsudakoma Textile Machinery (Xianyang) Company Limited	Cost method	64,260,000.00		64,260,000.00	64,260,000.00	51.00	51.00				
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Cost method	35,850,000.00	35,860,000.00		35,860,000.00	89.65	89.65				
Taiyuan Jingwei Electrical Company Limited	Cost method	4,900,000.00	5,212,000.00		5,212,000.00	98.00	98.00				
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	Cost method	42,383,554.97	40,357,554.97		40,357,554.97	78.00	78.00				
Jinzhong Jingwei Foundry Company Limited	Cost method	17,200,000.00	17,200,000.00		17,200,000.00	68.80	68.80				
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	Cost method	18,810,000.00	18,810,000.00	4,641,313.00	23,451,313.00	65.48	65.48				
Jinzhong Jingwei Hengxin Machinery Co., Ltd.	Cost method	4,029,000.00	4,029,000.00	4,029,000.00		51.00	51.00				
Xianyang Jingwei Machinery Manufacture Company Limited	Cost method	57,468,693.00	61,469,929.00	–61,469,929.00							
Total		2,784,083,212.76	2,896,992,132.57	130,550,094.82	3,027,542,227.39				21,874,878.84		95,775,317.12

Notes to the Financial Statements
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XII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Operating income and operating costs

(1) Operating income/costs

Item	2012	2011
Principal operating income	2,527,461,938.87	3,888,401,722.91
Other operating income	851,501,589.01	1,284,403,389.10
Total	3,378,963,527.88	5,172,805,112.01
Cost Total	3,128,677,153.32	4,840,790,124.79

(2) Classified by industry

	2012		2011	
Industry name	Operating income	Operating costs	Operating income	Operating costs
Textile machinery	2,527,461,938.87	2,316,067,632.22	3,888,401,722.91	3,608,412,558.99
Total	2,527,461,938.87	2,316,067,632.22	3,888,401,722.91	3,608,412,558.99

(3) Classified according to regions

	2012		2011	
Region	Operating income	Operating costs	Operating income	Operating costs
Domestic income	2,185,238,467.21	1,984,704,528.42	3,565,158,523.02	3,297,331,379.31
Oversea income	342,223,471.66	331,363,103.80	323,243,199.89	311,081,179.68
Total	2,527,461,938.87	2,316,067,632.22	3,888,401,722.91	3,608,412,558.99

(4) Top five customers for the year ended at 31 December 2012

Customers	Operating income	Proportion
China Texmatech Company Limited	338,152,920.29	10.01
Qingdao Hongda Textile Machinery Company Limited	249,220,892.59	7.38
Huafang Wuhe Textile Company Limited	171,263,589.74	5.07
Wuxi Jingwei Textile Machinery Sales Service Company Limited	105,501,025.69	3.12
The Ak Su Xinya cotton Company Limited	18,697,230.74	0.55
Total	882,835,659.05	26.13

Notes to the Financial Statements
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XII. 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	2012	2011
Investment income under cost method	88,389,823.12	127,823,113.57
Investment income under equity method	13,123,952.72	12,519,195.98
Gain on disposal of long-term equity investment	35,768,715.14	
Gain on disposal of held-for-trading financial assets	-22,382.95	569,732.40
Total	137,260,108.03	140,912,041.95

(2) Investment income under the cost method

Name of investee	2012	2011	Reason of change
Beijing Jingwei Textile Machinery New Technology Co., Ltd.	46,000,000.00		Distribute dividend
Qingdao Hongda Textile Machinery Company Limited	20,664,446.77	32,932,199.64	Distribute dividend
Changde Textile Machinery Company Limited	9,093,026.92	15,415,022.83	Distribute dividend
Yichang Jingwei Textile Machinery Company Limited	6,706,530.75	42,383,071.78	Distribute dividend
Tianjin Hongda Textile Machinery Company Limited	2,232,720.40		Distribute dividend
Shenyang Hongda Textile Machinery Company Limited	1,901,506.10	4,628,092.52	Distribute dividend
Wuxi Hongda Textile Machinery and Special Parts Company Limited	600,000.00	1,000,000.00	Distribute dividend
Zhengzhou Hongda New Textile Machinery Company Limited	584,675.40	651,473.35	Distribute dividend
Beijing Jingpeng Investment Management Company Limited	563,227.82	1,268,214.30	Distribute dividend
Jingwei Textile Machinery Yuci Material Company Limited	33,592.30	147,657.47	Distribute dividend
Shanghai Chuangan Trading Company Limited	10,096.66	151,660.40	Distribute dividend
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited		23,319,772.79	No dividend distribution during this year
Tianjin Jingwei New Type Textile Machinery Company Limited		5,827,441.06	No dividend distribution during this year
Shanxi Jingwei Textile Machinery and Special Parts Co., Ltd.		98,507.43	No dividend distribution during this year
Total	88,389,823.12	127,823,113.57	

Notes to the Financial Statements
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XII. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Investment income (continued)

(3) Investment income under the equity method

Name of investee	2012	2011	Reason of change
Beijing Hengtian Fortune Investment Management Company Limited	13,922,967.41	5,597,017.50	Profit under normal operation
Jingwei Machinery (Group) Company Limited	2,842,875.83	2,316,833.68	Profit under normal operation
Hongda Research Company Limited	165,091.53	45,260.06	Profit under normal operation
Xianyang Jingwei Machinery Manufacture Company Limited	-1,052,388.32		Profit under normal operation
China Texmatech Company Limited	-2,754,593.73	4,560,084.74	Profit under normal operation
Total	13,123,952.72	12,519,195.98	

6. Supplementary information of the cash flow statement

Category	2012	2011
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	17,046,094.71	116,239,230.81
Add: Provision for impairment loss	46,195,089.54	3,160,737.70
Depreciation of fixed assets, depletion of oil and gas assets and productive biological assets	20,570,013.04	36,064,378.51
Amortization of intangible assets	5,271,259.93	4,196,411.18
Amortization of long-term deferred payment		
Loss on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	-15,970,188.95	-962,010.55
Loss on retirement of fixed assets (gains expressed with "-")		
Loss on fair value change (gains expressed with "-")	1,253.73	121,180.99
Finance cost (gains expressed with "-")	125,989,275.56	80,077,752.38
Investment losses (gains expressed with "-")	-137,260,108.03	-140,912,041.95
Decrease in deferred tax assets (gains expressed with "-")		
Increase in deferred tax liabilities (loss expressed with "-")		
Decrease in inventories (gains expressed with "-")	106,629,857.83	-41,849,862.14
Decrease in trade receivables (gains expressed with "-")	-255,174,067.83	53,714,262.73
Increase in trade payables (loss expressed with "-")	107,632,496.04	7,527,838.95
Others	724.92	
Net cash flow from operating activities	20,931,700.49	117,377,878.61
2. Investment and financing activities not involved cash receipts and payments		
Debt into capital	–	–
Convertible corporation debenture due within one year		
Finance lease fixed assets		
3. Net increase in cash and cash equivalents	–	–
Closing balance of cash	1,040,410,788.66	431,749,529.22
Less: opening balance of cash	431,749,529.22	1,066,843,362.54
Closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	608,661,259.44	-635,093,833.32

Notes to the Financial Statements
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XIII. SUPPLEMENTARY INFORMATION

1. Rate of return on net assets and earnings per share

Profits of the report period	Weighted average rate of return on net assets	Earnings per share Basic EPS	Earnings per share Diluted EPS
Net profit attributable to ordinary shareholders	11.71%	0.70	0.70
Net profit (excluding non-operating profit) attribute to ordinary shareholders	7.96%	0.48	0.48

2. Analysis on changes of financial statements items

Item	31-DEC-2012	1-JAN-2012	Variance	Notes
Monetary Funds	6,548,740,008.05	3,988,190,008.10	64.20%	Note 1
Accounts receivable	698,770,042.46	476,028,483.60	46.79%	Note 2
Prepayment	463,173,676.21	339,903,795.30	36.27%	Note 3
Dividend receivable	10,265,494.00	2,880,000.00	256.44%	Note 4
Non-current asset due within one year	22,082,751.25	69,148,193.44	-68.06%	Note 5
Other current asset	537,168.49	1,225,749.22	-56.18%	Note 6
Long-term receivables		14,693,407.10	-100.00%	Note 7
Material held for construction		12,086,403.58	-100.00%	Note 8
Long-term deferred payments	33,060,441.34	18,618,554.54	77.57%	Note 9
Deferred tax assets	288,902,514.03	182,942,787.89	57.92%	Note 10
Receipt in advance	566,497,450.34	906,171,539.26	-37.48%	Note 11
Employee benefits payables	1,106,647,580.96	670,416,772.39	65.07%	Note 12
Interest payables	48,489,844.48	370,520.55	12986.95%	Note 13
Non-current liabilities due within one year	93,654,888.58	401,424,295.29	-76.67%	Note 14
Long-term borrowings		60,000,000.00	-100.00%	Note 15
Debenture payables	1,200,000,000.00		100.00%	Note 16
Long-term payables	82,420,491.33	125,863,655.09	-34.52%	Note 17
Special payables	17,341,405.91	141,534,244.97.00	-87.75%	Note 18
Other non-current liabilities	96,755,977.44	67,528,021.58	43.28%	Note 19
Capital reserve	1,997,154,774.06	1,193,078,144.53	67.40%	Note 20
Special Reserve	5,377,780.42		100.00%	Note 21
General risk reserve	56,712,015.61	26,512,656.79	113.91%	Note 22
Operating revenues	5,061,930,443.44	7,272,369,776.75	-30.40%	Note 23
Operating costs	4,198,210,324.02	6,115,704,282.02	-31.35%	Note 24
Finance cost	140,149,934.87	73,769,625.44	89.98%	Note 25
Impairment loss of assets	58,448,212.25	35,233,229.28	65.89%	Note 26
Gains on fair value change	43,783,411.62	-137,726,693.69	131.79%	Note 27
Investment income	73,128,120.12	21,690,921.42	237.14%	Note 28
Non-operating revenue	121,045,532.81	33,076,219.78	265.96%	Note 29
Income tax	513,371,111.79	377,838,965.04	35.87%	Note 30
Other comprehensive income	-3,335,593.12	-170,875,025.33	98.05%	Note 31

