



中国恒天
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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

2013



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 2013 in accordance with the PRC Accounting Standards for Business Enterprises 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 Ms. An Yongzhi (Head of Finance Department) hereby confirm that the financial reports as disclosed in this annual report are true, 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
Chapter II	Summary of Accounting Data and Financial Indicators	3
Chapter III	Directors' Report	6
Chapter IV	Supervisors' Report	28
Chapter V	Significant Events	31
Chapter VI	Movements in Share Capital and Information on Shareholders	40
Chapter VII	Directors, Supervisors, Senior Management and Staff	48
Chapter VIII	Corporate Governance	59
Chapter IX	Internal Control	78
Chapter X	Report of the Auditor – The PRC	80
Chapter XI	Accounts Prepared in Accordance with the PRC Corporate Accounting Standards	81
Chapter XII	Independent Auditor's Report	179
Chapter XIII	Accounts Prepared in Accordance with Hong Kong Financial Reporting Standards	180
Chapter XIV	Documents Available for Inspection	255



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 : 經緯紡機
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 : Zhang Yaxian
Telephone : 8610 84534078-8501
E-mail address : zhangyaxian@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. Newspaper for corporate : Securities Times
information disclosure
in the PRC
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

Chapter I Company Profile

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
31 January 2013 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 Point,
Hong Kong |
- (3) Hong Kong legal adviser
- | | |
|--|---|
| | : 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 Major accounting information and financial indicators of the past three years as at the end of the reporting period prepared in accordance with PRC Accounting Standards for Business Enterprises

I. Key accounting data and financial indicators

	2013	2012		Increase/Decrease of current year over previous year (%)	2011	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating income (RMB)	5,675,484,043.48	5,061,930,443.44	5,061,930,443.44	12.12%	7,272,369,776.75	7,272,369,776.75
Net profit attributable to shareholders of the listed company (RMB)	591,778,324.35	430,242,760.54	430,242,760.54	37.55%	490,793,393.01	490,793,393.01
Net profit after extraordinary items attributable to shareholders of the listed company (RMB)	514,961,807.95	292,442,675.69	292,442,675.69	76.09%	485,085,172.05	485,085,172.05
Net cash flow generated from operating activities (RMB)	2,376,469,041.44	1,791,655,058.64	1,791,655,058.64	32.64%	1,651,547,028.48	1,651,547,028.48
Basic earnings per share (RMB/share)	0.84	0.7	0.7	20%	0.81	0.81
Diluted earnings per share (RMB/share)	0.84	0.7	0.7	20%	0.81	0.81
Weighted average net assets income rate (%)	12.06%	11.71%	11.71%	Increase of 0.35 percentage point	15.09%	15.09%
	End of 2013	End of 2012		Increase/Decrease of current year-end over previous year-end (%)	End of 2011	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total assets (RMB)	18,863,486,831.09	15,553,487,258.76	15,553,487,258.76	21.28%	12,969,828,725.87	12,969,828,725.87
Net assets attributable to shareholders of the listed company (RMB)	5,114,068,305.18	4,702,154,830.44	4,699,708,487.69	8.82%	3,398,388,341.24	3,398,388,341.24

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

1. 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 for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
According to PRC GAAP	591,778,324.35	430,242,760.54	5,114,068,305.18	4,699,708,487.69
Item and amount adjusted according to foreign accounting standards	5,209,904.15	5,377,780.42		
According to foreign accounting standards	596,988,228.50	435,620,540.96	5,114,068,305.18	4,699,708,487.69

2. 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, the work safety fee accrual has been applied for the Group since 2012.

III. Extraordinary gains/losses items and their amounts

Unit: RMB

Item	Amount for 2013	Amount for 2012	Amount for 2011
Gains/losses from disposal of non-current assets (including the write-off part for which asset impairment has been provided)	37,125,510.86	110,103,555.33	4,905,453.69
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	41,047,615.32	39,198,976.65	16,760,245.56
Gain arising from investment costs for acquisition of subsidiaries, associates and joint-ventures by the corporation being less than its share of fair value of identifiable net assets of the investees on acquisition	1,591,982.01		
Debt restructuring gains/losses	1,024,741.04	2,134,859.97	-405,099.64
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	7,340,125.99	431,856.52	-95,168.47
Written back of the provision for impairment of accounts receivable under the independent test	26,836,480.91	1,646,005.86	-2,531,302.34
Other non-operating income and expense except above	13,123,983.55	25,730,585.09	-480,579.13
Less: Effect on taxation	25,083,066.06	29,353,448.72	425,982.30
Effect on minority interest (after-tax)	26,190,857.22	12,092,305.85	262,169.57
Total	<u>76,816,516.40</u>	<u>137,800,084.85</u>	<u>5,708,220.96</u>

Section II Audited Financial Information Prepared in Accordance with Hong Kong Financial Reporting Standards
Consolidated Statement of Comprehensive Income

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)	2011 <i>RMB'000</i> (Restated)	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
For the year ended 31 December					
Turnover	<u>10,479,372</u>	<u>8,632,148</u>	<u>10,201,720</u>	<u>6,987,647</u>	<u>3,498,019</u>
Profit/(loss) before taxation	2,484,224	1,904,840	1,544,816	533,325	(82,439)
Tax expense	<u>(694,293)</u>	<u>(513,371)</u>	<u>(377,839)</u>	<u>(124,192)</u>	<u>(29,224)</u>
Profit/(loss) after tax for the year from continuing operations	1,787,931	1,391,469	1,166,977	409,133	(111,663)
Profit after tax for the year from discontinued operation			101,360		
Profit/(loss) for the year	<u>1,787,931</u>	<u>1,391,469</u>	<u>1,166,977</u>	<u>510,493</u>	<u>(111,663)</u>
Profit/(loss) attributable to:					
Owners of the Company	596,987	437,093	491,906	244,717	(78,891)
Non-controlling interests	<u>1,190,944</u>	<u>954,376</u>	<u>675,071</u>	<u>265,776</u>	<u>(32,772)</u>
	<u>1,787,931</u>	<u>1,391,469</u>	<u>1,166,977</u>	<u>510,493</u>	<u>(111,663)</u>
Earnings/(loss) per share (RMB)	0.85	0.71	0.81	0.41	(0.13)
Net assets per share (RMB)	7.26	7.68	5.63	5.07	4.57
Return on net assets (%)	11.67	9.26	14.44	8.41	(2.86)

Assets and Liabilities

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)	2011 <i>RMB'000</i> (Restated)	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
At 31 December					
Total Assets	18,863,485	15,553,487	12,969,829	11,340,460	6,817,098
Total Liabilities	<u>(8,663,218)</u>	<u>(7,487,432)</u>	<u>(7,238,674)</u>	<u>(7,021,944)</u>	<u>(3,894,207)</u>
Shareholders' Equity	<u>10,200,267</u>	<u>8,066,055</u>	<u>5,731,155</u>	<u>4,318,516</u>	<u>2,922,891</u>

Chapter III Directors' Report

I. Overview

Predecessor of Jingwei Textile Machinery is the former Jingwei Textile Machinery Factory with over 60 years of history. Over the years, the Company is dedicated to the development of China's textile machinery industry, has a complete product development, technique and technology, production and manufacturing, marketing and operation and management system and is the flagship in the textile machinery manufacturing industry in China, which enjoys great reputation both domestic ally and internationally. On top of strengthening its textile machinery business, the Company also actively expanded new business areas, including financial trust, to construct an operation pattern with the co-ordinated development of the textile machinery, financial and equity investment businesses.

For textile machinery business: the Company possesses production and manufacturing system with advanced craftsmanship and sophisticated manufacturing, vast sales network and after-sales service system, and is dedicated to provide a full-flow of complete set of textile machinery with good quality to its clients at a competitive price, mainly cotton weaving machinery, beamed yarn machinery, special parts of textile machinery, twisting machinery, warp knitting machinery and dyeing and finishing machinery. Our products are sold all over China and exported to more than 40 countries and regions, and enjoyed high reputation among textile and textile machinery industry both local and abroad.

For the financial business, while it has further cultivated the traditional trust business, new domains were being explored and operation results increased steadily, a good development trend was maintained, the scale of asset management grew significantly, the strength of net capital continued to be enhanced, indicators such as the scale of asset management, its operating revenue, net profit were among those top performers in the industry, providing effective guarantee for the growth of our results and stable market capitalisation and bringing good income for investors.

2013 was a year when the Company coped with the external arduous situation in a scientific way and active progress was made in every work of the Company. All staff united and marched forward, did their utmost and maintained the healthy development of the Company in adverse and distressed situation by enhancing its internal management and expanding external market. The operation management level of the Company was raised to a new level, indicators like operating revenue, total profit etc recorded historic high once again, the structural adjustments were more reasonable, the innovative measures were more effective, the development atmosphere was more harmonious, and the operation situations of the Company continued to improve.

For the year ended 31 December 2013 and as stated in the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the Group's revenue amounted to RMB10,479,372 thousand and profit attributable to owners of the Company amounted to RMB596,987 thousand, representing an increase of 21.40% and 36.58% respectively from those of last year.

As at 31 December 2013, the Group had no cash and bank balances pledged to secure short-term bank loan granted to the Group (2012: Nil).

For the year ended 31 December 2013, the pledged loans of the Group amounted to RMB1,309,805 thousand (2012: RMB1,314,614 thousand) and the book value of the pledged assets are set out in the table below:

	2013	2012
	<i>RMB thousand</i>	<i>RMB thousand</i>
Property, plant and equipment	30,929	5,005
Land use right	105,726	175,527
Inventories	8,462	10,030
Bills receivable	13,905	59,214
	<u>139,022</u>	<u>249,776</u>



I. Overview (continued)

Although the Company has financial assets and liabilities denominated in foreign currencies, as the Group’s revenue and expenses are mainly denominated in Renminbi, the Group does not expect that material currency risk will be incurred. During the period under review, the Group did not use any financial instrument for any hedging purpose.

As at 31 December 2013, there was no major acquisition or disposal of subsidiaries and associates by the Company. For the acquisition and disposal of other subsidiaries, please refer to “XI. Reasons, for changes in the scope of consolidated financial statements as compared to the financial report for the previous year” in the Directors’ Report.

Save for the securities investment business engaged by the Company’s subsidiary Zhongrong International Trust Company Limited, the Group had no material investment. For the investments of the Company, please refer to “VI. Investment analysis” in the Directors’ Report.

For the year ended 31 December 2013 and as stated in the financial statements prepared in accordance with PRC Accounting Standards, operating revenue of the Group amounted to RMB10,558,276 thousand, representing an increase of 21.68% from that of last year. Operating profit was RMB2,394,888 thousand, representing an increase of 33.86% from that of last year. Net profit attributable to owners of the Company was RMB591,778 thousand, representing an increase of 37.55% over that of the previous year.