Notes to the Financial Statements
For the year ended 31 December 2012
(All amounts are stated in RMB unless otherwise stated)

XIII. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Analysis on Changes of financial statements items (continued)

Note 1: Monetary funds increased in 2012 compared with the beginning of the year as the Group obtained funds by debenture and equity financing. Meanwhile, the profitability of the Company was good in 2012.
Note 2: Increase in accounts receivables mainly due to the Group`s raising the credit proportion.
Note 3: Prepayment increased in 2012 when compared with the beginning of the year as the increment in prepayment of purchasing materials.
Note 4: Increment in dividend receivables mainly due to the share distribution of associate.
Note5: Current portion of other non-current asset due within one year decreased compared with the beginning of the year since part of the receivables of goods being sent out regarding the installment sales has already settled.
Note 6: Other current asset decreased compared with the beginning of the year mainly because less amount of corporate income tax was prepaid in 2012.
Note 7: Long-term receivable decreased compared with the beginning of the year since receivables of goods being sent out regarding sales installment were all settled within one year.
Note 8: Material held for construction decreased in2012 compared with the beginning of the year as the beginning balance was transferred to construction in progress.
Note 9: Long-term prepayments increased in 2012 compared with the beginning of the year, the main reason was the increase of house refurbishment expenses.
Note 10: The deferred tax assets increased compared with the beginning of the year due to the increased deductable temporary difference which leads to the increase in the relevant deferred tax assets.
Note 11: Advances from customers decreased in 2012 as sales dropped during the year since demands of textile machinery decreased.
Note12: Employee benefits payables increased in 2012 compared with the beginning of the year. It was mainly because of not yet paid salaries.
Note 13: Interest payable increased since the increment in interest on medium-term notes.
Note14: Non-current liabilities due within one year decreased in 2012 mainly because the decrement in long term borrowing due within one year.
Note15: Long-term borrowings decreased as all long-term borrowings have settled within one year
Note 16: Debenture payables increased as the new issuance of 5-year mid-term notes.
Note 17: Long-term payables decreased mainly due to the decrement of finance lease in 2012.
Note 18: Special payable decreased as part of it transferred for the usage of the increase of share capital.
Note 19: Other non-current liabilities increased in 2012 mainly due to the increase of relocation grant.
Note 20: Capital reserve increased in 2012 mainly due to the increment in share premium arising from the increase of directional issue of shares.
Note 21: Special reserve increased in 2012 as according to CaiQi [2012] No.16, "Measures for the accrual of the Safety Production Fee and usage management", issued by Ministry of Finance ("MOF") and National Safety Production Supervisor Management General Bureau, the Group is required to accrue a Safety Production Feefrom this year.
Note 22: General risk reserve increased in 2012 mainly due to the provision in this year.
Note 23: Operating income decreased in 2012 compared with 2011 mainly because of the decrease of the demands of textile machinery in the market which led to the sales decrease, hence the operating income relatively decreased.
Note 24: Operating cost decreased in 2012 compared with 2011 mainly because of the decrease of the demands of the textile machinery in the market which led to the sales decrease, hence the operating cost relatively decreased.
Note 25: Financial cost increased in 2012 mainly due to increment in liabilities with interest cost.
Note 26: Impairment loss in respect of assets increased in 2012 compared with 2011, it is mainly because the Group provided more impairment losses for the assets with impairment signs.
Note 27: Gains on fair value changes increased in 2012 compared with 2011,it is mainly because Zhongrong International Trust Company Limited, a subsidiary of the Group, bought shares that had a increase of fair value in a way of self-supporting, which led to a gain on fair value changes.
Note 28: The increase of investment income in 2012 compared with 2011 mainly due to the disposal of Xianyang Jingwei Machinery Manufacture Company Limited, a subsidiary of the company.
Note 29: Non-operating revenue increased in 2012 compared with 2011. It is due to the increase in government grant and gain on disposal of fixed assets.
Note 30: Income tax increased compared with 2011. It is because of the increase of profits.
Note 31: Other comprehensive income increased in 2012 compared with 2011. The main reason is that the fair value of available-for-sale financial assets held by Zhongrong International Trust Company Limited, a subsidiary of the Company, decreased less compared with last year.

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 the 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 170 to 242, which comprise the consolidated statement of financial position as at 31 December 2012, 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 the preparation of 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 ("HKICPA") 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 HKICPA. 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 2012 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, 19 March 2013

Lo Wing See
Practising certificate number P04607

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Note	2012 *RMB'000*	2011 *RMB'000*
Turnover	5	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	7	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	8	(149,920)	(103,049)
Share of profit of associates		648	8,394
Profit before taxation	9	1,902,360	1,541,806
Income tax expense	10	(513,371)	(377,839)
Profit for the year		1,388,989	1,163,967
Other comprehensive income	12		
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	15		
– Basic and diluted		RMB0.71	RMB0.81

The notes on page 176 to 242 form part of these consolidated financial statements.

Consolidated Statement of Financial Position
At 31 December 2012

	Note	2012 *RMB'000*	2011 *RMB'000*
Non-current assets			
Property, plant and equipment	16	1,959,820	1,925,234
Prepaid lease payments	17	444,021	482,390
Intangible assets	18	51,398	24,289
Goodwill	19	844,307	845,633
Interests in associates	20	151,876	114,839
Available-for-sale financial assets	21	636,980	655,418
Deferred tax assets	22	288,902	182,943
Other non-current assets	23	–	14,693
		4,377,304	4,245,439
Current assets			
Inventories	24	1,484,581	1,515,924
Trade and other receivables	25	2,595,563	2,718,958
Prepaid lease payments	17	10,817	11,470
Amount due from a holding company	26	64	64
Amounts due from fellow subsidiaries	26	108,404	30,433
Amounts due from associates	26	150,811	204,900
Current tax assets		537	1,225
Financial assets at fair value through profit or loss	27	276,666	253,226
Pledged bank deposits	28	68,981	180,339
Cash and cash equivalents	28	6,479,759	3,807,851
		11,176,183	8,724,390
Current liabilities			
Trade and other payables	29	4,065,991	4,328,922
Amounts due to holding companies	26	26,532	27,532
Amounts due to fellow subsidiaries	26	181,233	284,520
Amounts due to associates	26	89,100	36,559
Current tax liabilities		177,749	150,696
Borrowings – amount due within one year	30	1,515,761	1,984,022
Obligations under finance leases	31	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
Non-current liabilities			
Borrowings – amount due after one year	30	1,200,000	60,000
Obligations under finance leases	31	25,243	57,834
Other non-current liabilities	32	171,275	277,092
		1,396,518	394,926
		8,068,582	5,731,305
Capital and reserves			
Share capital	33	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

The consolidated financial statements on pages 170 to 242 were approved by the Board of Directors on 19 March 2013 and are signed on its behalf by:

Ye Maoxin *Director*	**Yao Yuming** *Director*

The notes on page 176 to 242 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

	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))*	Production safety fund surplus reserve *RMB'000* *(note 34(e))*	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 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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

	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))*	Production safety fund surplus reserve *RMB'000* *(note 34(e))*	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 2012	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
Profit for the year	–	–	–	–	–	–	–	–	435,621	435,621	953,368	1,388,989
Other comprehensive loss for the year, net of income tax	–	–	–	–	–	–	(1,977)	(33)	–	(2,010)	(1,326)	(3,336)
Total comprehensive income for the year	–	–	–	–	–	–	(1,977)	(33)	435,621	433,611	952,042	1,385,653
Appropriation to reserve	–	–	61,431	713	30,199	–	–	–	(92,343)	–	–	–
Provision for production safety fund surplus reserve	–	–	–	–	–	11,484	–	–	(11,484)	–	–	–
Utilisation for production safety fund surplus reserve	–	–	–	–	–	(6,106)	–	–	6,106	–	–	–
Issue of shares (note 33)	100,330	836,752	–	–	–	–	–	–	–	937,082	–	937,082
Share issue costs	–	(33,432)	–	–	–	–	–	–	–	(33,432)	–	(33,432)
Non-controlling interests arising on business combination (note 37(a))	–	–	–	–	–	–	–	–	–	–	3,336	3,336
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	79,380	79,380
Changes in ownership interest in a subsidiary that do not result in a loss of control (note 37(b))	–	2,735	–	–	–	–	–	–	–	2,735	4,964	7,699
Payment of dividends approved in respect of previous year (note 14)	–	–	–	–	–	–	–	–	(36,228)	(36,228)	–	(36,228)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(6,213)	(6,213)
At 31 December 2012	704,130	2,002,674	553,805	179,621	56,712	5,378	(5,519)	(3,395)	1,208,749	4,702,155	3,366,427	8,068,582

The notes on page 176 to 242 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Profit before taxation		1,902,360	1,541,806
Adjustments for:			
Depreciation of property, plant and equipment		157,707	141,310
Gain on disposal of property, plant and equipment		(31,783)	(803)
Amortisation of intangible assets		9,928	6,963
Amortisation of prepaid lease payments		10,934	10,859
Interest income		(14,601)	(15,862)
Interest expenses		148,518	97,635
Fair value changes of contingent consideration liability for business combination		1,402	5,414
Gain on disposal of a subsidiary	38	(78,321)	(5,095)
Gain on disposal of an associate	20	(29)	–
Impairment loss recognised in respect of trade and other receivables, net		52,647	5,466
Impairment loss recognised in respect of available-for-sale financial assets		–	2,150
Share of profit of associates		(648)	(8,394)
Dividend income from available-for-sale financial assets		(5,569)	(16,050)
Write-down of inventories		5,802	27,618
(Gain)/loss on disposal of available-for-sale financial assets		(35,024)	540
Loss on disposal of financial assets at fair value through profit or loss		58,015	23,089
Loss on disposal of intangible assets		–	708
Waiver of trade and other payables		(14,662)	(991)
Unrealised exchange gain		(270)	(17,826)
Operating cash flows before movements in working capital		2,166,406	1,798,537
Decrease/(increase) in inventories		63,204	(337,140)
Decrease in trade and other receivables		94,354	170,572
(Increase)/decrease in amounts due from fellow subsidiaries		(77,971)	7,046
Decrease in amounts due from associates		54,089	100,738
Increase in financial assets at fair value through profit or loss		(81,455)	(172,895)
Decrease in trade and other payables		(56,610)	(30,910)
Decrease in amounts due to holding companies		(1,000)	–
Decrease in amounts due to fellow subsidiaries		(103,936)	(80,775)
Increase/(decrease) in amounts due to associates		52,541	(21,383)
(Decrease)/increase in retirement benefit obligations		(12,240)	729
Increase in deferred income and others		44,570	11,198
Cash generated from operations		2,141,952	1,445,717
PRC Corporate Income Tax paid		(591,158)	(465,689)
Net cash generated from operating activities		1,550,794	980,028

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2012

	Note	2012 *RMB'000*	2011 *RMB'000*
Investing activities			
Purchase of property, plant and equipment		(364,609)	(490,229)
Purchase of available-for-sale financial assets		(103,284)	(78,200)
Decrease/(increase) in pledged bank deposits		111,358	(115,317)
Decrease in other receivables		14,693	47,347
Additions of prepaid lease payments		(1,287)	(53,442)
Acquisition of associates		(15,000)	(16,500)
Purchase of intangible assets		(22,103)	(5,439)
Proceeds from disposal of property, plant and equipment		164,952	124,605
Proceeds from disposal of available-for-sale financial assets		154,049	358,171
Interest received		14,601	15,862
Dividend received from an associate		–	2,502
Dividend received from available-for-sale financial assets		5,569	16,050
Net cash inflow on disposal of a subsidiary	38	82,247	12,841
Net cash (outflow)/inflow on acquisition of subsidiaries	37(a)	(2,255)	13,262
Proceeds from disposal of an associate	20	1,600	–
Net cash generated from/(used in) investing activities		40,531	(168,487)
Financing activities			
New borrowings raised		2,345,539	1,898,758
Increase in borrowings related to discounted bills		53,564	5,650
Repayment of bank loans		(3,164,151)	(1,548,134)
Grant and allowance received from government		17,947	10,361
Interest paid		(145,348)	(91,507)
Capital injection from non-controlling interests		79,380	572,400
Dividends paid to non-controlling interests		(6,213)	(7,276)
Dividends paid		(35,579)	(42,266)
Proceeds from changes in ownership interests in a subsidiary that do not result in a loss of control		7,699	(116,948)
Capital element of finance lease rental paid		(32,333)	(28,704)
Interest element of finance lease rental paid		(3,170)	(6,020)
Proceeds from issue of medium term note	30	1,200,000	–
Proceeds from issue of shares		764,116	–
Net cash generated from financing activities		1,081,451	646,314
Net increase in cash and cash equivalents		2,672,776	1,457,855
Cash and cash equivalents at the beginning of the reporting period		3,807,851	2,350,592
Effect of foreign exchange rate changes		(868)	(596)
Cash and cash equivalents at the end of the reporting period		6,479,759	3,807,851
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents		6,479,759	3,807,851

The notes on page 176 to 242 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

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 31.13% (2011: 33.83%) of the equity interest in the Company with controlling interest. The directors regard the Company's parent company is CTMC and the Company's ultimate holding company is China Hengtian Group Company Limited ("China Hengtian"). China Hengtian is a state-owned enterprise established in the PRC which holds 2.70% (2011: Nil) of the equity interest in the Company. The remaining 66.17% (2011: 66.17%) of the Company's shares are widely held. 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.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 (see note 30). The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to HKFRS 7 (see note 25).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

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 HKFRSs 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 Entities3
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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

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 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

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.

(a) 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.

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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

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.

(b) Business combination

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 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination (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.

(c) 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 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

(e) 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 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

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.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (continued)

Leasehold land held for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

(h) 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 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) 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 schemes 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 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

(q) 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 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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.

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 profit and loss 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. 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.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial instruments (continued)

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 each reporting period. Interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in carrying amount of AFS financial assets 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.

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 each reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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 are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

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 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 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.

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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial instruments (continued)

Impairment of financial assets (continued)

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".

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity according with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities at FVTPL are stated at fair value, with any gains or losses on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Other 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.

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 that is and not designated as at fair value through profit or loss is initially measured at its fair value and subsequently measured 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*.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial instruments (continued)

Derecognition

Financial assets are derecognised only when the contractual rights to receive cash flows from the assets expire, or when the Group has transferred substantially all the risks and rewards of ownership of the assets to another entity. If the Group neither transfers nor retains substantively all risks and rewards of ownership and continue to control the transferred asset, the Group recognised its retained interest in the asset and associated liability for amounts it may have to pay. 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 recognises a collaterised borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss. On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. Financial liabilities are derecognised when, and only when, the obligations are 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.

(s) 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
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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.

(a) 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.

(b) 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 2012, the carrying amount of goodwill is RMB844,307,000 (2011: RMB845,633,000). Details of the recoverable amount calculation are disclosed in note 19.

(c) Estimated impairment of trade receivables

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.

(d) 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.

(e) 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 2012, total provision for the employee retirement benefits is RMB28,817,000 (2011: RMB41,058,000).

(f) Deferred tax assets

As at 31 December 2012, deferred tax assets of RMB288,902,000 (2011: RMB182,943,000) 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 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(g) 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 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 *RMB'000*	2011 *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

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 2012

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 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
RESULT					
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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	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*
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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related materials, parts and component *RMB'000*	Provision of trust and fiduciary services *RMB'000*	Manufacture and sales of other non-textile products *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities as at 31 December 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

7. OTHER INCOME

	2012 *RMB'000*	2011 *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 (note 38)	78,321	5,095
Gain on disposal of an associate (note 20)	29	–
Gain on disposal of available-for-sale financial assets carried at cost	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 (note 12(b))		
– 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.

8. FINANCE COSTS

	2012 *RMB'000*	2011 *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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

9. PROFIT BEFORE TAXATION

	2012 *RMB'000*	2011 *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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

10. 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 (note 22)	(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%).

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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:

	2012 *RMB'000*	2011 *RMB'000*
Profit before taxation	1,902,360	1,541,806
Tax at the PRC Corporate Income Tax rate of 15% (2011: 15%) (note a)	285,354	231,271
Tax effect of share of results of associates	(97)	(1,259)
Tax effect of other temporary differences not recognised	(3,512)	2,302
Tax effect of non-taxable income	(2,312)	(2,824)
Effect of tax exemptions granted to PRC subsidiaries	–	(923)
Tax effect of tax losses not recognised	18,078	12,389
Tax effect on non-deductible expenses	19,632	9,577
Tax effect on utilisation of tax losses not previously recognised	–	(3,688)
Effect of different tax rates of subsidiaries operating in other jurisdictions	205,105	142,005
Reduction of tax in respect of tax benefits (note b)	(10,293)	(11,852)
Under-provision in prior years	1,416	841
Income tax expense	513,371	377,839

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

	2012 *RMB'000*	2011 *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

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of RMB19,261,000 (2011: RMB106,222,000) which has been dealt with in the financial statements of the Company.

Notes to the Consolidated Financial Statements
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12. OTHER COMPREHENSIVE INCOME

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

	2012			2011		
	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 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 *RMB'000*	**2011** *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)

Notes to the Consolidated Financial Statements
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13. DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' and supervisors' emoluments

The emoluments paid or payable to each of the 9 (2011: 9) directors during the year were as follows:

2012

	Ye Maoxin *RMB'000*	Yan Fuquan *RMB'000*	Li Xiaohong *RMB'000*	Shi Tinghong *RMB'000*	Yao Yuming *RMB'000*	Liu Huangsong *RMB'000*	Xu Wenying *RMB'000*	Au Guozun *RMB'000*	Li Min *RMB'000* (Note 1)	Total *RMB'000*
Fees	–	–	–	–	–	50	50	50	10	160
Other emoluments										
Salaries and other benefits	–	–	–	–	207	–	–	–	–	207
Discretionary bonus	–	–	–	–	1,138	–	–	–	–	1,138
Retirement benefit costs	–	–	–	–	12	–	–	–	–	12
Total emoluments	–	–	–	–	1,357	50	50	50	10	1,517

2011

	Ye Maoxin *RMB'000*	Yan Fuquan *RMB'000*	Li Xiaohong *RMB'000*	Shi Tinghong *RMB'000*	Yao Yuming *RMB'000*	Liu Huangsong *RMB'000*	Xu Wenying *RMB'000*	Au Guozun *RMB'000*	Li Min *RMB'000* (Note 1)	Total *RMB'000*
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

Note 1: Appointed on 14 June 2011.

The emoluments paid or payable to the supervisors are as follows:

	2012 *RMB'000*	**2011** *RMB'000*
Salaries and other benefits	370	357
Discretionary bonus	854	660
Retirement benefits costs	27	29
	1,251	1,046

None of the directors and supervisors has waived or agreed to waive any emoluments in both years.

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 in both years.