II. Analysis of principal operations

1. Overview

Unit: RMB

Item	Amount at the end of the period (current period)	Amount at the beginning of the period (previous period)	Changes	Reasons for the change
Total operating revenue	10,558,276,337.66	8,677,401,466.68	21.68%	Fees income and interest income of the financial business increased as compared with the same period last year
Operating costs	4,815,121,164.00	4,198,210,324.02	14.69%	Operating revenue from textile machinery business and nontextile machinery business increased as compared with the same period last year, the corresponding operating costs increased
Administrative expenses	2,682,743,498.17	2,183,175,903.25	22.88%	As revenue from financial business increased, remuneration of staff in administrative expenses increased accordingly
Research and development costs	219,753,030.78	155,428,207.24	41.39%	The Company increased its R&D investment in the products
Net cash flow generated from operating activities	2,376,469,041.44	1,791,655,058.64	32.64%	Net cash flow generated from financial business increased as compared with the same period last year

II. Analysis of principal operations (continued)

1. Overview (continued)

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

Major work carried out in 2013

- (I) Accelerating pace of technological innovation and strengthening competitive strength of the principal operations

The Company regarded enhancing the self innovation capability and product quality as an important means to cope with the fierce market competition, and pushed forward the technological advancement. RMB 30,000,000 of “science and technology innovation fund “was implemented to support the textile machinery enterprises for technological innovation; the foreign experts were engaged to conduct quality diagnosis of the special products and to address the technical difficulties; it was organized to explore the network platform of industrial prototype, technical standards and cutting tools management; the craftsmanship communication was organized to foster the continued improvement on the core technology processing capability and labour efficiency. The research and development centre in Italy was put into use with the improving research and development system. The Company was granted an aggregate of 159 patents during the year, and the marketisation process of the new products was speeding up.

- (II) Significant results of restructuring and enhancing foundation of development

The financial business strengthened the targeted research on new products and areas. We proactively adjusted the structure of the organization to support the development of the new business, with the results of operation growing steadily and maintaining good development momentum. The scale of asset management grew significantly

The textile machinery business put more efforts in restructuring products, so as to continue to enhance competitive strength and influence.

Progress was made in reform. Yuci branch completed the socialized work of partial business of large-scale parts and special casting business.

- (III) Satisfactory market expansion and deepening marketing integration

The Company attached the same importance to the business expansion at home and abroad, actively seized the market and consolidated its position in the domestic cotton weaving machinery field. During the year, contracts with deposit increased 16.5% over that of the previous year. While consolidating the traditional advantageous markets, the Company actively expanded the overseas market, drove sales through service. The sales revenue from export for the year hit a historic high. Twisting equipment successfully entered into developed countries, including the U.S. The Company made one concrete step along its internationalisation road.

- (IV) Spearheading management innovation and enhancing control capability

The management enhancement activities were fully pushed forward, and greater efforts was made to the construction of 6S system and safety production standardization. The pilot lean management was rolled out and the basic management level of the Company was continuously enhanced.

The quarterly roll-over budget was implemented to combine the annual budget with the quarterly one; it was explored that the management of fee budget was made through the informationized means, enhancing the fee control capability. The periodic analysis of budget was implemented and the examination of the implementation of budget was strengthened, realizing the rigid constraints and closed-loop management of the budget.

Supply chain management was continuously strengthened. Deep cooperation was made with strategic partners from the aspects of synergistic development and joint reserves, effectively reducing the cost of products.

II. Analysis of principal operations (continued)

1. Overview (continued)

- (V) Effective internal control construction and steady increase in risk prevention and control capabilities

According to the requirements of the internal control, the Company sorted out the management flow in a comprehensive way, fortifying the two-level internal control evaluation system of both the Company and the enterprises under it. Greater efforts were made to follow and rectify the quality of the internal control evaluation. We combined the internal audit with the internal control evaluation, and the special audit of the key control flow was strengthened, so as to effectively prevent the operation risks.

The Company strengthened the research and judgment and prevention of the industry risks, market risks and operation risks. We actively guided the enterprise to conduct risks identification, assessment and dealing with thereof, ensuring the legal and compliant operation activities. The financial business continued to improve risk management system and process. We firstly established a system of independent approver in the industry. The trust business committee was restructured to strengthen the risk control of the key businesses and increase the reserves to deal with the risks, which had a positive effect on warding off operation risk and enhancing the profitability.

- (VI) Increasing efforts on team building and initial results achieved in the optimisation of organization

We actively procured for a younger and more professional cadre team. We prepared to establish the back-up tank of three types of talents, including the leading team of the Company, leading team of the enterprises and the youth of the Company.

2. Revenue

Explanation

In 2013, the production and sales of the products and the effective contracts amount of the Group had a certain growth over that of the previous year.

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	1,215,633,469.32
Total sales to top 5 customers as a percentage of the total sales for the year (%)	21.42%

Information of top five customers of the Company

Serial No.	Name	Sales (RMB)	Proportion of annual sales (%)
1	China Texmatech Co., Ltd.	753,070,557.36	13.27%
2	Wuhan Dongfuhai Trading Company Limited	141,019,362.65	2.48%
3	Far Eastern International Leasing Co., Ltd.	111,062,393.16	1.96%
4	Henan Xinye Textile Co., Ltd	110,703,378.48	1.95%
5	China Harzone Industry Corp. Ltd	99,777,777.67	1.76%
Total	—	1,215,633,469.32	21.42%

II. Analysis of principal operations (continued)

3. Costs

Classification of sector

Unit: RMB

Classification of sector	Item	2013		2012		Year-on-year increase or decrease (%)
		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
textile machinery	operating costs	4,239,632,953.65	88.05%	3,821,951,900.88	91.04%	10.93%
non-textile machinery	operating costs	575,488,210.35	11.95%	376,258,423.14	8.96%	52.95%
Sub-total		4,815,121,164.00	100%	4,198,210,324.02	100%	14.69%

Main suppliers of the Company

Unit: RMB

Total purchase amount from top five suppliers (RMB)	891,386,747.05
Proportion in total annual purchase amount for top five suppliers (%)	17.46%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchases for the year (%)
1	Supplier A	412,193,035.13	8.07%
2	Supplier B	169,598,730.75	3.32%
3	Supplier C	114,706,648.72	2.25%
4	Supplier D	106,096,926.08	2.08%
5	Supplier E	88,791,406.37	1.74%
Total	—	891,386,747.05	17.46%

4. Expenses

Income tax expenses for January to December 2013 of the Group increased by 35.24% to RMB694.293 million as compared with the same period of the previous year, mainly due to the significant increase in the total profit of financial business which resulted in the corresponding increase in the provision for income tax expenses.

5. Research and development expenditure

The Group's expenditure on R&D in 2013 amounted to RMB219,753,000, which accounted for 2.15% of the audited net assets and 3.87% of the audited operating income. The Company regarded enhancing the self innovation capability and product quality as an important means to cope with the fierce market competition, and pushed forward the technological advancement through a number of ways. Therefore, the Company increased its input in the research and development of products, resulting in continued improvement on the core technology processing capability and labour efficiency and accelerating the pace of technological innovation and the competitive strength of the principal operations was strengthened.



II. Analysis of principal operations (continued)

6. Cash flow

Unit: RMB

Item	2013	2012	Increase/decrease y-o-y (%)
Subtotal of cash inflow from operation activity	9,087,649,283.42	7,803,239,347.73	16.46%
Subtotal of cash outflow from operation activity	6,711,180,241.98	6,011,584,289.09	11.64%
Net cash flow from operation activity	2,376,469,041.44	1,791,655,058.64	32.64%
Subtotal of cash inflow from investment activity	518,884,412.80	936,567,256.90	-44.6%
Subtotal of cash outflow from investment activity	693,132,544.04	1,154,817,925.09	-39.98%
Net cash flow from investment activity	-174,248,131.24	-218,250,668.19	-20.16%
Subtotal of cash inflow from financing activity	3,113,593,792.01	4,416,648,939.73	-29.5%
Subtotal of cash outflow from financing activity	2,457,205,958.96	3,340,340,494.57	-26.44%
Net cash flow from financing activity	656,387,833.05	1,076,308,445.16	-39.01%
Net increased amount of cash and cash equivalent	2,857,399,431.27	2,648,843,437.29	7.87%

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

- (1) “Net cash flow from operation activity” representing an increase of 32.64% over the previous year, mainly due to more net cash inflows arising from the financial business over the previous year.
- (2) “Cash inflow from investment activity” representing a decrease of 44.6% 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 period; such business decreased in current period.
- (3) “Cash outflow from investment activity” representing a decrease of 39.98% over the previous year, mainly due to more purchase of held-for-trading financial assets made by Zhongrong International Trust Co., Ltd. during the previous period; and such business decreased in current period.
- (4) “Net cash flow from financing activity” representing a decrease of 39.01% over the previous year, mainly due to the increase of cash receipts from the issuance of shares and medium-term notes.

III. Composition of main business

Unit: RMB

	Principle operating income	Principle operating cost	Gross profit margin (%)	Increase/decrease of principle operating income y-o-y (%)	Increase/decrease of principle operating cost y-o-y (%)	Increase/decrease of gross profit margin y-o-y (%)
By industry						
Textile machinery	4,213,814,939.53	3,613,646,172.52	14.24%	5.31%	6.34%	-0.83%
Financial trust	4,882,792,294.18		100%	35.05%		
Non-textile machinery	654,182,601.25	573,978,926.43	12.26%	58.04%	53.02%	2.88%
Sub-total	9,750,789,834.96	4,187,625,098.95	57.05%	21.42%	10.96%	4.05%
By geographical area						
Domestic revenue	8,873,579,309.71	3,394,865,879.30	61.74%	18.44%	4.18%	5.24%
Overseas revenue	877,210,525.25	792,759,219.65	9.63%	62.77%	53.76%	5.29%
Sub-total	9,750,789,834.96	4,187,625,098.95	57.05%	21.42%	10.96%	4.05%

IV. Assets and liabilities analysis

1. Major changes in assets

Unit: RMB

	End of 2013		End of 2012		Increase/decrease of ratio (%)
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)	
Monetary fund	9,486,457,524.83	50.29%	6,548,740,008.05	42.1%	8.19%
Accounts receivable	778,564,374.89	4.13%	698,770,042.46	4.49%	-0.36%
Inventory	1,619,573,041.58	8.59%	1,484,581,205.31	9.55%	-0.96%
Long-term equity investment	239,287,362.83	1.27%	218,004,243.80	1.4%	-0.13%
Fixed assets	1,816,944,619.20	9.63%	1,658,181,634.78	10.66%	-1.03%
Construction in progress	149,669,840.40	0.79%	268,578,405.91	1.73%	-0.94%

2. Major changes in liabilities

Unit: RMB

	2013		2012		Increase/decrease of ratio (%)
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)	
Short-term borrowings	1,945,504,547.47	10.31%	1,455,761,360.52	9.36%	0.95%

IV. Assets and liabilities analysis (continued)
3. Assets and liabilities measured at fair value
Unit: RMB

Item	Amount at beginning of the period	Gains/losses from changes in fair value	Accumulative changes in fair value recognized in equity	Impairment provision in this period	Amount purchased in this period	Amount sold in this period	Amount at end of the period
Financial assets							
1. Financial assets measured at fair value through measured profit or loss (excluding derivative financial assets)	276,665,724.16	-11,122,873.20					243,515,847.35
2. Available for sale financial assets	570,852,379.82		-112,511,893.09				376,788,993.41
Subtotal of financial assets	847,518,103.98	-11,122,873.20	-112,511,893.09				620,304,840.76
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 the Company owns Zhongrong International Trust Co., Ltd., the Company 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 Company are all at an advanced level in the industry.

2. Self-innovation Capability of the Company

The Company set up a secondary product research and development system and has two state-level enterprise technology centres, five provincial-level enterprise technology centres, and four municipal level engineering technology research centres, the Company established a postdoctoral workstation and Beijing textile machinery and machine vision engineering research centre in Beijing; it possessed the core technology for cotton manufacturing complete sets of equipments; insisted on the R & D direction of digital intelligence, high speed and high efficiency, reduction of labour input, and environmental protection; if cultivated core technologies and high end products with proprietary intellectual property rights, led the most updated technological trend of textile machinery in China. The Company has formed a research and development hierarchy for production generation, research and development generation and reserve generation, and the new products developed were at the advanced level in China and in the world, which strongly supported the Company to keep its domestic leading position among textile machinery enterprises.

3. Product Marketing Capabilities

The Company possessed a complete product organization structure and management system, so as to improve management level and efficiency by informatization. The Company has a comprehensive product line portfolio and adequate manufacturing capacity; the advanced complete sets of technology, the completeness of the product category and the reliability of the JINGWEI brand were accepted by a large number of customers, and the products were rather competitive. Through marketing integration, it made a market layout of textile machinery production on a countrywide scale, promoted complete sets of equipments, carried out after-sales services, these had important promotion effects, and ensured the market share of the products. The Company has formed a marketing layout by consolidating regions as the main market which covered the whole country and extended to overseas markets; it possessed complete marketing and technical service systems and a centralized logistics center of spare parts in China, the after-sales services were extended to routine maintenance and repair work to equipments in workshops of clients, and it enjoyed good reputation both in the domestic and foreign markets.

V. Analysis on Core Competitiveness (continued)

4. Cost Control Capabilities

In recent years, the Company paid attention to cost control from many perspectives, such as standardizing cost management, research and development management, purchasing management and capital management, etc, the cost control capabilities of the Company were enhanced by a variety of ways like optimizing the design process, increasing the scale of centralized purchasing, centralizing fund management, and adjusting the capital structure.

5. Trust business capability

The trust business team of the Company has acute market responsive capability, was able to make immediate strategic adjustment against changes in market and policy conditions, and possessed higher implementation efficiency and first mover advantage; we had an efficient corporate management system, positioned the key management of the Company as the role of “builder of the Company”, improved their sense of responsibility, risk awareness and employee loyalty through the market-oriented mechanism of shared benefits and risks; we had scientific performance management mechanism, were able to motivate employees’ enthusiasm, motivation and creativity to the fullest extent, and pushed the Company to make use of its assets management capability to realise healthy and sustainable development; we had a comprehensive risk management system, and had a professional risk management team, stringent business management work flow and a well established IT system, forming an integrated risk prevention and control system of human control, computer control and system binding.

VI. Investment analysis

1. Foreign equity investment

(1) Foreign investment

Foreign investment		
Investment for year of 2013 (RMB)	Investment for year of 2012 (RMB)	Changes (%)
256,529,243.40	201,722,000.00	27.17%
Invested company		
Name	Main business	Proportion of equity in invested company for listed company (%)
SSGA Fund Management Co., Ltd	Fund management	51%
SSGA Asset Management Co., Ltd	Asset management	100%
DURABUS D.O.O.	Automobile manufacturing	51%
Huangshi Hengtian Jingwei Textile Machinery Company Limited	Manufacture of textile machinery equipment	92.86%
Fuzhou Haolian Medical Science and Technology Company Limited	Manufacture of medical devices	48.46%
JW-PROTTI MACCHINE TESSILI S.R	Textile machinery	94.05%
Shanghai Rong’ou Equity Investment Funds Management Company Limited	Investment management, assets management	40%
Jinzhong Jingwei Yuxin Machinery Company Limited	Textile machinery	20%
Ruiyuanbaoxing Funds Management Company Limited	Asset management	49%
Zhongrong Kangjian Capital Management (Beijing) Company Limited	Investment management; investment consultation	49%
Suizhou Jinafu Engineering and Machinery Services Company Limited	Urban infrastructure; sales of automobile	40%



VI. Investment analysis (continued)

1. Foreign equity investment (continued)

(2) Securities investment

Type	Securities code	Securities short code	Initial investment amount (RMB)	Number of shares held at beginning of period (Share)	Percentage of shares at beginning of period (%)	Number 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	53,500,830.76	3,465,974	0.32%	4,295,703	0.34%	40,594,393.35	6,084,337.90	Held-for-trading financial assets	Purchase
Stock	600585	Anhui Conch Cement	31,828,640.33			1,675,055	0.03%	28,408,932.80	-3,000,943.78	Held-for-trading financial assets	Purchase
Stock	600516	Fonda Carbon	41,066,662.67	2,907,969	0.23%	3,489,563	0.2%	26,555,574.43	1,605,200.41	Held-for-trading financial assets	Purchase
Stock	601377	Industrial Securities	30,658,602.42	2,055,471	0.09%	2,655,471	0.1%	25,120,755.66	-7,549,434.70	Held-for-trading financial assets	Purchase
Stock	601555	Soochow Securities	24,085,145.47	2,735,832	0.14%	2,735,832	0.14%	23,528,155.20	1,614,140.88	Held-for-trading financial assets	Purchase
Stock	601688	Huatai Securities	16,446,645.44	1,059,600	0.02%	1,578,200	0.03%	14,140,672.00	-1,611,368.00	Held-for-trading financial assets	Purchase
Stock	000425	XCMG	21,241,465.17			1,670,925	0.08%	12,715,739.25	217,220.25	Held-for-trading financial assets	Purchase
Stock	600030	Citic Securities	11,501,052.05	904,200	0.01%	904,200	0.01%	11,528,550.00	-280,302.00	Held-for-trading financial assets	Purchase
Stock	000937	JZEG	33,399,367.55	1,417,400	0.06%	1,417,400	0.06%	10,517,108.00	-8,731,184.00	Held-for-trading financial assets	Purchase
Stock	000776	GF Securities	12,587,678.61			828,000	0.01%	10,333,440.00	124,200.00	Held-for-trading financial assets	Purchase
Other securities investment held at end of period			69,900,763.97	47,804,330	-	39,719,650	-	40,072,526.66	-30,637,847.09	-	-
Total			346,216,854.44	62,350,776	-	60,969,999	-	243,515,847.35	-42,165,980.13	-	-
Announcement date of the Board approving investment in securities											
Announcement date (if any) of the general meeting approving investment in securities											

Explanation to securities investment: in the table above, except for the smaller amount of held-for-trading financial assets held by Hong Kong Huaming, a subsidiary of the Group, the other is securities investment business engaged by the subsidiary Zhongrong International Trust Co., Ltd., which made investment strictly in accordance with the internal control system and limits, effectively controlling the investment risks.

Description of equity investment in other listed companies:

Name of Listed Company	Number of shares held	Book value at end of period	Investment Income
Liuguo Chemical	24,000,000.00	156,000,000.00	2,400,000.00
Hengyuan Coal Industry and Electricity Power	20,525,850.00	146,349,310.50	5,336,721.00

As at the end of 2013, Zhongrong Trust held equity interests in Liuguo Chemical and Hengyuan Coal Industry and Electricity Power, respectively, which is reflected in "Available for sale financial assets". During the year, the Company did not conduct sales or purchase, and received dividend income of RMB 2,400,000.00 from Liuguo Chemical and RMB 5,336,721.00 from Hengyuan Coal Industry and Electricity Power during the accounting period.

VI. Investment analysis (continued)
2. Use of funds raised
(1) General utilization of raised funds
In ten thousand yuan

Total funds raised	93,708.22
Total investments made during the reporting period	47,756.76
Total funds raised that have been accumulatively invested	90,364.99
Total funds raised whose uses have been changed during the 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	
<p>Upon the approval of the Document [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 was RMB 903,649,973.17. The funds of this non-public offering were all received on 30 November, 2012 and has been audited by Baker Tilly who has issued a capital verification report named "Baker Tilly Beijing QJ[2012]T348. The net proceed from the non-public offering of A shares in 2012 was RMB 903,649,900.0, and the Company utilized RMB426,082,300 in 2012 and RMB 477,567,600 during the year. As of 31 December 2013, the Company has accumulatively utilized RMB 903,649,900.0, and funds raised from the non-public offering of A shares in 2012 were fully utilized.</p>	

(2) Projects committed with raised funds
In ten thousand yuan

Projects committed and invested direction of overraised 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 in this reporting period	Accumulative invested amount at the end of the period (2)	Investment progress at the end of the period (%) (3)=(2)/(1)	Date of project to achieve intended use	Realized benefits in the reporting period	Whether the expected benefits had been achieved	Any significant changes in project feasibility
Project committed										
1. Capital contribution to Zhongrong International Trust Co., Ltd. to increase its net capital	No	76,412.84	76,412.84	47,758.03	76,412.84	100%		0	Yes	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	0	13,953.42	100%		0	Yes	No
Sub-total of project committed	-	90,366.26	90,366.26	47,758.03	90,366.26	-	-	0	--	--
Total	-	90,366.26	90,366.26	47,758.03	90,366.26	-	-	0	--	--



VI. Investment analysis (continued)

2. Use of funds raised (continued)

(2) Projects committed with raised funds (continued)

Particulars and reasons for failing to meet planned progress or forecast profit (by specific project)	Not applicable
Reasons for significant changes to feasibility of the project	Not applicable
Amount, use and progress of the use of the over-raised funds	Not applicable
Particulars of the change in the places of the implementation of the projects with the raised funds	Not applicable
Particulars of the adjustment in the ways of implementation for the projects invested with the raised funds	Not applicable
Pre-investment and replacement of projects to be invested with raised funds	Applicable The Company made up-front investment of RMB 286,548,100 by its self-raised funds, being the initial capital injection 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 in 2012. There was no pre-investment and replacement of projects to be invested with raised funds in 2013.
Temporary addition to working capital from unused proceeds	Not applicable
Amount of issue proceeds in surplus of requirements for project implementation and reasons	Not Applicable
Use and direction of raised funds not yet utilized	As of 31 December 2013, the proceeds raised by the Company had been fully utilized.
Problem and other situation in the use and disclosure of proceeds	Not Applicable



VI. Investment analysis (continued)

3. Analysis on major subsidiaries and investees

Particulars of major subsidiaries and investees

Unit: RMB

Name of Company	Type of Company	Industry	Principal products or services	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Zhongrong International Trust Co., Ltd.	Subsidiary	Financial	Financial trust	1,600,000,000.00	9,583,009,455.32	7,558,275,407.33	4,942,601,542.35	2,781,581,121.02	2,091,516,145.06
Yichang Jingwei Textile Machinery Company Limited	Subsidiary	Manufacturing of textile machinery	Cabling machinery, glassy twisting machine and carpet yarn twisting machine	20,000,000.00	360,903,249.96	75,482,808.24	273,521,824.87	30,720,698.78	32,769,824.31
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Subsidiary	Manufacturing of textile machinery and special parts	Friction twister, covering spindle and textile spindle bearings	20,000,000.00	272,526,212.91	85,113,684.35	144,540,119.14	7,172,931.33	10,213,604.81
Beijing Jingwei Textile Machinery New Technology Company Limited	Subsidiary	Manufacturing of textile machinery	Foreign fibre sorting machine and textile machinery control system	100,000,000.00	408,082,835.53	164,653,845.86	216,145,782.31	8,096,558.22	9,306,868.59
Tianjin Jingwei New Type Textile Machinery Company Limited	Subsidiary	Manufacturing of textile machinery	Switch box	16,000,000.00	55,555,115.33	30,301,522.92	29,637,838.96	3,117,984.30	3,117,984.30
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Subsidiary	Manufacturing of textile machinery and special parts	Spindles, rings, rollers, and belt rollers	40,000,000.00	140,570,853.96	36,733,268.09	213,408,453.19	1,804,050.70	1,807,249.69
Shanghai WSP Mould & Injection Plastic Ltd.	Subsidiary	Manufacturing of textile machinery and special parts	Precision injection molding	5,256,800.00	14,078,093.55	10,222,845.87	11,602,488.26	2,011,544.40	1,553,433.94
Beijing Hang Tang Wealth Investment Management Company Limited	Investee	Financial	Financial service	50,000,000.00	333,042,178.52	90,730,310.78	996,378,426.49	138,782,635.57	109,272,415.46
China Texmatech Co., Ltd	Investee	Trading	Sales of textile machinery	120,000,000.00	1,070,554,591.41	304,231,738.82	4,329,883,121.50	52,365,568.90	39,001,568.13