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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 (2011: none) or supervisor (2011: none) of the Company. The emoluments of the remaining five (2011: five) individuals are as follows:

	2012 *RMB'000*	2011 *RMB'000*
Salaries and other benefits	6,811	14,622
Discretionary bonus	25,922	28,271
Retirement benefit costs	298	210
	33,031	43,103

The emoluments of the remaining five (2011: five) individuals with the highest emoluments are within the following bands:

In Hong Kong dollars ("HKD")	2012 Number of Individuals	2011 Number of Individuals
HKD4,500,001 to HKD5,000,000	–	1
HKD5,500,001 to HKD6,000,000	1	–
HKD6,000,001 to HKD6,500,000	1	–
HKD7,000,001 to HKD7,500,000	1	–
HKD8,000,001 to HKD8,500,000	–	1
HKD8,500,001 to HKD9,000,000	–	1
HKD10,000,001 to HKD10,500,000	1	–
HKD11,000,001 to HKD11,500,000	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:

	2012 *RMB'000*	2011 *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.

15. 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.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST					
At 1 January 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 and 1 January 2012	1,265,357	1,629,984	139,815	327,182	3,362,338
Additions	46,406	71,088	17,384	230,147	365,025
Acquired on acquisition of subsidiaries (note 37(a))	1,416	8,414	2,050	–	11,880
Disposals and other reductions	(38,658)	(196,260)	(18,458)	(54,408)	(307,784)
Derecognised on disposal of a subsidiary (note 38)	(66,135)	–	–	–	(66,135)
Assigned assets after construction	167,838	64,013	2,492	(234,343)	–
At 31 December 2012	1,376,224	1,577,239	143,283	268,578	3,365,324
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 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 and 1 January 2012	344,614	1,021,262	71,228	–	1,437,104
Charge for the year	46,367	96,234	15,106	–	157,707
Acquired on acquisition of subsidiaries (note 37(a))	707	5,705	1,404	–	7,816
Eliminated on disposals	(6,199)	(155,821)	(12,595)	–	(174,615)
Eliminated on disposal of a subsidiary (note 38)	(22,508)	–	–	–	(22,508)
At 31 December 2012	362,981	967,380	75,143	–	1,405,504
CARRYING VALUE					
At 31 December 2012	1,013,243	609,859	68,140	268,578	1,959,820
At 31 December 2011	920,743	608,722	68,587	327,182	1,925,234

Notes to the Consolidated Financial Statements
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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	9 to 50 years
Machinery and equipment	5 to 22 years
Motor vehicles	5 to 14 years

At 31 December 2012, the certificates of ownership of certain buildings of the Group at carrying value of RMB253,168,000 (2011: RMB358,161,000) situated in the PRC, have not been passed to the Group.

During the year, the cost of addition of property, plant and equipment held by the Group under finance leases amounted to RMB416,000 (2011: RMBNil).

The related assets held under finance leases are machinery and equipment as follows:

	2012 *RMB'000*	**2011** *RMB'000*
Cost-capitalised finance leases	246,053	351,409
Accumulated depreciation	(156,159)	(248,775)
Carrying value	89,894	102,634

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent medium-term land use rights situated in the PRC.

	2012 *RMB'000*	**2011** *RMB'000*
Analysed for reporting purposes as:		
Current asset	10,817	11,470
Non-current asset	444,021	482,390
	454,838	493,860

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18. INTANGIBLE ASSETS

	Patents and licences *RMB'000*	Software *RMB'000*	Total *RMB'000*
Cost			
At 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 and 1 January 2012	25,165	28,003	53,168
Additions	3,099	19,004	22,103
Acquired on acquisition of subsidiaries (note 37(a))	15,698	–	15,698
Disposals	–	(5,401)	(5,401)
At 31 December 2012	43,962	41,606	85,568
Amortisation			
At 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 and 1 January 2012	13,638	15,241	28,879
Charge for the year	4,111	5,817	9,928
Acquired on acquisition of subsidiaries (note 37(a))	764	–	764
Eliminated on disposals	–	(5,401)	(5,401)
At 31 December 2012	18,513	15,657	34,170
Carrying value			
At 31 December 2012	25,449	25,949	51,398
At 31 December 2011	11,527	12,762	24,289

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

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income.

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19. GOODWILL

	2012 *RMB'000*	2011 *RMB'000*
Cost and carrying value		
At 1 January	845,633	843,157
Arising from acquisition of subsidiaries (note 37(a))	557	2,476
Derecognised on disposal of subsidiaries (note 38)	(1,883)	–
At 31 December	844,307	845,633

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:

	2012 *RMB'000*	2011 *RMB'000*
Multiple units without significant goodwill	10,918	12,244
Provision of trust and fiduciary services	833,389	833,389
	844,307	845,633

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 3-year period, and discount rate of 17% (2011: 17%). This unit's cash flows beyond the 3-year period are extrapolated using a steady 3% (2011: 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. INTERESTS IN ASSOCIATES

	2012 *RMB'000*	2011 *RMB'000*
Cost of investment, unlisted	127,853	87,000
Share of post-acquisition profits and other comprehensive income, net of dividends received	24,023	27,839
	151,876	114,839

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20. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates as at 31 December 2012 and 2011 are as follows:

Name of associate	Place of establishment and operation	Registered capital	Proportion of registered capital attributable to the Group		Proportion of voting power held		Principal Activities
			2012	2011	2012	2011	
			%	%	%	%	
Hongda Research Company Limited	the PRC	RMB50,000,000	40	40	40	40	Sale and development of textile machinery
China Textile Machinery and Technology Import and Export Corporation	the PRC	RMB120,000,000	25	25	25`	25	Import and export of textile machinery
Anhui Huamao Jingwei New Type Textile Company Limited	the PRC	RMB50,000,000	25	25	25	25	Production, processing and sale of various kinds of yarn and textile products
Jingwei Machinery (Group) Company Limited ("Jingwei Machinery") (note(d))	the PRC	RMB40,000,000	18.83	20	40	40	Manufacturing and sale of textile machinery
Beijing Hengtian Wealth Management Company Limited	the PRC	RMB50,000,000	20	20	20	20	Provision of trust and fiduciary services
Shenzhen Huarong Equity Investment Fund and Management Company Limited	the PRC	RMB10,000,000	49	49	40	40	Investment holding, provision of asset management and business advisory services
Shanghai Rongling Equity Investment Fund and Management Company Limited ("Shanghai Rongling") (note(b))	the PRC	RMB5,600,000	–	29	–	33	Investment holding, provision of asset management and business advisory services
Xianyang Jingwei Textile Machinery Manufacturing Company Limited ("Xianyang Manufacturing") (note 38 and note (a))	the PRC	RMB75,079,600	24.33	–	24.33	–	Manufacturing of weaving machines and related components, general machinery and component, advanced textile machinery
Xinhu Wealth Management Company Limited ("Xinhu Wealth")(note (c))	the PRC	RMB65,000,000	23.08	–	23.08	–	Investment holding, provision of asset management and business advisory services

Notes:

(a) In March 2012, the Group disposed of 75% equity interest in a subsidiary, Xianyang Manufacturing to an independent third party at a consideration of RMB82,360,000. Consequently, the equity interest in Xianyang Manufacturing has been decreased to 24.33% (2011: 99.33%). As the Group loses the control of Xianyang Manufacturing but retains significant influence over it, Xianyang Manufacturing is therefore classified as an associate of the Group (see note 38).

(b) In June 2012, the Group disposed of its 29% equity interest in Shanghai Rongling to an independent third party at a consideration of RMB1,600,000, recognising a gain on disposal of an associate in the consolidated statement of comprehensive income, calculated as follows:

	2012
	RMB'000
Consideration received in cash	1,600
Less: Carrying amount of the 29% investment on the date of disposal	(1,571)
Gain recognised on disposal of an associate	29

(c) In September 2012, the Group acquired 23.08% equity interest in Xinhu Wealth at a consideration of RMB15,000,000.

(d) In December 2012, the Group disposed of 1.17% equity interest in Jingwei Machinery. However, the Group is able to exercise significant influence over Jingwei Machinery because it has the power to appoint 2 out of 5 directors of Jingwei Machinery under the Articles of Association of Jingwei Machinery.

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20. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of the Group's associates is set out below:

	2012 *RMB'000*	2011 *RMB'000*
Total assets	2,775,511	2,932,711
Total liabilities	(2,223,817)	(2,458,770)
Net assets	551,694	473,941
Group's share of net assets of associates	151,876	114,839
Revenue	5,278,827	4,017,362
Profit for the year	79,004	126,681
Other comprehensive(loss)/income	(3,832)	3,333
Group's share of profit and other comprehensive (loss)/income of associates for the year:		
– Profit or loss	648	8,394
– Other comprehensive (loss)/income	(1,166)	825
	(518)	9,219

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 *RMB'000*	2011 *RMB'000*
Listed securities		
– Debenture – the PRC (note a)	29,605	–
– Equity securities – the PRC (note b)	484,693	465,477
	514,298	465,477
Unlisted securities		
– Equity securities (note b)		
Cost	90,700	90,445
Accumulated impairment losses	(24,572)	(24,572)
	66,128	65,873
– Trust investments (note c)	56,554	124,068
	122,682	189,941
Included in non-current assets	636,980	655,418

Notes:

(a) The debenture is listed in the PRC with fixed interest rate of 6.10% per annum and maturity date on 30 December 2019.

(b) Unlisted investments in equity securities issued by private entities incorporated in the PRC are measured at cost less impairment at the end of each 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 RMB725,000 (2011: RMB144,540,000), which had been carried at cost before the disposal. No gain or loss on disposal of the unlisted equity securities (2011: loss of RMB540,000) had been recognised in profit or loss for the current year.

(c) Unlisted securities in trust investments are stated at fair value.