VI. Investment analysis (continued)

3. Analysis on major subsidiaries and investees (continued)

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
DURABUS D.O.O	Expansion of automobile business	Acquisition of assets	New automobile products were added
JW-PROTTI MACCHINE TESSILI S.R	Expansion of textile machinery products	Establishment	New textile machinery products were increased
Huangshi Hengtian Jingwei Textile Machinery Company Limited	Relocation of subsidiary by moving out from the urban area and entering the park	Establishment	Has no effect on production
Fuzhou Haolian Medical Science and Technology Company Limited	Expansion of medical devices business	Capital contribution	Medical device products were increased.
SSGA Fund Management Co., Ltd	Restructuring business of the subsidiary	Establishment	The subsidiary's financial business scope was increased, the scale of financial business was expanded, which will improve the Company's profitability in future
SSGA Asset Management Co., Ltd	Restructuring business of the subsidiary	Establishment	The subsidiary's financial business scope was increased, the scale of financial business was expanded, which will improve the Company's profitability in future
Jinzhong Jingwei Heli Electronic Machinery Co., Ltd	Business adjustment of Shanxi Heli	Transfer of equity interest	Divest the non principal operation of Heli Company
Jinzhong Jingwei Heli General Machinery Co., Ltd	Business adjustment of Shanxi Heli	Transfer of equity interest	Divest the non principal operation of Heli Company
Jinzhong Jingwei Heli Supplementary Machinery Co., Ltd	Business adjustment of Shanxi Heli	Transfer of equity interest	Divest the non principal operation of Heli Company

VII. Prospects for the future development of the Company

1. **Development trend of the textile machinery business:** With the rapid development of the economy and enhancement of living standard life, people's demand for textile products and garments continues to increase, there is room for development of the market for the textile and textile machinery industries. As a leader industry in the textile sector, the development of the textile machinery industry is highly related to the shifting of the textile sector across the world. At present the textile sector is in the process of shifting from China to Southeast Asia, southern Asia and other third world countries, however in the short run our country is still the major textile product producer in the world and it has larger market potential. Currently the developed countries in the west are accelerating the succession of traditional industries and the "re-industrialization" process of technological advancement, the textile sector of China also moves from the stage of growth in scale and quantity to the adjustment stage of intense transformation. Textile machinery is developing towards the direction of energy saving and environmental protection, shortening of work flow, high efficiency, high value-added and differentiation. The textile machinery industry has entered into a new development phase of market-orientation and benefit as the centre of capital diversification and diversified operation. This imposes higher requirements upon Jingwei Textile Machinery which has the production development direction of high speed and high efficiency, digital intelligence, reduction of labour input, environmental protection, and brings new development opportunities to us.

Development trend of the financial business: It is expected that in future the competition in the asset management domain will be more intensified, the liberalization of interest rate may bring more potential challenges to the trust companies, but the trust companies still possess certain market advantages. The trust sector has built up a good talent system during its development over the years, it set up a complete risk management system, built up a good reputation of the sector. The growth in wealth of people will bring a huge market for the trust businesses, the high net worth individuals in China have higher interest in wealth protection like family trust and financial arrangements of risk diversification, many high net worth individuals desperately need modern corporate methods and financial solutions to realize the stable handover and long term operation of family businesses, this objectively provides good development opportunities for the trust sector. And the "New politics" of asset management brings in competition to the trust companies while it also brings new opportunities for co-operation with the other asset management institutions. In addition, the new political and economic situations provide opportunities for innovation of trust products. On the land transfer trust aspect, "To grant more property rights to peasants, promote equal exchanges between the urban and rural elements" was proposed in the Third Plenary Session of the Eighteenth CPC. With its advantages in system, a trust can play an important role in the circulation of rural land; on the asset securitization aspect, a trust can play an important role in the asset securitization of bank credits due to its features of isolation by bankruptcy, easy establishment and close relationship with the banking channels; on the merger and acquisition aspect, an economic structural transformation and upgrade requires a company to adjust its business structure, to realize consolidation and upgrade of the sector, a large number of market behaviours such as asset disposal, merger, acquisition etc will provide ample room for the development of trusts. To sum up, the trust sector will face a more complex market environment, but it still has better development opportunities.

2. **Development strategies of the Company**

Strategic objectives: With the strategic development objective of becoming a world class textile machinery company, the Company will construct an operation pattern with the co-ordinated development of the textile machinery, financial and equity investment businesses.

3. **Business plan of the Company**

Jingwei Textile Machinery has seriously analyzed the actual situations of the Company, it has adopted "To boldly explore and implement, speed up reform and adjustments, push forward transformation and upgrade, optimize industrial structure, continue to enhance the innovation capability, control and management capability, profitability, work hard to enhance economic benefits and development quality, realize the continuous enhancement of company value" as the 2014 operation guiding principles. With intensified reform and transformation and upgrade, this will maintain the sustainable and healthy development of the Company to grasp development opportunities, master the present conditions while plan for the long run, seek growth of economic benefits while emphasizing the enhancement of quality of development. With an international perspective, and a mindset of changes, the concept of operation by market mechanism, stress quality and seize market share, strengthen management and improve efficiency, strictly control costs, push forward the Company from a preference of scale expansion to an emphasis of quality and benefit change, a shift from low and medium end in the industry chain to high end in the industry chain, a move from domestic market focus to international operation, work hard to secure the foundation for a new round of development of the Company to create new competitive advantages.



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

4. Risk factors caused by the future development strategies and realization of operation objectives of the Company and response measures

2014 is a year which starts the implementation of the policies and principles of the Third Plenary Session of the Eighteenth CPC as well as critical year to speed up the change of development modes. Judging from the current situations, in 2014 the Company will face negative factors such as harsh and complex economic and market conditions, increase in competition in the domestic and international markets, creation of more international trade barriers, continued pressure of increasing operation costs, and existence of uncertainties in the operation process of the Company. In order to effectively cope with all risks, the Company will take the following measures:

- (1) Speed up reform and adjustments, continue to increase the value of the Company. To explore and implement reform and adjustments of systems and mechanisms, increase the reform of equity interest diversification, gradually implement mixed ownership system in those companies which satisfy the conditions, introduce strategic investors with funds, technology and management advantages; actively promote optimized adjustment of the layout of the industry, optimize the equity structure of the Company, rely on technological progress and management innovation to have organic growth, make use of synergies of companies, achieve complementary usage and sharing of resources. Adjust appropriately the direction of breakthrough of financial business, proactively adapt to market changes, increase the support and nurturing of innovative businesses.
- (2) Insist on innovation as its driving force, promote the transformation in development of the Company. Use technological innovation to support the development of the Company, increase the R & D of energy saving and emission reduction products, further enhance the consistency, reliability and stability of products; accelerate the commercialization of high-end products, increase investment in technology, support R & D of technologies and technological innovation of companies, set up a Jingwei product R & D centre, strengthen the co-ordination and interaction among R & D bodies at all levels in China, make proper connection of key projects with international advanced technologies.
- (3) Make use of consolidation advantages, explore the domestic and overseas markets with full efforts. Make use of the advantages of the consolidated marketing platform, deepen the application of CRM, set up user service systems, increase the response speed of services; strictly control risks, use all financial methods to foster the launching of the complete set business; create new marketing models, promote the application of e-commerce in the sale of special spare parts, continue increase in market promotion internationally.
- (4) Promote refined management, work hard to enhance development quality. To push forward management models and structural changes of organization, set up refined management exchange platform, improve the refined management organization and performance incentive mechanism, nurture refined management talents; solidify, increase and deepen the use of the SAP system, implement high level systems like the commercial intelligence; carry out proper supply chain management, further enhance the capability to access resources, negotiation capability and risk control capability; further improve the rolling budget system, strengthen budgetary control by informatization measures.
- (5) Reform the personnel mechanism, speed up the building up of a team of talents. Improve the incentive and restraint mechanism of personnel by market mechanism. Strengthen the building up of leaders, stress the guidance, nurturing and deployment of talents at all levels and in all categories, make the values out of the core talents, backbone staff and frontline employees.
- (6) Strengthen risk control, ensure stable and systematic production operation. Set up work flow standards, operate a highly efficient internal control system, revise and improve the existing systems according to the method of integrating evaluation and establishment; strengthen the risk management awareness of all staff, reasonably break down the objectives of risk control and management responsibilities to staff, set up special risk evaluation mechanism for business with high risks and major investment and acquisition projects. Set up a complete risk alert mechanism for critical areas, make proper risk control work of follow up projects of financial businesses and risk identification work and prevention and control work of new projects.

5. Funding needs and usage plans, sources of funds required to achieve the future development strategies of the Company

Based on the market conditions and its own strategic development needs, the Company will continue to seek new investment projects, create new source of economic growth through acquisition of external related resources or introduction of technologies. For the amount of funds needed, it will depend on the situations of the possible projects. Funds will be raised and based on the needs of normal operation and the potential projects, the funds for normal operation and funds for projects are mainly own funds, bank loans, funds raised in the form of bonds of all types, and through continuous innovative fund raising methods, so as to safeguard the funding needs of the production operation and strategic adjustment development of the Company.

VIII. Explanation on changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

According to “Notice Regarding the Publishing the Accounting Standards for Business Enterprises No. 9 — Employee Benefits (Revised)” (Cai Kuai [2014] No. 8), the Group implemented Accounting Standards for Business Enterprises No. 9 — “Employee Benefits” earlier. There were significant changes in accounting policies, which are mainly related to defined benefit scheme. The changes generated from the re-measurement of the net liabilities or net assets of the defined contribution scheme would be included in other comprehensive income.

Pursuant to the requirements of “Accounting Standards for Business Enterprises No. 9 — Employee Benefits”, no adjustment would be made in the information of defined benefit scheme disclosed in the comparative financial statements of the Group. The effect of the change in the accounting policies on the beginning amount of the financial statements of the Group is as follows:

Items in the statement	Before restatement	Amount affected	After restatement
Long-term payables	82,420,491.33	2,527,508.60	84,947,999.93
Unappropriated profit	1,208,748,494.14	-2,446,342.75	1,206,302,151.39
Total shareholders' equity attributable to equity holders of the parent	4,702,154,830.44	-2,446,342.75	4,699,708,487.69
Non-controlling interests	3,366,426,864.51	-81,165.85	3,366,345,698.66
Total Shareholders' Equity	8,068,581,694.95	-2,527,508.60	8,066,054,186.35

According to “Notice Regarding the Publishing of Amendments to the Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements” (Cai Kuai [2014] No.7), the Group implemented “Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements” earlier. There were significant changes in accounting policies, which had no impact on the financial statements of the Group.

According to “Notice Regarding the Publishing of Amendments to the Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements” (Cai Kuai [2014] No.10), the Group implemented “Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements” earlier. There were significant changes in accounting policies, which had no impact on the financial statements of the Group.

According to “Notice Regarding the Publishing of Amendment to the Accounting Standards for Business Enterprises No. 39 — Fair Value Measurement” (Cai Kuai [2014] No.6), the Group implemented “Accounting Standards for Business Enterprises No. 39 — Fair Value Measurement” earlier. There were significant changes in accounting policies, which had no impact on the financial statements of the Group.

According to “Notice Regarding the Publishing of the Amendment to the Accounting Standards for Business Enterprises No. 40 — Joint Arrangements” (Cai Kuai [2014] No.11), the Group implemented “Accounting Standards for Business Enterprises No. 40 — Joint Arrangements” earlier. There were significant changes in accounting policies, which had no impact on the financial statements of the Group.

IX. Reasons for changes in the scope of consolidated financial statements as compared to the financial report for the previous year

1. Increase in the consolidation scope for the current period

The Company invested Euro 790,000 this year to establish W-PROTTI MACCHINE TESSILI S.R, holding its 94.05% equity interests. JW-PROTTI MACCHINE TESSILI S.R is included in the scope of consolidation for the current year.

Zhongrong International Trust Co., Ltd., a subsidiary of the Company, invested RMB 153.0 million this year to establish SSGA Fund Management Co., Ltd, holding its 51% equity interests. SSGA Fund Management Co., Ltd is included in the scope of consolidation for the current year.

SSGA Fund Management Co., Ltd, a subsidiary of the Company, invested RMB 50.0 million this year to establish SSGA Asset Management Co., Ltd, a wholly-owned subsidiary. SSGA Asset management Co., Ltd is included in the scope of consolidation for the current year.



IX. Reasons for changes in the scope of consolidated financial statements as compared to the financial report for the previous year (continued)

1. Increase in the consolidation scope for the current period (continued)

Huangshi Jingwei Textile Machinery Company Limited, a subsidiary of the Company, invested RMB 6.50 million this year to establish Huangshi Hengtian Jingwei Textile Machinery Company Limited, holding its 92.86% equity interests. Huangshi Hengtian Jingwei Textile Machinery Company Limited is included in the scope of consolidation for the current year.

Shanghai Huayuan Hyperthermia Technology Co., Ltd., a subsidiary of the Company, acquired 48.46% equity interests in Fuzhou Haolian Medical Science and Technology Company Limited for a consideration of HK\$ 18.805 million. It is included in the scope of consolidation.

CHTC Europe Holding B.V., a subsidiary of the Company, acquired 51% equity interests in DURABUS, Proizvodnja vozil, d.o.o for a consideration of Euro 1.326 million. It is included in the scope of consolidation.

2. Decrease in the consolidation scope for the current period

Shanxi Jingwei Heli Machinery Manufacturing Company Limited, a subsidiary of the Company, transferred out 100% equity interests of Jinzhong Jingwei Heli Electronic Machinery Co., Ltd. As a result, Jinzhong Jingwei Heli Electronic Machinery Co., Ltd is excluded from the consolidation scope for the current year.

Shanxi Jingwei Heli Machinery Manufacturing Company Limited, a subsidiary of the Company, transferred out 100% equity interests of Jinzhong Jingwei Heli General Machinery Co., Ltd. As a result, Jinzhong Jingwei Heli General Machinery Co., Ltd is excluded from the consolidation scope for the current year.

Shanxi Jingwei Heli Machinery Manufacturing Company Limited, a subsidiary of the Company, transferred out 100% equity interests of Jinzhong Jingwei Heli Supplementary Machinery Co., Ltd. As a result, Jinzhong Jingwei Heli Supplementary Machinery Co., Ltd is excluded from 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 provide 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 dividend distribution standard and proportion of profit.

Particulars of Cash Dividend Policy	
Was it in compliance with the requirements of the Articles of Association and the resolution of the general meeting?	Yes
Was the dividend distribution criteria and proportion well-defined and clear?	Yes
Was the related decision making process and mechanism in place?	Yes
Did independent Directors fulfil their duties and play their role?	Yes
Were the minority shareholders given opportunities to sufficiently voice their opinion and make requests and were the legal interests of the minority shareholders fully protected?	Yes
Were conditions and procedures legal and transparent in respect of cash dividend policy with adjustments and changes?	Yes

**X. Profit and dividend distribution (continued)****The Company's plans or programs on profit distribution and share capital increase from capital reserve in the past three years (including the reporting period)**

In 2013, the Company realised net profit of RMB53,601,488.77, 10% (i.e. RMB5,360,148.88) 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 RMB48,241,339.89. The realisable distributable profit for shareholders was RMB149,980,760.57. In view of the profit condition of the Company in 2013 and taking full consideration of shareholders' interest and the long term development of the Company, the proposed profit distribution plan for 2013 is as follows: distribute 2013 final dividend of RMB0.1 per share (tax inclusive), totaling RMB70,413,000.00. The undistributed profit of RMB79,567,760.57 of the Company will be carried forward for use in subsequent years.

In 2012, the Company realised 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 of 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 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 of 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.

Cash dividends for the past 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 (%)
2013	70,413,000.00	591,778,324.35	11.9%
2012	70,413,000.00	430,242,760.54	16.37%
2011	36,228,000.00	490,793,393.01	7.38%

XI. Proposals on profit distribution and conversion of capital reserves into share capital during this reporting period

Number of bonus shares per 10 shares (share(s))	0
Dividend distribution per 10 shares (RMB) (tax inclusive)	1.00
Number of conversion shares per 10 shares (share(s))	0
Share base of the distribution proposal (shares)	704,130,000
Total cash dividend (RMB) (tax inclusive)	70,413,000.00
Distributable profits (RMB)	149,980,760.57
Percentage of cash dividend to total profit distribution (%)	100%
Cash dividend policy:	
If the Company is in a mature development stage without significant cash outlay arrangements, the minimum proportion of cash dividend in profit distribution shall be 80%.	
Particulars of profit distribution and conversion of capital reserves into share capital	

XII. 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 its 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 ISO9001: 2000 quality system certification during the operation. The Company was committed to safeguard the legal interests of the employees and pay various taxes, and carried the social responsibility which the Company shall bear.

The Company and its subsidiaries are not engaged in heavily-polluted industry as specified by the national environmental protection authority.

The Company and its subsidiaries have no other significant social security issues.

No administrative penalties were imposed during the reporting period.

XIII. Registration Form of Receiving the Activities of Investigation, Communication and Interview during the Reporting Period

Time	Place	Way	Type	Reception	Contents discussed and materials provided
15 July 2013	Meeting room of the Company	Field Research	Institution	Mitsubishi UFJ Securities	2013 First Quarterly Report
25 July 2013	Meeting room of the Company	Field Research	Institution	Dongxing Securities	2013 First Quarterly Report
27 September 2013	Meeting room of the Company	Field Research	Institution	KOKUSAI	2013 Interim Report

XIV. 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 20 January 2014, the Audit Committee and the independent non-executive directors held 2013 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 reply from the accounting firm was received. The preliminary audit opinion was submitted to the Audit Committee for its review. The auditors completed 2013 annual financial auditing work on 24 March 2014, 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 2013 financial report in a satisfactory manner. The Audit Committee recommends the Company to reappoint 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 2014.



XIV. Routine work of the Board of Directors (continued)

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

On 24 March 2013, 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 of the proposed management's remuneration for the year 2013 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 2013 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.

XV. 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.

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 held accountable 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 are as follows:

In 2013, 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 2013 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 self-evaluation of the situation of the management of insider information during the period of occurrence of material events and the reporting period of 2013: 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 was under investigation and punishment by the regulatory authority and these was 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.

**XV. Other reporting items (continued)****6. Purchase, Sale or Redemption of Shares**

In 2012, the Company completed the issue of an aggregate of 100,330,000 domestic 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 proposed 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 amount payable in the capital increase of RMB12,700 will be raised by the Company.

For the year ended 31 December 2013, 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 the granting of 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 2013, the Group's carrying bank balance was RMB9,486,457 thousand, borrowings due within one year was RMB1,945,505 thousand, of which borrowings in the U.S. dollars amounted to US\$22,257 thousand (equivalent to RMB135,700 thousand on an aggregated basis), and the remaining balances were borrowings in Renminbi. The Group had long-term borrowings of RMB1,200,000 thousand. The interest rates were in the range of 1.57% to 10.44% per annum. The gearing ratio (long-term borrowings divided by net asset value) was 11.76%. 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 Accounting Standards for Business Enterprises.

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 7 meetings. The details are as follows:

Meeting	Summary of matters resolved	Date of meeting	Newspapers on which the resolutions were published	Date of announcement
The Fourteenth Meeting of the Sixth Supervisory Committee	1. The 2012 Supervisors' Report of the Company was considered and approved;	19 March 2013	The website of CNINF and the Stock Exchange	19 March 2013
	2. The 2012 Financial Report of the Company was considered and approved;		Securities Times, and the website of the Company	20 March 2013
	3. The 2012 Annual Report of the Company and its Summary were considered and approved;			
	4. Report on Self-evaluation of Internal Control System for the Year 2012 of the Company was considered and approved;			
	5. Resolution on approving Ms. Peng Zeqing's resignation from the posts of supervisor and the vice chairman of the Supervisory Committee was considered and approved.			
	6. Resolution on approving the appointment of Ms. Ding Yufei as supervisor of the Company was considered and approved.			
The Fifteenth Meeting of the Sixth Supervisory Committee	The 2013 First Quarterly Report of the Company was considered and passed.	23 April 2013		
The Sixteenth Meeting of the Sixth Supervisory Committee	Resolution on electing Ms. Ding Yufei as the vice chairman of the Supervisory Committee was considered and approved.	21 May 2013	The website of CNINF and the Stock Exchange	21 May 2013
			Securities Times, and the website of the Company	22 May 2013
The Seventeenth Meeting of the Sixth Supervisory Committee	The resolution on the change of the Supervisory Committee of the Company was considered and approved.	21 June 2013	The website of CNINF and the Stock Exchange	21 June 2013
			Securities Times, and the website of the Company	22 June 2013



1. Meetings and Resolutions of the Supervisory Committee (continued)

Meeting	Summary of matters resolved	Date of meeting	Newspapers on which the resolutions were published	Date of announcement
The First Meeting of the Seventh Supervisory Committee	Mr. Tu Kelin was elected as the chairman of the seventh Supervisory Committee of the Company, Ms. Ding Yufei as vice chairman and Ms. Zhang Yaxian was appointed as secretary to the Supervisory Committee.	15 August 2013	The website of CNINF and the Stock Exchange Securities Times, and the website of the Company	15 August 2013 16 August 2013
The Second Meeting of the Seventh Supervisory Committee	The 2013 Interim Report of the Company and its summary were considered and passed.	27 August 2013		
The Third Meeting of the Seventh Supervisory Committee	The 2013 Third Quarterly Report and its summary of the Company were considered and passed.	29 October 2013		

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 2013 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 2013 prepared by the domestic and international auditors with unqualified audit opinion. The Supervisory Committee considers that the auditors' report of the Company for 2013 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

The Supervisory Committee is of the opinion that there was no violation of the security, use and management of the funds raised by the Company in 2013. At the end of the reporting period, the funds raised in 2013 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 2013” 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 2013 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 of Internal Control for Enterprises” 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.** The Company was not related to any material litigation and arbitration during the reporting period.
- II.** The Company was not related to any widespread media criticism during the reporting period.
- III. Assets transaction**