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22. DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Allowance for receivables, inventories and impairment of assets *RMB'000*	Revaluation of available-for-sale financial assets *RMB'000*	Tax losses *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2011	3,306	(51,122)	5,905	65,910	23,999
Credited/(charged) to consolidated statement of comprehensive income for the year (note 10)	(160)	–	(5,905)	107,886	101,821
Credited to investment revaluation reserve (note 12(a))	–	57,123	–	–	57,123
At 31 December 2011 and 1 January 2012	3,146	6,001	–	173,796	182,943
Credited to consolidated statement of comprehensive income for the year (note 10)	425	–	–	104,860	105,285
Credited to investment revaluation reserve (note 12(a))	–	674	–	–	674
At 31 December 2012	3,571	6,675	–	278,656	288,902

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 are as follows:

	2012 *RMB'000*	2011 *RMB'000*
Tax losses	462,736	342,215
Other temporary differences	254,017	277,432
	716,753	619,647

At 31 December 2012, the Group has unused tax losses of approximately RMB462,736,000 (2011: RMB342,215,000) available for offset against future profits. No deferred tax assets have been recognised in respect of the tax losses due to unpredictability of future profit streams.

The unrecognised tax losses will expire in the following years ending 31 December:

	2012 *RMB'000*	2011 *RMB'000*
2012	–	24,436
2013	107,303	110,601
2014	52,788	57,571
2015	67,014	67,014
2016	75,722	82,593
2017	159,075	–
No expiry date	834	–
	462,736	342,215

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23. OTHER NON-CURRENT ASSETS

	2012 *RMB'000*	2011 *RMB'000*
Trade receivables in respect of sales of textile and medical products from independent third parties (note)	22,083	83,841
Less: Amount due for settlement within one year and shown under current assets (note 25)	(22,083)	(69,148)
	–	14,693

Note: 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 2012, RMB134,445,000 (2011: RMB93,835,000) has been settled by the customers and during 2012, provision for doubtful debts of RMB22,912,000 is provided. The remaining balance of RMB22,628,000 (2011: RMB86,150,000) are to be repayable in year 2013 (2011: in year 2012 to year 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 2012, the outstanding balance of related bank borrowing is RMBNil (2011: RMB8,370,000).

24. INVENTORIES

	2012 *RMB'000*	2011 *RMB'000*
Raw materials	443,603	346,119
Work in progress	521,225	415,215
Finished goods	519,753	754,590
	1,484,581	1,515,924

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Carrying amount of inventories sold	4,166,675	6,093,563
Write down of inventories	5,802	27,618
	4,172,477	6,121,181

25. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables	639,541	467,466
Less: Allowance for doubtful debts	(35,061)	(78,084)
	604,480	389,382
Bills receivable (note)	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) (note 23)	22,083	69,148
	2,595,563	2,718,958

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25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

At the end of the reporting period, the carrying amount of outstanding bills receivable of RMB557,428,000 (2011: RMB1,002,643,000) has been endorsed to certain creditors and RMB59,214,000 (2011: RMB5,650,000) has been discounted to the banks. 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 amount of the bills receivable and related trade payables and has recognised the cash received on the transfer as secured borrowings (see note 30). The Group continues to present the endorsed bills and discounted bills as bills receivable until maturity.

At 31 December 2012, the carrying values of bills receivable that have been transferred but have not been derecognised amounted to RMB616,642,000 (2011: RMB1,008,293,000) and the carrying amount of the associated liability is RMB616,642,000 (2011: RMB1,008,293,000). The carrying values approximate their fair values.

The Group has pledged bills receivable with a carrying amount of RMB122,400,000 (2011: RMB114,936,000) to secure credit facilities granted to the Group.

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):

	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

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:

	2012	**2011**
	RMB'000	*RMB'000*
1-2 years	26,144	113,767
2-3 years	4,741	4,731
	30,885	118,498

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 (excluding trade receivables included under other non-current assets):

	2012	**2011**
	RMB'000	*RMB'000*
1 January	78,084	83,455
Impairment losses recognised	9,328	3,009
Acquired on acquisition of subsidiaries	415	486
Impairment losses reversed	(5,076)	(7,151)
Amounts written off as uncollectible	(47,690)	(1,715)
31 December	35,061	78,084

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25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB35,061,000 (2011: RMB78,084,000). 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 2012, the trade and other receivables included an aggregate amount of RMB58,992,000 (2011: RMB48,183,000), 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.

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 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).

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 *RMB'000*	**2011** *RMB'000*
Listed securities – held for trading:		
– Equity securities – the PRC	276,666	253,226
Market value of listed securities	276,666	253,226

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 3.09% (2011: 3.30%).

At the end of the reporting period, cash and cash equivalents comprised mainly short-term deposits which carry interests at prevailing market rates.

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29. TRADE AND OTHER PAYABLES

	2012 *RMB'000*	2011 *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 ("Zhongrong Trust")	–	98,598
Other payables and accrued charges	2,162,420	1,959,373
	4,065,991	4,328,922

At 31 December 2012, the Group has endorsed bank acceptance bills to certain creditors amounting to RMB557,428,000 (2011: RMB1,002,643,000). The settlement of trade payables by such bills will only be derecognised when the relevant bills mature.

At 31 December 2012, trade and other payables included an aggregate carrying amount of RMB89,988,000 (2011: RMB131,008,000), 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:

	2012 *RMB'000*	2011 *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

30. BORROWINGS

	2012 *RMB'000*	2011 *RMB'000*
Medium term note ("MTN")	1,200,000	–
Debentures	–	60,000
Discounted bills	59,214	5,650
Variable-rate bank loans	883,702	1,133,372
Fixed-rate bank loans	572,845	845,000
	2,715,761	2,044,022
Secured	1,314,614	197,020
Unsecured	1,401,147	1,847,002
	2,715,761	2,044,022

	2012 *RMB'000*	2011 *RMB'000*
The borrowings are repayable as follows:		
On demand or within one year	1,515,761	1,984,022
More than one year, but not exceeding two years	–	60,000
More than five years	1,200,000	–
	2,715,761	2,044,022
Less: Amount due within one year and shown under current liabilities	(1,515,761)	(1,984,022)
	1,200,000	60,000

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30. BORROWINGS (CONTINUED)

On 24 April 2012, the Company issued a 5-year MTN with principal amount of RMB1,200,000,000 which is secured by corporate guarantee from China Hengtian, interest bearing at 5.65% per annum, and is repayable in 2017.

Debentures bear interest at 4.90% (2011: 4.90%) per annum, were secured by corporate guarantee given from a third party and have been fully repaid in November 2012.

Discounted bills carry interests at market rates ranging from 3.18% to 10.80% (2011: 3.30% to 12.60%) per annum.

Variable-rate bank loans that are denominated in foreign currencies of RMB90,802,000 (2011: RMB287,002,000) bear interests from 2.30% to 6.80% (2011: 3.50% to 6.90%) per annum. Variable-rate bank loans of RMB50,000,000 (2011: RMB60,000,000) bear interests at the prime rate offered by the People's Bank of China (the "PBOC"). The remaining variable-rate bank loans of RMB742,900,000 (2011: RMB786,370,000) bear interests from 87% to 120% of the rate offered by the PBOC (2011: 90% to 110% of the rate offered by the PBOC). All these variable interest rates are repriced from every three months to every twelve months (2011: from every three months to every twelve months).

Fixed-rate bank loans bear interests from 3.40% to 10.44% (2011: 5.31% to 9.00%) per annum.

The ranges of effective interest rates of the borrowings are also equal to contracted interest rates.

At 31 December 2012, the Group, has undrawn borrowing facilities amounting to approximately RMB4,373,355,000 (2011: RMB2,416,308,000).

At the end of the reporting period, the borrowings are secured by:

	2012 *RMB'000*	2011 *RMB'000*
Property, plant and equipment	5,000	–
Land use rights	41,000	15,000
Inventories	4,500	5,000
Trade receivables (note 23)	–	8,370
Bill receivable for discounted bills (note 25)	59,214	5,650
Corporate guarantee from the ultimate holding company	1,200,000	–
Corporate guarantee from third party	4,900	163,000

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012 *RMB'000*	2011 *RMB'000*	2012 *RMB'000*	2011 *RMB'000*
Amounts payable under finance leases				
Within one year	34,211	34,576	32,021	31,347
In more than one year and not more than five years	25,910	60,606	25,243	57,834
	60,121	95,182	57,264	89,181
Less: future finance charges	(2,857)	(6,001)	–	–
Present value of lease obligations	57,264	89,181	57,264	89,181
Less: Amount due for settlement within 12 months (shown under current liabilities)			(32,021)	(31,347)
Amount due for settlement after 12 months			25,243	57,834

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32. OTHER NON-CURRENT LIABILITIES

	2012 *RMB'000*	2011 *RMB'000*
Deferred income (note a)	114,098	69,528
Retirement benefit obligations (note b)	28,817	41,058
Contingent consideration in relation to acquisition of Zhongrong Trust (note c)	–	98,598
Grant received from government (note d)	–	60,000
Refund in respect of custom duty from the government (note e)	–	79,534
Others	29,994	29,994
	172,909	378,712
Less: Current portion included in trade and other payables	(1,634)	(101,620)
	171,275	277,092

Notes:

(a) The amount comprises government subsidies received in relation to (i) lease payment of land of RMB9,418,000 (2011: RMB9,624,000) and qualifying assets of RMB43,595,000 (2011: RMB55,456,000) which are recognised in the consolidated statement of comprehensive income over the expected useful life of the relevant assets, (ii) government subsidies for research development on technological development in textile industry and repayment of bank loan interest of RMB14,476,000 (2011: RMB4,448,000) 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, and (iii) government subsidies for the compulsory relocation of certain properties of RMB46,609,000 (2011: RMBNil) which will be recognised in the consolidated statement of comprehensive income on a systematic basis.