1. Acquisition of assets

Counterparty of the transaction or ultimate controller	Assets acquired or purchased	Price of transaction (RMB'0000)	Progress (Note 2)	Effect on the operations of the Company (Note 3)	Effect on profit or loss of the Company (Note 4)	Ratio of the net profit contribution to the listed company of the assets over total profit (%)	Connected transaction or not	Relationship with the party(ies) involved (Applicable to connected transactions)	Disclosure date (Note 5)	Disclosure index
Haolian Company	14.48% equity interest in Fuzhou Haolian Medical Science and Technology Company Limited (福州浩聯醫療科技有限公司)	1,500	All rights of the assets concerned were completely transferred	Had no effect on the continuity of the business and management of the Company	Contribution of net profit of minus RMB 18,400 to the listed company	0%	No	Not applicable		
Zhang Xiangyang	51% equity interest in DURABUS, Proizvodnja vozil,d.o.o	1,167.63	All rights of the assets concerned were completely transferred	Had no effect on the continuity of the business and management of the Company	Contribution of net profit of minus RMB 18,481,500 to the listed company	-1.04%	No	Not applicable		



III. Assets transaction (continued)

2. Disposal of assets

Counterparty of the transaction	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 date of disposal (RMB'0000)	Effect of disposal on the Company (Note 3)	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
Jimzhong Jingwei Hengteng Textile Machinery Company Limited	100% equity interest in Jimzhong Jingwei Heli Electronic Machinery Co., Ltd	2013.10.31	812.57	-335.59	Had no effect on the continuity of the business and management of the Company	0.01%	Appraised value	No	N/A	Yes	Yes		
Jimzhong Jingwei Yuxin Machinery Company Limited	100% equity interest in Jimzhong Jingwei Heli General Machinery Co., Ltd	2013.10.31	1,443.95	29.19	Had no effect on the continuity of the business and management of the Company	0.04%	Appraised value	Yes	Associated Company	Yes	Yes		
Jimzhong Jingwei Hongxin Machinery Company Limited	100% equity interest in Jimzhong Jingwei Heli Supplementary Machinery Co., Ltd	2013.10.31	1,307.12	-451.83	Had no effect on the continuity of the business and management of the Company	0%	Appraised value	No	N/A	Yes	Yes		

IV. Significant related transactions

1. 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 existing Composite Services Agreement has been approved at the 2010 Third Extraordinary General Meeting. The existing Composite Services Agreement expired on 31 December 2013. Having reviewed the services mutually provided between the Group and the CTMC Group in the past three years and in order to facilitate the smooth operation of the Group’s business, the Company and CTMC conditionally entered into the New Composite Services Agreement which sets out, among others, the basis of pricing and the terms of the Continuing Connected Transactions. The New Composite Services Agreement was approved by the Independent Shareholders on 30 December 2013. The New Composite Services Agreement will be for a term of three years, commencing from 1 January 2014 and ending on 31 December 2016. 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 rate of increase 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 website of CNINF (<http://www.cninfo.com.cn>) and the websites of the Company (www.jwgf.com) and the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 20 September 2010 and 21 September 2010 as well as 26 October 2013 and 20 November 2013.

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:

Related party	Related party relationship	Type of the related party transactions	Subject matter of the related party transactions	Pricing basis of the related party transactions	Price of related party transactions	Amount of related party transactions (RMB '0000)	Percentage of the amount of similar transactions (%)	Settlement of related party transactions	Market price of similar transactions	Disclosure Date	Disclosure index
China Texmatech Company Limited	Associated company	Sales of products	Sales of finished products, components and parts	Agreement	Agreed in the agreement	75,307.06	17.87%	Agreed in the agreement			
Total				-	-	75,307.06	-	-	-	-	-

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 RMB 46,300,820 during the reporting period.

IV. Significant related transactions (continued)

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

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions 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. The Board engaged the auditor of the Company to perform works on the continuing connected transactions above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this section in accordance with Listing Rule. A Copy of the auditor's letter will be provided by the Company to The Stock Exchange of Hong Kong.

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 2013 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.

2. Establishment of the JV Company

On 29 October 2013, the Company and China Hengtian Group Company Limited, Hengtian Heavy Industry Co., Ltd., Kama Co., Ltd., Swan Fiber Co., Ltd., China Textile Industrial Corporation for Foreign Economic and Technical Cooperation and Hengtian Real Estate Co., Ltd. (collectively referred to as the "Funders") entered into the Capital Contribution Agreement in relation to the establishment of the Hengtian Group Financial Co., Ltd. ("JV Company"), pursuant to which, the Company agreed to contribute RMB10,000,000 to the registered capital of the JV Company. Upon the establishment of the JV Company, the Company will hold 2% equity interests in the JV Company. The Company considers that, the JV Company will provide high quality and comprehensive financial services in relation to the operating business activities of the members of CHG (including the Company), such as enhancing the management of centralized fund, improving the efficiency of fund utilization, formulating fund-raising and financial plans, facilitating technological innovation and developing businesses. Furthermore, it will enhance the profitability of the members of the Group (including the Company) and provide them with support to foster business development. Based on the relevant percentage ratios as calculated in accordance with Rule 14.07 of the Listing Rules, the Capital Contribution Agreement does not constitute a notifiable transaction of the Company pursuant to Chapter 14 of the Listing Rules. China Hengtian Group Company Limited is the beneficial controller of the Company, other Funders are the associate (as defined in the Listing Rules) of China Hengtian Group Company Limited, therefore, the Funders are connected persons of the Company according to the Listing Rules. The transaction for establishing the JV Company under the Capital Contribution Agreement hence constitutes a connected transaction of the Company pursuant to the relevant provisions of Chapter 14A of the Listing Rules. Since the applicable percentage ratios (other than the profit ratio) under Chapter 14A of the Listing Rules are lower than 5%, the establishment of the JV Company pursuant to the Capital Contribution Agreement is subject to the reporting and announcement requirements, but exempted from the independent shareholders' approval requirement under the Listing Rules.

Relevant details have been set out in the announcements of the Company published on Securities Times, the website of CNINF (<http://www.cninfo.com.cn>) and the websites of the Company (www.jwgf.com) and the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 30 October 2013.



V. Material contracts and execution

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	28/12/2012	15,000	27/12/2012	15,000	Joint liability	27/12/2012 – 26/12/2013	Yes	No
Beijing Hualian Group Investment Holdings Limited	31/12/2013	15,000	31/12/2013	15,000	Joint liability	31/12/2013 – 25/12/2014	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)
Shenyang Hongda Textile Machinery Company Limited	3/8/2013	3,000	2/8/2013	3,000	Joint liability	2/8/2013 – 1/8/2014	No	No
Tianjin Jingwei New Type Textile Machinery Company Limited	3/8/2013	3,000	2/8/2013	3,000	Joint liability	2/8/2013 – 1/8/2014	No	No
Total approved amount guaranteed to subsidiaries during the reporting period (B1)			6,000	Total actual guaranteed amount to subsidiaries during the reporting period (B2)			6,000	
Balance of total approved amount guaranteed to subsidiaries at the end of the reporting period (B3)			6,000	Balance of total actual guaranteed amount to subsidiaries at the end of the reporting period (B4)			6,000	
Total guarantee provided by the Company (The total of the above two parts)								
Total guaranteed amount approved during the reporting period (A1+B1)			21,000	Total actual guaranteed amount during the reporting period (A2+B2)			21,000	
Total guaranteed amount approved at the end of the reporting period (A3+B3)			21,000	Balance of total actual guaranteed amount at the end of the reporting period (A4+B4)			21,000	
Ratio of total actual guaranteed amount (A4 + B4) to the net asset of the Company								4.11%
of which:								



VI. Performance of commitments

1. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or in prior period and extended 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
Undertaking made in offering documents or shareholding alternation documents					
Undertaking made during asset reconstruction					
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 situation.	8 October 2011	Long-term	Proceeding



VI. Performance of commitments (continued)

1. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or in prior period and extended 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.	14 December 2012	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



VI. Performance of commitments (continued)

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

Commitments	Committed Party	Content	Made on	Term	Performance status
	China Hengtian Group Company Limited	<p>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 c 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 c 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 c 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.</p>	8 October 2011	16 August 2015	To be implemented

VI. Performance of commitments (continued)
1. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or in prior period and extended 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.	14 December 2012	14 December 2015	Proceeding
	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 over JWTM.	8 October 2011	Long-term	Proceeding
Other undertakings made to minority shareholders of the Company					
Perform timely or not	Yes				

VII. 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)	280
Continuous term of auditing service for domestic accounting firm	5 years
Name of domestic CPA	Kuangmin, Wang Zhongzhen
Name of foreign accounting firm (if applicable)	Baker Tilly Hong Kong Limited
Remuneration for foreign accounting firm (in ten thousand Yuan) (if applicable)	116
Continuous term of auditing service for foreign accounting firm (if applicable)	5 years
Name of certified public accountants of the overseas accounting firm (if any)	Lo Wing See (羅詠思)

There is no change in the accounting firm during the current period.

VIII. 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.
IX. Significant events after the reporting period

The board of directors of the Company received a notice and a letter from the Company's controlling shareholder, China Hengtian Group Limited, on 10 December 2013 and 20 February 2014 respectively, in which China Hengtian Group Limited has informed the board that it is interested in, and is currently considering the feasibility of pursuing, through an offshore subsidiary, a voluntary general offer to acquire all the issued H shares in the capital of the Company with a nominal value of RMB1.00 each. The terms of the possible offer have not been finalised and no binding agreement has been entered into between any of the parties involved in the possible offer. Details of the above matter can be referred to the announcement issued by the Company on 20 March 2014.

Chapter VI Movements in Share Capital and Information on Shareholders

I. Changes in Shares

Unit: share(s)

	Before change		Increase/decrease (+,-)					After change	
	Number of shares	Proportion (%)	New issue	Bonus shares	Conversion from statutory surplus reserve	Others	Sub-total	Number of shares	Proportion (%)
I. Restricted floating shares subject to terms of lock up	296,219,303	42.07%	0	0	0	-66,348,069	-66,348,069	229,871,234	32.65%
1. State-owned shares	0	0%	0	0	0	0	0	0	0%
2. Shares held by State legal person	229,591,931	32.61%	0	0	0	0	0	229,591,931	32.61%
3. Other domestic shares	66,627,372	9.46%	0	0	0	-66,348,069	-66,348,069	279,303	0%
Including: Shares held by domestic legal person	66,378,069	9.43%	0	0	0	-66,378,069	-66,378,069	0	0%
Shares held by domestic natural person	249,303	0.04%	0	0	0	30,000	30,000	279,303	0.04%
4. Shares held by foreign capital	0	0%	0	0	0	0	0	0	0%
Including: Shares held by overseas legal person	0	0%	0	0	0	0	0	0	0%
Shares held by overseas natural person	0	0%	0	0	0	0	0	0	0%
II. Unrestricted floating shares not subject to terms of lock up	407,910,697	57.93%	0	0	0	66,348,069	66,348,069	474,258,766	67.35%
1. Domestically listed ordinary shares	227,110,697	32.25%	0	0	0	66,348,069	66,348,069	293,458,766	41.68%
2. Domestically listed foreign capital shares	0	0%	0	0	0	0	0	0	0%
3. Overseas listed foreign capital shares	180,800,000	25.68%	0	0	0	0	0	180,800,000	25.68%
4. Others	0	0%	0	0	0	0	0	0	0%
III. Total number of shares	704,130,000	100%	0	0	0	0	0	704,130,000	100%

Reasons for changes in shares

During the non-public offering of A shares of the Company in 2012, Minsheng Royal Fund Management Co., Ltd., Ping An Uob Fund Management Co., Ltd. and Hua An Fund Management Co.,Ltd. subscribed a total of 66,378,069 shares of the Company. According to the relevant requirements, such shares had been subject to trading moratorium since 14 December 2012 for a term of 12 months. In December 2013, the Company applied to the Shenzhen Stock Exchange for the release of moratorium for such shares, which were released from moratorium and listed for trading on 24 December 2013. Please refer to the announcements published on the website of CNINF (<http://www.cninfo.com.cn>) and the website of the Stock Exchange (www.hkex.com.hk) on 13 December 2012 and 21 December 2013.