(b) Included in the balance is an amount of RMB28,460,000 (2011: RMB39,860,000) 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 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 Profit after tax ("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 RMB1,200,000,000 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 2012, neither the amount recognised for the contingent consideration, nor the range of outcomes nor the assumptions used to develop the estimates had changed. The balance of fair value of contingent consideration amounted to RMB100,000,000 is fully paid during the reporting period. The loss for the current year relating to the change in fair value of the contingent consideration liability of RMB1,402,000 (2011: RMB5,414,000) has been recognised in the consolidated statement of comprehensive income as "finance cost".

(d) 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 has been capitalised as share capital of the Company on 30 November 2012 (note 33).

(e) The amount represents refund of custom duty of imported raw materials received from the PRC government. According to the approval document issued by the PRC government, the amount has been capitalised as share capital of the Company on 30 November 2012 (note 33).

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33. SHARE CAPITAL

2012

	1 January 2012	Increase/(decrease) (Note)	31 December 2012
Number of shares			
Registered, issued and fully paid			
– restricted	195,661,404	100,324,649	295,986,053
– others	227,338,596	5,351	227,343,947
H shares, RMB1.00 each	180,800,000	–	180,800,000
	603,800,000	100,330,000	704,130,000
RMB'000			
Registered, issued and fully paid			
– restricted	195,661	100,325	295,986
– others	227,339	5	227,344
H shares, RMB1.00 each	180,800	–	180,800
	603,800	100,330	704,130

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

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.

On 30 November 2012, 100,330,000 A shares of RMB1.00 each were issued at premium of RMB9.34 per share for cash of approximately RMB797,548,000 and convert of debt of approximately RMB139,534,000. The net proceeds of RMB903,450,000 were used for (i) future capital injection to Zhongrong Trust and (ii) as general working capital of the Group.

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
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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))	Production safety fund surplus reserve *RMB'000* (note 34(e))	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2011	603,800	1,244,712	218,119	150,000	–	193,582	2,410,213
Profit and total comprehensive income for the year	–	–	–	–	–	106,222	106,222
Appropriation to reserve	–	–	11,624	–	–	(11,624)	–
Payment of dividends approved in respect of previous year (note 14)	–	–	–	–	–	(42,266)	(42,266)
At 31 December 2011 and 1 January 2012	603,800	1,244,712	229,743	150,000	–	245,914	2,474,169
Profit and total comprehensive income for the year	–	–	–	–	–	19,261	19,261
Appropriation to reserve	–	–	1,705	–	–	(1,705)	–
Provision for production safety fund surplus reserve	–	–	–	–	1,543	(1,543)	–
Utilisation for production safety fund surplus reserve	–	–	–	–	(1,542)	1,542	–
Issue of shares (note 33)	100,330	836,752	–	–	–	–	937,082
Share issue costs	–	(33,432)	–	–	–	–	(33,432)
Payment of dividends approved in respect of previous year (note 14)	–	–	–	–	–	(36,228)	(36,228)
At 31 December 2012	704,130	2,048,032	231,448	150,000	1	227,241	3,360,852

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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 PAT reported under PRC General Acceptable Accounting Principle ("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) Production safety fund surplus reserve

According to CaiQi [2012] No.16 "Measures for the Extraction and Management of the Production Safety Fund for the enterprises" issued by the Ministry of Finance and the Safety Production General Bureau, the Group is required to accrue production safety fund to improve the production safety.

(f) 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)); and

(iv) Allocations to the production safety fund surplus reserve (see note 34(e)).

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.

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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 29) 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:

	2012 *RMB'000*	2011 *RMB'000*
Total debts	7,165,875	6,840,730
Cash and cash equivalents	(6,479,759)	(3,807,851)
Net debt	686,116	3,032,879
Equity	4,702,155	3,398,387
Net debt to equity ratio	15%	89%

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 *RMB'000*	2011 *RMB'000*
Financial assets		
Financial assets at fair value through profit or loss	276,666	253,226
Loans and receivables (including cash and cash equivalents)	8,995,322	6,630,234
Available-for-sale financial assets	636,980	655,418
Financial liabilities		
Other financial liabilities	(6,583,559)	(5,921,102)

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) 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.

(i) 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	**2012** *RMB'000*	**2011** *RMB'000*
Cash and cash equivalents	USD	19,339	14,240
	Euros	1,866	991
	HKD	654	2,396
	CHF	915	1,030
	Others	38	41
Trade and other receivables	USD	11,550	8,579
	Euros	68,789	26,590
	HKD	6,488	–
	CHF	20,501	7,279
	Others	–	3,687
Trade and other payables	USD	(6,859)	(8,608)
	Euros	(63,686)	(1,006)
	HKD	(16)	–
Borrowings	USD	(90,802)	(202,421)
	Euros	–	(24,332)
	CHF	–	(60,249)
Total	USD	(66,772)	(188,210)
	Euros	6,969	2,243
	HKD	7,126	2,396
	CHF	21,416	(51,940)
	Others	38	3,728

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Currency risk (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**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit after taxation	2,838	7,999	(296)	(95)	(303)	(102)	(910)	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.

(ii) 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 the end of each reporting period while all other variables were held constant is as follows:

	2012	**2011**
Reasonably possible change in interest rate	100 basis points	100 basis points

	2012	**2011**
	RMB'000	*RMB'000*
Increase/(decrease) in profit after taxation		
– as a result of increase in interest rate	(7,511)	(9,634)
– as a result of decrease in interest rate	7,511	9,634

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) 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 RMB205,482,000 (2011: RMB216,459,000) 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 RMB113,110,000 (2011: RMB154,229,000) 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.

(iv) 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 2012, the Group has available unutilised borrowing facilities of approximately RMB4,373,355,000 (2011: RMB2,416,308,000). 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
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36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

	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*
2012							
Non-derivative financial liabilities							
Trade and other payables		3,513,669	–	–	–	3,513,669	3,513,669
Amounts due to holding companies		26,532	–	–	–	26,532	26,532
Amounts due to fellow subsidiaries		181,233	–	–	–	181,233	181,233
Amounts due to associates		89,100	–	–	–	89,100	89,100
Obligations under finance leases	5.23%	34,211	25,836	74	–	60,121	57,264
Borrowings							
Fixed rate	5.75%	642,878	67,800	67,800	1,289,347	2,067,825	1,772,845
Variable rate *	5.66%	906,579	–	–	–	906,579	883,702
Discounted bills		59,214	–	–	–	59,214	59,214
		5,453,416	93,636	67,874	1,289,347	6,904,273	6,583,559

	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

* 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
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36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(v) 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 (2011: 15% higher/lower), profit after taxation for the year ended 31 December 2012 would increase/decrease by RMB31,125,000 (2011: increase/decrease by RMB28,493,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

(vi) Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(vi) Fair values (continued)

(a) Financial instruments carried at fair value (continued)

2012

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Total** *RMB'000*
Financial assets at fair value through profit or loss			
– listed securities	276,666	–	276,666
Available-for-sale financial assets			
– listed securities	484,693	–	484,693
– unlisted securities – trust investments	–	86,159	86,159
	761,359	86,159	847,518

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

During the year ended 31 December 2012 and 2011, 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 2012 and 2011.

(c) The fair values of financial assets and financial liabilities are determined as follows:

– the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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37. BUSINESS COMBINATIONS

(a) Acquisitions of subsidiaries

On 23 July 2012, the Group acquired 51% controlling interests in Jinzhong Jingwei Hengxin Machinery Co., Ltd. ("Jinzhong Hengxin"), principally engaged in manufacture of textile machinery components, for a cash consideration of RMB3,280,000 and write off of receivable of RMB749,000, so as to enlarge the Group's business scope.

On 11 September 2012, the Group acquired 100% controlling interests in Hi-Tech Huanyu (International) Limited ("Hi-Tech Huanyu") and its subsidiaries, principally engaged in investment holding, for a cash consideration of RMB3,122,000, so as to enlarge the Group's business scope.

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.

(i) Assets acquired and liabilities recognised as at the date of acquisition were as follows:

	2012 *RMB'000*	2011 *RMB'000*
Non-current assets		
Property, plant and equipment	4,064	19,875
Intangible assets	14,934	–
Prepaid lease payments	–	4,844
Current assets		
Inventories	34,825	44,241
Trade and other receivables	17,492	59,052
Cash and cash equivalents	4,147	13,262
Current liabilities		
Trade and other payables	(42,739)	(108,718)
Current tax liabilities	(107)	(528)
Borrowings – amount due within one year	(375)	–
Non-current liability		
Borrowings-amount after one year	(22,311)	–
Fair value of net identifiable assets acquired	9,930	32,028
Non-controlling interests	(3,336)	(15,694)
Net identifiable assets attributable to the equity interest acquired by the Group	6,594	16,334

(ii) Goodwill arising on acquisition

	2012 *RMB'000*	2011 *RMB'000*
Consideration transferred		
Cash paid	6,402	–
Write-off of receivables	749	18,810
	7,151	18,810
Net identifiable assets attributable to the equity interest acquired by the Group	(6,594)	(16,334)
Goodwill	557	2,476

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

37. BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

(ii) Goodwill arising on acquisition (continued)

Goodwill arose in these acquisitions because the cost of the economy of scale could be achieved upon completion of the acquisitions. 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.

(iii) Acquisition-related costs

Acquisition-related costs amounting to RMB228,000 (2011: 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.

(iv) Net cash (outflow)/inflow on acquisition of subsidiaries

	2012 *RMB'000*	2011 *RMB'000*
Consideration paid	(6,402)	–
Cash and cash equivalents of the subsidiary acquired	4,147	13,262
Cash (outflow)/inflow on acquisition	(2,255)	13,262

(v) Impact of acquisitions on the results of the Group in year 2012

Included in the profit for the year is RMB2,180,000 attributable to the additional business generated by Jinzhong Hengxin and Hi-Tech Huanyu. Revenue for the year includes RMB71,642,000 in respect of Jinzhong Hengxin and Hi-Tech Huanyu.

Had these business combinations been effected at 1 January 2012, the revenue of the Group would have been RMB8,677,401,000, and the profit for the year would have been RMB1,396,152,000. 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

37. BUSINESS COMBINATIONS (CONTINUED)

(b) Transactions with non-controlling interests

During the year ended 31 December 2012, the Group acquired/disposed interests in a number of subsidiaries which does not result in change of controls:

Held by the Company	Date of acquisition /disposal	Changes in equity in interest
Jinzhong Fiber	13 January 2012	Acquired further 14.48%
Shanghai Chuangan Trading Company Limited ("Shanghai Chuangan")	5 August 2012	Disposed 54%
Xianyang Jingwei Textile Machinery Company Limited ("Xianyang Textile")	17 December 2012	Acquired further 0.03%

During the year ended 31 December 2011, the Group acquired additional interests in a number of subsidiaries:

Held by the Company	Date of acquisition	Changes in equity in interest
Zhongrong Trust	30 November 2011	Acquired further 0.6%
Hubei Xinchufeng Automobile Co., Ltd. ("Hubei Xinchufeng")	16 December 2011	Acquired further 25%

The details of the change in the ownership interests in these subsidiaries are summarised as follows:

	2012 *RMB'000*	2011 *RMB'000*
Carrying amounts of non-controlling interests acquired	(4,964)	64,777
Net consideration received from/(paid to) non-controlling interest	7,699	(116,948)
Net effect in parent's equity	2,735	(52,171)

As a result of the above transactions, a total amount of RMB20,197,000 (2011: RMB64,777,000), being the carrying amount of non-controlling interest acquired, has been transferred from non-controlling interest.

The net consideration received from/paid to non-controlling interest over the carrying amount of non-controlling interests acquired of RMB2,735,000 (2011: RMB52,171,000) has been credited (2011:debited) to equity attributable to the owners of the Company.

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38. DISPOSAL OF A SUBSIDIARY

In March 2012, the Group disposed 75% equity interest in Xianyang Manufacturing at a consideration of RMB82,360,000 (see note 20).

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.

Assets and liabilities as at the date of disposal were as follows:

	2012 *RMB'000*	2011 *RMB'000*
Non-current assets		
Property, plant and equipment	43,627	739
Prepaid lease payments	28,696	–
Current assets		
Inventories	–	400
Trade and other receivables	522	13,920
Prepaid lease payments	679	–
Tax recoverable	136	–
Cash and cash equivalents	113	159
Current liabilities		
Trade and other payables	(44,164)	(313)
Net assets disposed of	29,609	14,905

Gain on disposal of a subsidiary:

	2012 *RMB'000*	2011 *RMB'000*
Cash consideration received	82,360	20,000
Fair value of interest retained	27,453	–
Net assets disposed of	(29,609)	(14,905)
Goodwill	(1,883)	–
	78,321	5,095

Net cash inflow on disposal of a subsidiary:

	2012 *RMB'000*	2011 *RMB'000*
Consideration received in cash	82,360	13,000
Less: cash and cash equivalents of the subsidiary disposed	(113)	(159)
	82,247	12,841

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39. COMMITMENTS

(a) Capital commitments

	2012 *RMB'000*	2011 *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– Authorised but not contracted for	151,631	218,130
– Contracted but not provided for	141,361	96,816
	292,992	314,946

(b) Lease commitments

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:

	2012 *RMB'000*	2011 *RMB'000*
Land and buildings		
Within one year	49,050	37,702
In the second to fifth year inclusive	40,845	64,812
	89,895	102,514

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

	2012 *RMB'000*	2011 *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:

	2012 *RMB'000*	2011 *RMB'000*
Trusted assets	299,486,321	174,168,671

Notes to the Consolidated Financial Statements
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42. RETIREMENT BENEFIT PLANS

(a) 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% (2011: 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 RMB104,049,000 (2011: RMB90,982,000) represents contributions payables to these plans by the Group at rates specified in the rules of plans.

At 31 December 2012, contributions totalling RMB20,811,000 (2011: RMB15,561,000) 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 2012 to reduce future contributions (2011: RMBNil).

(b) 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:

	2012 *RMB'000*	**2011** *RMB'000*
Present value of unfunded defined benefit obligations	31,060	40,420
Net actuarial loss not recognised	(2,600)	(560)
Net liability arising from defined benefit obligations	28,460	39,860

Movements in the present value of the retirement and supplemental benefit obligations during the year were as follows:

	2012 *RMB'000*	**2011** *RMB'000*
At the beginning of the reporting period	40,420	36,920
Interest cost	1,370	1,430
Benefits paid	(2,870)	(2,730)
Past service cost-vested benefits	(12,390)	–
Actuarial loss for the year	4,530	4,800
At the end of the reporting period	31,060	40,420

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.

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42. RETIREMENT BENEFIT PLANS (CONTINUED)

(b) Retirement and supplemental benefit obligations (continued)

The amount charged/(credited) to the consolidated statement of comprehensive income of the Group for the year is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Interest cost	1,370	1,430
Past service cost-vested benefits	(12,390)	–
Actuarial (gain)/loss recognised	(2,480)	3,010
	(13,500)	4,440

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2012 *%*	2011 *%*
Discount rate	3.75	3.50
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 RMB156,000 (2011: RMB169,000) 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 RMB3,349,000 (2011: RMB4,464,000) on the accumulated post-employment benefit obligation for medical costs for the year.

43. MAJOR NON-CASH TRANSACTIONS

During the year, debts of approximately RMB139,534,000 were converted to equity. Details of which were set out in note 33.

Notes to the Consolidated Financial Statements
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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

	2012 *RMB'000*	**2011** *RMB'000*
Sales of goods and services		
Sale of finished goods	22,984	102,461
Sale of materials, parts and components	4,811	9,027
Other supporting services income	308	–
Rental income	3,016	3,381
Interest income	–	509
Purchases of goods and services		
Purchase of finished goods	291,721	426,418
Purchase of materials, parts and components	2,948	5,542
Purchase of energy	–	47
Processing fee expenses	48	202
Transportation services expenses	2,855	4,080
Repairs and maintenance services expenses	2,516	4,110
Other supporting services expenses	4,225	5,226
Rental expenses	429	429

(a) (ii) Transactions with associates

	2012 *RMB'000*	**2011** *RMB'000*
Sales of goods and services		
Sale of finished goods	472,743	403,407
Sale of materials, parts and components	6,180	22,116
Processing fee income	588	436
Other supporting services income	2,000	2,217
Purchases of goods and services		
Purchase of materials, parts and components	88,498	96,809
Processing fee expenses	806	9
Repairs and maintenance service expenses	7,473	15,814
Other supporting services expenses	752	1,318
Transportation services expenses	56	–
Rental expense	–	478

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44. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (iii) Transactions with companies in which certain key management personnel of the Group have influence in:

	2012 *RMB'000*	2011 *RMB'000*
Sales of goods and services		
Sale of finished goods	755	5,974
Sale of materials, parts and components	4,129	5,559
Processing fee income	–	45
Purchases of goods and services		
Purchase of finished goods	47,738	144,650
Purchase of materials, parts and components	253,211	541,250
Purchase of energy	1,279	2,351
Processing fee expenses	1,977	7,006
Other supporting services expenses	2,342	2,343
Rental expenses	7,415	9,565

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 2012 and 2011, the Group's significant transactions with other state-owned entities (excluding China Hengtian and its subsidiaries) are as follows:

	2012 *RMB'000*	2011 *RMB'000*
Sales of goods and services		
Sale of finished goods	50,145	380,967
Sale of materials, parts and components	20,387	14,981
Other supporting services income	75	–
Interest income	18,768	42,105
Purchases of goods and services		
Purchase of materials, parts and components	6,327	68,139
Purchase of energy	61,732	93,323
Purchase of property, plant and equipment	86	4,346
Delivery fee expenses	48	498
Borrowings raised from state-owned banks	654,565	1,076,935
Other supporting services expenses	4,676	6,344
Interest expenses	98,009	58,367
Rental expenses	117	108

In addition, substantially all restricted deposits, time deposits, cash and cash equivalents and borrowings as of 31 December 2012 and 2011 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

	2012 *RMB'000*	2011 *RMB'000*
Salaries and other short-term employee benefits	23,133	20,398
Post-employment benefits	440	393
	23,573	20,791

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45. SUBSIDIARIES

The following table lists the subsidiaries of the Group at 31 December 2012 and 2011 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:

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2012 Attributable equity interest of the Group		2011 Attributable equity interest of the Group		Principal activities
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Jingwei Textile Machinery Yuci Material Company Limited	the PRC 9 July 1996	RMB5,000,000	0.72	99.2	0.72	99.2	Trading of furnace materials, metals, textile machinery component and charcoal
Taiyuan Jingwei Electrical Company Limited	the PRC 18 March 1997	RMB5,000,000	2	98	2	98	Manufacture and sales of transformers and electrical components
Qingdao Hongda Textile Machinery Company Limited	the PRC 16 August 1999	RMB114,000,000	–	97.663	–	97.663	Manufacture, sales and leasing of textile machinery and related components
Tianjin Hongda Textile Machinery Company Limited	the PRC 17 August 1999	RMB78,500,000	2	98	2	98	Sales of textile, photocopying, agriculture processing machinery and related components
Zhengzhou Hongda New Textile Machinery Company Limited	the PRC 11 August 1999	RMB74,500,000	–	98	–	98	Development and manufacture of textile machinery and related components
Shenyang Hongda Textile Machinery Company Limited	the PRC 16 August 1999	RMB71,000,000	–	98	–	98	Development, manufacture and processing of textile machinery and related components
Changde Textile Machinery Company Limited	the PRC 5 January 2002	RMB42,349,900	25	70	25	70	Manufacture and trading of textile machinery and other machinery
Beijing Jingwei Textile Machinery New Technology Company Limited	the PRC 2 March 2000	RMB100,000,000	1.6	98.4	1.6	98.4	Technical development and manufacture of textile machinery, sale of textile, industrial specialised machinery
Shanghai Weixin Electrical and Machinery Company Limited	the PRC 30 June 2000	RMB16,000,000	10	90	10	90	Manufacture and development of textile machinery, automobile component and general machinery
Beijing Jingpeng Investment Management Company Limited	the PRC 30 July 2001	RMB100,000,000	4	96	4	96	Investment management, sales of electronic and chemical products
Shanghai Chuangan (note 37(b)) (note (a))	the PRC 29 September 2001	RMB5,000,000	–	36	–	90	Trading of textile, electronic products and chemical products