Since 2 November 2012, Ms. Ding Yufei held 40,000 shares of the Company and she held the positions of Supervisor and Vice Chairman of the Supervisory Committee of the Company from 21 May 2013. According to the relevant regulations, 30,000 shares of the 40,000 shares held by Ms. Ding were subject to trading moratorium from 21 May 2013.



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						
	November 30, 2012	RMB 9.34/ share	100,330,000	December 14, 2012	100,330,000	December 12, 2012
Convertible bonds, separately-traded convertible bonds corporate bonds						
		0				
Warrants						
Nil		0				

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 number of shares and shareholder structure, as well as changes of the Company's assets and liabilities structure

As approved by the Document Zheng Jian Xu Ke No. 1118 (2012) of China Securities Regulatory Commission, the Company issued a total of 100,330,000 RMB ordinary 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. Shareholders and beneficial controller

1. Number of shareholders of the Company and shareholding

Unit: share(s)

Total number of shareholders during the reporting period		37,482	Total number of shareholders at the end of the fifth trading day before the date of publication of the annual report				37,432	
Shareholders holding more than 5% of the Shares or shareholding of the top ten shareholders								
Name of shareholder	Type of shareholder	Percentage of total share capital (%)	Number of shares held at the end of reporting period	Increase/ decrease during the reporting period	Number of shares subject to terms of lock-up	Number of shares not subject to terms of lock-up	Under pledge or lock-up	
							Status of shares	number
China Textile Machinery (Group) Company Limited	State-owned legal person	31.13%	219,194,674		210,579,426	8,615,248	Lock-up	206,855,248
HKSCC Nominees Limited	Other	25.54%	179,841,598			179,841,598		
HuaAn Funds – Industrial Bank-Tianjin Trust Co., Ltd.	Other	4.57%	32,119,914			32,119,914		
Minsheng Royal Fund Management Company – Minsheng-Minsheng Royal Xinniu Private Placement Grading Asset Management Plan (民生加銀鑫牛定向增發分級資產管理計劃)	Other	3.62%	25,500,000			25,500,000		
China Hengtian Group Limited	State-owned legal person	2.7%	19,012,505		19,012,505			
Ping An UOB Company – Ping An Bank – Ping An Trust Co., Ltd.	Other	1.24%	8,758,155			8,758,155		
Taikang Life Insurance Co., Ltd. – Dividend – Individual Dividend – 019LFH002 Shen	Other	0.43%	2,999,029			2,999,029		
China Construction Bank – Lord Abbett Value Advantage Securities Investment Fund	Other	0.36%	2,541,442			2,541,442		
National Social Security Fund Package No.407 (全國社保基金四零七組合)	Other	0.28%	1,980,010			1,980,010		
Huang Kangwei (黃康偉)	Domestic natural person	0.21%	1,475,034			1,475,034		
Strategic investors or general legal persons who have become one of the top ten shareholders as a result of the placing of new shares (if any) (see note 3)	Not applicable							
Connected relationship or concerted party relationship among the above shareholders	China Textile Machinery (Group) Company Limited is connected to China Hengtian Group Limited and is a party acting in concert as defined in Administrative Measures for Information Disclosure of the Movement in Shareholding of Listed Companies. It is not known whether other shareholders are connected with one another or whether any of these shareholders falls within the meaning of parties acting in concert as defined in Administrative Measures for Information Disclosure of the Movement in Shareholding of Listed Companies							

III. Shareholders and beneficial controller (continued)
1. Number of shareholders of the Company and shareholding (continued)

Shareholdings of the top ten shareholders not being subject to term of lockup			
Name of shareholder	Number of unrestricted floating shares held at the end of the reporting period	Class of shares	
		Class	Number
HKSCC Nominees Limited	179,841,598	Overseas listed foreign shares	179,841,598
HuaAn Funds – Industrial Bank-Tianjin Trust Co., Ltd.	32,119,914	Domestically listed ordinary shares	32,119,914
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)	25,500,000	Domestically listed ordinary shares	25,500,000
PingAn UOB Company – PingAn Bank – Ping An Trust Co., Ltd	8,758,155	Domestically listed ordinary shares	8,758,155
China Textile Machinery (Group) Company Limited	8,615,248	Domestically listed ordinary shares	8,615,248
Taikang Life Insurance Co., Ltd. Dividend – Individual Dividend – 019LFH002 Shen	2,999,029	Domestically listed ordinary shares	2,999,029
China Construction Bank – Lord Abbett Value Advantage Securities Investment Fund	2,541,442	Domestically listed ordinary shares	2,541,442
National Social Security Fund Package No.407 (全國社保基金四零七組合)	1,980,010	Domestically listed ordinary shares	1,980,010
Huang Kangwei (黃康偉)	1,475,034	Domestically listed ordinary shares	1,475,034
Beijing Zhong Sheng Mei Hua Commerce & Trading Company Limited	1,348,000	Domestically listed ordinary shares	1,348,000
Connected relationship or concerted party relationship among the top ten shareholders of whose shares without selling restrictions, and among 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.		
Top ten shareholders involved in the margin trading business (if any) (see note 4)	Nil		

No shareholder of the Company was engaged in agreed repurchase trading during the reporting period.



III. Shareholders and beneficial controller (continued)

2. Controlling shareholder

Legal person

Name of controlling shareholder	Legal representative/ person in charge of the unit	Date of establishment	Organization code	Registered capital	Main business
China Textile Machinery (Group) Company Limited	Liu Hong	28 December 1983	10151855-4	RMB2,735,820,000	Scope of 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.
Operating results, financial condition, cash flow and future development strategy	N/A				
Shareholding of controlling shareholder who has control or holds shares in other overseas listed companies during the reporting period	N/A				

Change of controlling shareholder during the reporting period

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 were frozen by High People's Court of Beijing Municipality in September 2007, while the freezing was not released to date and shall be released on 9 September 2012.

(For more details regarding the freezing of the equity interest, please see the relevant announcement of the Company No. 2007-26 dated 8 October 2007).

III. Shareholders and beneficial controller (continued)

2. Controlling shareholder (continued)

Legal person (continued)

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 (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. 2011-45 dated 28 December 2011).

3. Beneficial controller

Legal person

Name of beneficial controller	Legal representative/ person in charge of the unit	Date of establishment	Organization code	Registered capital	Main business
China Hengtian Group Company Limited	Liu Haitao	9 September 1988	10000888-6	RMB3,257,212,500	Scope of 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); sales of agriculture, fuel oil, metallic mineral and nonmetallic mine (except for franchised operation).



III. Shareholders and beneficial controller (continued)

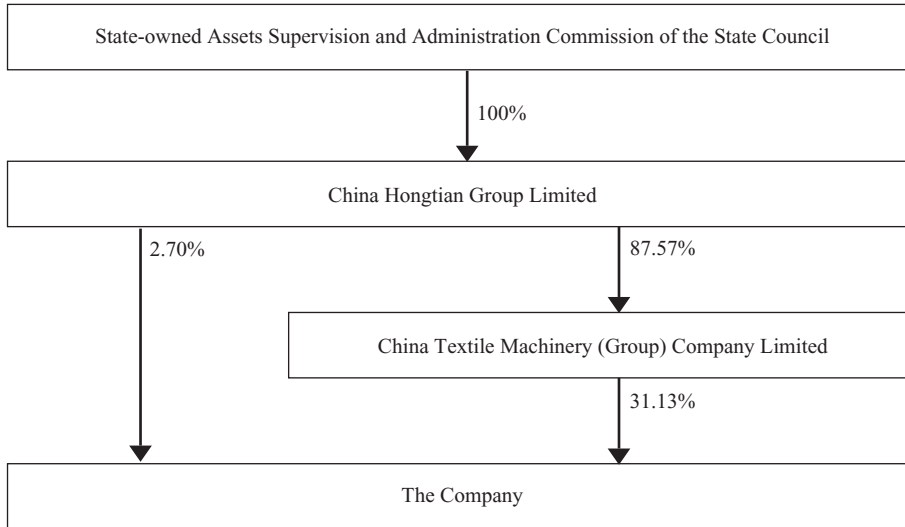
3. Beneficial controller (continued)

Legal person (continued)

Name of beneficial controller	Legal representative/ person in charge of the unit	Date of establishment	Organization code	Registered capital	Main business
Operating results, financial condition, cash flows and future development strategy	Textile machinery is the core principal activities. Vertical extension is made to develop new fibre materials and textile trading business and to improve the textile industry chains. Longitudinal expansion is made to implement diversity strategy to develop commercial vehicles and heavy industry machinery business; real estate and investment is strategic business to provide support for the development of three main activities.				
Shareholding of controlling shareholder who has control or holds shares in other overseas listed companies during the reporting period	<ol style="list-style-type: none"> 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 Swan Fiber with a shareholding proportion of 24.31%; 4. Holding 307,704,000 shares of Fong's Industries with a shareholding proportion of 55.80%; 5. Holding 257,178,900 shares of CHTC Helon with a shareholding proportion of 29.77%. 				

There was no change in the beneficial controller during the reporting period.

Chart illustrating the relationship between the Company and the beneficial controllers



**III. Shareholders and beneficial controller (continued)****4. Other explanations**

As at 31 December 2013, 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)	1.45
Deutsche Bank Aktiengesellschaft	Beneficial Owner/ Person Having a Security Interest in Shares	9,103,920	5.04 (Note 2)	1.29

Short 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
Deutsche Bank Aktiengesellschaft	Beneficial Owner	250,194	0.14 (Note 2)	0.036

Notes:

- (1) 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 2013. Zhang Sheng Hang has 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 2013.
- (2) Such information is extracted from the corporate substantial shareholder notice of Deutsche Bank Aktiengesellschaft filed on 28 October 2013 as shown on the website of the Stock Exchange.

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 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	Commencement of term of office	End of term of office	Number of shares held at the beginning of the period shares	Increase in number of shares for the current period shares	Decrease in number of shares for the current period shares	Number of shares held at the end of the period shares
Ye Maoxin	Chairman	In office	Male	51	15 August 2013	15 August 2016	8,580	0	0	8,580
Yao Yuming	Director, General Manager	In office	Male	52	15 August 2013	15 August 2016	81,304	0	0	81,304
Lin Jianwang	Standing Deputy General Manager	In office	Male	58	15 August 2013	15 August 2016	40,000	0	0	40,000
Shi Jianping	Deputy General Manager	In office	Male	51	15 August 2013	15 August 2016	40,000	0	0	40,000
Liu Xianming	Deputy General Manager	In office	Male	51	15 August 2013	15 August 2016	42,520	0	0	42,520
Mao Faqing	Financial Controller	In office	Male	44	15 August 2013	15 August 2016	40,000	0	0	40,000
Ye Xuehua	Deputy General Manager, Board Secretary	In office	Male	49	15 August 2013	15 August 2016	40,000	0	0	40,000
Ding Yufei	Deputy Secretary of the Party Committee, Secretary of the Disciplinary Committee and Chairman of the Trade Union	In office	Female	50	21 May 2013	15 August 2016	40,000	0	0	40,000
Wang Xiqiao	Chief Economist	Resigned	Female	55	15 August 2010	15 August 2013	40,000	0	0	40,000
Total	-	-	-	-	-	-	372,404	0	0	372,404

II. Supplementary explanation to the shareholdings of directors, supervisors, senior management and staff

During the reporting period, Mr. Yao Yuming, Mr. Lin Jianwang, Mr. Shi Jianping, Mr. Mao Faqing, Mr. Ye Xuehua, Mr. Liu Yang, Mr. Fan Tao, Mr. Gao Xingshan indirectly held a total of 1.466 million H shares of the Company through China AMC Overseas Equity Classification Asset Management Plan on 26 June, 27 June, 28 June and 26 September 2013.