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For the year ended 31 December 2012

45. SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2012 Attributable equity interest of the Group Indirectly	2012 Attributable equity interest of the Group Directly	2011 Attributable equity interest of the Group Indirectly	2011 Attributable equity interest of the Group Directly	Principal activities
			%	%	%	%	
Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited	the PRC 5 September 2001	RMB50,000,000	22	78	22	78	Manufacture and sales of blowing-carding machinery and related components
Wuxi Jingwei Textile Technology Testing Company Limited	the PRC 14 May 2003	RMB49,530,000	33.45	66.55	33.45	66.55	Manufacture and sales of textile products; research and development of technology relating to textile machinery and equipments
Tianjin Jingwei New Type Textile Machinery Company Limited	the PRC 16 August 2005	RMB16,000,000	25	75	25	75	Development and processing textile machinery and related components
Shenyang Hongda Huaming Textile Machinery Company Limited	the PRC 13 July 2005	RMB40,000,000	98.5	–	98.5	–	Development and processing of textile machinery and related components
Wuxi Jingwei Textile Technology Sales Company Limited	the PRC 31 December 2005	RMB1,000,000	–	100	–	100	Manufacture and sales of textile products; textile machinery and related components
Wuxi Hongda Textile Machinery and Special Parts Company Limited ("Wuxi Special Parts") (note (a))	the PRC 13 March 2005	RMB20,000,000	25	10	25	10	Manufacture of textile machinery and related components, general machinery and component, advanced textile machinery
Xianyang Manufacturing (note 38)	the PRC 9 April 1999	RMB75,079,600	–	–	0.67	99.33	Manufacture of weaving machines and equipment, and provision of relevant consulting service
Yichang Jingwei Textile Machinery Company Limited	the PRC 22 December 2006	RMB20,000,000	25	75	25	75	Development and processing of textile machinery and related components
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	the PRC 24 September 1993	RMB40,000,000	–	89.65	–	89.65	Manufacture of textile machinery components
Hongkong Huaming Co. Limited ("Hongkong Huaming") (note (b))	Hong Kong 31 December 2000	USD7,700,000	–	100	–	100	Export and import trading of textile machinery
Shanxi Jingwei Heli Machinery Manufacturing Company Limited ("Shanxi Heli") (note (a))	the PRC 26 February 2003	RMB100,000,000	–	30	–	30	Design and manufacture of various electomechanical products and mining products

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

45. SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2012 Attributable equity interest of the Group Indirectly	2012 Directly	2011 Attributable equity interest of the Group Indirectly	2011 Directly	Principal activities
			%	%	%	%	
Shanghai WSP Mould and Injection Plastic Company Limited ("Shanghai WSP") (note (c))	the PRC 14 May 2005	RMB5,256,800	50	–	50	–	Development, manufacture and trading machinery and related machinery, automobile component, mould and general machinery
Jinzhong Jingwei Foundry Company Limited	the PRC 6 August 2009	RMB25,000,000	–	68.8	–	68.8	Development and processing of textile machinery and related components
Huangshi Jingwei (note (a))	the PRC 24 December 2008	RMB32,000,000	–	45	–	45	Development and processing of textile machinery and related component
Hubei Xinchufeng (note (a))	the PRC 22 March 2007	RMB200,000,000	–	75	–	75	Manufacture and sales of heavy and medium commercial automobiles
Zhongrong Trust (note (a))	the PRC 30 June 1987	RMB1,475,000,000	–	36.6	–	36.6	Provision of trust and fiduciary services
Anshan Jingwei Haihong Agricultural Machinery Company Limited	the PRC 3 November 2008	RMB40,000,000	–	51	–	51	Manufacture and sales of agricultural machinery and equipment
Shanghai Huayuan Hyperthermia Technology Co., Ltd.	the PRC 1 November 2004	RMB20,000,000	51	–	51	–	Manufacture and sales of hyperthermia products
Xianyang Textile (note 37(b))	the PRC 22 October 2010	RMB50,000,000	–	97.36	–	97.33	Manufacture of weaving machines and equipment, and provision of relevant consulting service
Jinzhong Fiber (note 37(a) and (b))	the PRC 8 October 2002	RMB31,000,000	–	65.48	–	51	Manufacturing of textile machinery components
Hengtian Motor Vehicles Co., Limited	the PRC 5 May 2011	RMB50,000,000	75	–	75	–	Manufacture and sales of heavy and medium commercial automobiles
Beijing Zhongrong Dingxin Investment Management Company Limited ("Zhongrong Dingxin") (note (a))	the PRC 13 December 2011	RMB100,000,000	36.6	–	36.6	–	Investment holding, provision of asset management and business advisory services

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

45. SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2012 Attributable equity interest of the Group Indirectly	2012 Attributable equity interest of the Group Directly	2011 Attributable equity interest of the Group Indirectly	2011 Attributable equity interest of the Group Directly	Principal activities
			%	%	%	%	
Hi-Tech Huanyu (note 37(a)) and (note (b))	Hong Kong 24 March 2011	HKD4,974,976	100	–	–	–	Investment holding, manufacture and sales of heavy and medium commercial automobiles
Hubei Hengtian Motor Co., Ltd (note (d))	the PRC 7 February 2012	RMB43,550,000	60	–	–	–	Manufacture and sales of heavy and medium commercial automobiles
Jinzhong Hengxin (note 37(a))	the PRC 25 June 2009	RMB7,900,000	–	51	–	–	Manufacturing of textile machinery components
Shanghai Shenxin Machinery Technology Co., Ltd (note (d))	the PRC 6 April 2012	RMB2,000,000	100	–	–	–	Manufacture and sales of medical products
Beijing Jinwei Huaqing Medical technology Co., Ltd (note (d))	the PRC 9 September 2012	RMB1,000,000	100	–	–	–	Manufacture and sales of medical products
Yichang Jingwei Machinery Company Limited (note (d))	the PRC 8 March 2012	RMB78,927,593	100	–	–	–	Development and processing of textile machinery and related components
Jingwei Tsudakoma Textile Machinery (Xianyang) Co., Ltd. (note (d))	the PRC 31 October 2012	RMB126,000,000	–	51	–	–	Manufacture of textile machinery and related components

Notes:

(a) The shareholding that the Group has in Shanghai Chuangan, Wuxi Special Parts, Shanxi Heli, Huangshi Jingwei, Hubei Xinchufeng, Zhongrong Trust and Zhongrong Dingxin directly and via its subsidiaries is less than 51%. But pursuant to the Articles of Association of these subsidiaries, the Group has more than half of the seats of these subsidiaries' Board of Directors and hence has actual control over the Board, they are thus included into the consolidated financial statement.

(b) Except for Hongkong Huaming and Hi-Tech Huanyu which were incorporated and operated in Hong Kong or overseas with limited liabilities, all other subsidiaries are limited liability companies established and operated in the PRC.

(c) The shareholding that the Group has in Shanghai WSP via its subsidiaries is less than 51%. In year 2011, the Company has obtained the voting trust of two natural person shareholders, with a term commencing from 1 January 2011 to 31 December 2015. 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.

(d) These subsidiaries were incorporated during the year ended 31 December 2012.

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For the year ended 31 December 2012

46. EVENTS AFTER REPORTING DATE

On 27 February 2012, Zhongrong Trust, a subsidiary of the Company, has received "The Approval from China Banking Regulatory Committee Heilongjiang Office ("CBRC Heilongjiang Office") to the increase in the registered capital, adjustment in the shareholding structure and amendments of Articles of Association of Zhongrong Trust" (the "Approval") from 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%. The capital injection has been completed in January 2013.

On 21 November 2012, Zhongrong Trust and State Street Global Advisors Asia Limited entered into the agreement for the establishment of subsidiary pursuant to which Zhongrong Trust has agreed to make the capital contribution of RMB153,000,000 to the subsidiary. Upon the establishment of the subsidiary, Zhongrong Trust will own 51% of the equity interest in the subsidiary and the subsidiary will become a subsidiary of the Company. The establishment is undertaking at the end of the reporting period.

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012	**2011**
	RMB'000	*RMB'000*
Investment in subsidiaries	3,482,567	2,841,147
Investment in associates	83,057	68,000
Amounts due from subsidiaries	61,778	1,247,685
Amounts due from fellow subsidiaries	107,955	16,638
Amounts due from associates	123,528	129,937
Other assets	3,957,121	2,743,827
Total assets	7,816,006	7,047,234
Amounts due to subsidiaries	147,695	664,438
Amounts due to holding companies	26,532	2,600
Amounts due to fellow subsidiaries	76,620	175,307
Amounts due to associates	75,220	13,922
Other liabilities	4,129,087	3,716,798
Total liabilities	4,455,154	4,573,065
NET ASSETS	3,360,852	2,474,169
Capital and reserves		
Share capital	704,130	603,800
Reserves (note 34(a))	2,656,722	1,870,369
	3,360,852	2,474,169

Chapter XIV Documents Available for Inspection

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

1. The accounting statements duly signed and sealed by the authorized 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 (special general partnership) 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. 2012 annual reports (both English and Chinese versions).

中国恒天
CHTC

Friend of Worldwide Textile Industry
Pride of China Manufacturing Industry

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