Save as disclosed above, as at 31 December 2013, none of the Directors, Supervisors, chief executives 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 to subscribe for any interest in the shares, underlying shares or debentures and short positions 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 chief executives had any material interests in the contracts executed by the Company or its subsidiaries.

III. Career details

Major working experience of current directors, supervisors and senior management in the past five years.

Executive directors

Mr. Ye Maoxin, aged 51, 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. Wang Jiangan, born in 1963, Party member of the Communist Party of China, postgraduate, since September 2002 he has been an assistant to the president, Director and member of the Party Committee of Anhui Jianghuai Automobile Group Co., Ltd.; Chairman of Anhui Ankai Automobile Co., Ltd.; Mr. Wang is now appointed as the assistant to the president of China Hengtian Group Limited. Saved as disclosed, Mr. Wang does not have any appointments in other companies.

Mr. Yan Fuquan, aged 50, 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 51, 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 52, 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 Beijing Jingwei Textile Machinery New Technology Company Limited, Changde Textile Machinery Company Limited, Jingwei Textile Machinery Company Limited Yichang Branch, Yichang Jingwei Textile Machinery Company Limited, Yichang Jingwei Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Type Textile Machinery Company Limited, Beijing Jingpeng Investment Management Company Limited, Shanghai Weixin Electrical & Machinery Co., Ltd., Shanghai Chuangan Trading Company Limited, Shanghai Huayuan Hyperthermia Technology Co., Ltd., Jingwei Textile Machinery Company Limited Special Parts Division, and Qingdao Hongda Textile Machinery Company Limited, Vice-Chairman of Zhongrong International Trust Co., Ltd., Director of Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Jingwei Textile Machinery Co., Ltd. Yuci Branch, Wuxi Jingwei Textile Technology Testing Company Limited, Shanxi Jingwei Heli Machinery Manufacturing Company Limited, Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited, Xianyang Jingwei Machinery Manufacturing Company Limited, Jingwei Tsudakoma Textile Machinery (Xianyang) Co., Ltd., Hubei Xinchufeng Automobile Co., Ltd, Hi-Tech Truck Co, Ltd. and Huangshi Jingwei Textile Machinery Company Limited, Director and General Manager of Hong Kong Huaming Company Limited.

III. Career details (continued)

Independent Non-Executive Directors

Ms. Chen Jinrong, born in 1959, Master of Business Administration, accountant in the People's Republic of China, Associate Professor (Finance and Economics). Since 1998, Ms. Chen has served as Deputy Head of Finance Department of China Center for Information Industry Development under the Ministry of Industry and Information Technology, General Manager of Beijing Online Technology Co., Ltd., Director of Education of the Executive Education Center of Tsinghua University School of Economics and Management, independent director and other positions of Hebei Bosun Tools Co., Ltd (002282), Zhongxing Shenyang Commercial Building Group Company Limited (000715) and Shandong Zhongji Electrician Equipment Co., Ltd. (300308). Ms. Chen now also teaches at Beijing Union University and Peking University. Ms. Chen is currently an associate professor at Tsinghua University School of Economics and Management and independent director of Synutra International, Inc. (NASDAQ: SYUT), Zhaojin Mining Industry Company Limited (HK: 1818) and Meihua Holdings Group Co., Ltd. (600873). Ms. Chen has been an independent non-executive director of the Company since 4 March 2014. Her term of service is from 4 March 2014 to 15 August 2016.

Ms. An Guojun, aged 40, 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 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 an independent non-executive director of the Company since August 2010. Her term of service is from 15 August 2013 to 15 August 2016.

Mr. Li Min, aged 47, is a holder of MBA and is a senior accountant and a non-practising CPA in the PRC. 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 an independent non-executive director of the Company since June 2011. His term of service is from 15 August 2013 to 15 August 2016. Mr. Li is also general manager of Everbright Financial Holding (Beijing) Investment Management Company Limited.

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 Rule 3.13 of the Listing Rules and are considered to be independent.

Supervisors

Mr. Qiao Yu, born in 1966, EMBA. Since 1986, Mr. Qiao has served as Officer of the Welfare and Production Office of Yanqing County, Beijing, Executive Officer of Badaling Technology Research and Experiment Centre of China Niu Huang Technology Development Company, Executive Deputy Factory Manager of Beijing Badaling Pharmaceutical Factory, Executive Deputy General Manager of Beijing Fo Ta Bao Hotel, Secretary of Party Committee of Beijing Badaling Special Zone Administration, General Manager of Badaling Tourism Company, Executive Director of Beijing Enterprises Holdings Limited, Chairman of Beijing Badaling Tourism Development Company, standing member and deputy secretary of district committee of CPC of Anning District, Lanzhou Municipality, Deputy CEO of China Carrie Group Co., Ltd and Deputy Leader of the Overall Listing Working Group of China TravelSky Holding Company. He is currently the Chairman and party branch secretary of China Garments Co., Ltd.

Ms. Ding Yufei, aged 50, EMBA, senior economist, and vice chairman of the supervisory committee of the Company. Ms. Ding joined the Company in July 2011. From January 2001 to July 2011, Ms. Ding had been the Director of Party Committee Office, the Director of the Group Staff Department, the Deputy Director of the General Department, and the Deputy Director of the Disciplinary Committee of China Textile Resources Corp* (中國紡織物資(集團)總公司); the Officer of the Party Community Working Division, Member of the Disciplinary Committee and the Vice Chairman of the Trade Union of China Hengtian Group Limited* (中國恒天集團有限公司); since July 2011 she has been the Deputy Secretary of the Party Committee, the Secretary of the Disciplinary Committee of the Company and the Deputy Chairman of the Trade Union of Hengtian Group Limited* (恒天集團有限公司); since December 2012 she has been the Chairman of the Trade Union of the Company; since May 2012 she has been vice chairman of the supervisory committee of the Company.

Mr. Liu Hong, aged 43, 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.



III. Career details (continued)

Supervisors (continued)

Mr. Hu Guangfei, aged 49, a post-graduate, 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 October 2011.

Ms. Cheng Na, aged 31, a post-graduate, an accountant, legal adviser to the Company, and staff representative supervisor of the Company. Ms. Cheng joined Jingwei Textile Company Limited in July 2007, and had previously assumed offices of the risk management position, Assistant to Head of Risk Management Department. She has been the Head of Legal Affairs Department and staff representative supervisor of the Company since August 2013.

Deputy General Managers

Mr. Lin Jianwang, aged 58, 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 Jingwei Textile Machinery Co., Ltd. Yuci Branch, Qingdao Hongda Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Jingwei Textile Machinery Company Limited Yichang Branch, Yichang Jingwei Textile Machinery Company Limited, Yichang Jingwei Machinery Company Limited, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Textile Machinery Company Limited, Changde Textile Machinery Company Limited, Xianyang Jingwei Textile Machinery Company Limited, Jingwei Tsudakoma Textile Machinery (Xianyang) Co., Ltd., Shanghai Jingwei Blowing Carding Machinery Company Limited, Huangshi Jingwei Textile Machinery Company Limited, Jingwei Textile Machinery Company Limited Special Parts Division, Jinzhong Jingwei Fibre Machinery Company Limited and Shanxi Jingwei Heli Machinery Manufacturing Company Limited, Director and General Manager of Beijing Jingwei Textile Machinery New Technology Company Limited and Shanghai Weixin Electrical & Machinery Co., Ltd..

Mr. Shi Jianping, aged 51, a post-graduate, Senior Engineer and Deputy General Manager 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, General Manager to Jingwei Textile Machinery Company Limited Blowing-Carding Division, 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, Wuxi Jingwei Textile Technology Sales Company Limited and Zhengzhou Hongda New Textile Machinery Company Limited, and Director of Qingdao Hongda Textile Machinery Company Limited, Jingwei Textile Machinery Company Limited Yichang Branch, Yichang Jingwei Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited and Wuxi Jingwei Textile Technology Testing Company Limited.

Mr. Liu Xianming, aged 51, a post-graduate, a master degree holder in Economics, Senior Engineer and Deputy General Manager 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, Vice Chairman of Hubei Xinchufeng Automobile Co., Ltd., Director of Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Hi-Tech Truck Co, Ltd., and Anshan Jingwei Haihong Agricultural Machinery Company Limited.

III. Career details (continued)

Deputy General Managers (continued)

Mr. Wu Xudong, aged 50, a post-graduate, senior economist, a senior professional manager and a deputy general manager of the Company. From 1995 onwards, Mr. Wu assumed offices of Deputy Factory Manager of Jingwei Accessories Factory I, Deputy General Manager and Manager of Shanxi Jingwei Heli Company and Deputy General Manager and Manager of Jingwei Labour Service Company, General Manager of Jingwei Machinery (Group) Jiali Industry Co.Ltd., Deputy General Manager, Deputy Secretary to Party Committee, Secretary to Disciplinary Committee, Chairman of Jingwei Machinery (Group) Company Limited, Deputy Secretary to Party Committee, General Manager and Chairman of Jingwei Textile Machinery Co., Ltd. Yuci Branch. He has been a Deputy General Manager of the Company since May 2013. Mr. Wu is currently Chairman of Jingwei Textile Machinery Co., Ltd. Yuci Branch, Shanxi Jingwei Heli Machinery Manufacturing Company Limited, Shanxi Jingwei Textile Machinery and Special Parts Company Limited, Shanxi Precision Machinery Manufacturing Company Limited, Jinzhong Jingwei Fibre Machinery Company Limited and Jinzhong Jingwei Hengxin Machinery Co., Ltd., Director of Jingwei Textile Machinery Company Limited Special Parts Division, Changde Textile Machinery Company Limited, Wuxi Hongda Textile Machinery and Special Parts Company Limited, Zhengzhou Hongda New Textile Machinery Company Limited, Shanghai Jingwei Blowing Carding Machinery Company Limited, Wuxi Jingwei Textile Technology Sales Company Limited and Chairman of equity holding company, Jingwei Machinery (Group) Company Limited.

Financial Controller

Mr. Mao Faqing, aged 44, 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, Jingwei Textile Machinery Co., Ltd. Yuci Branch, 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. and Beijing Jingwei Textile Machinery New Technology Company Limited, and Supervisor of Zhongrong International Trust Co., Ltd., Shanghai Jingwei Blowing Carding Machinery Company Limited and Shanxi Jingwei Heli Machinery Manufacturing Company Limited.

Chief Economist

Mr. Chen Zhongmin, aged 50, a university qualification, senior economist, chief economist of the Company. From 1995 onwards, Mr. Chen assumed offices of production and management secretary at General Manager's Office of Jingwei Textile Machinery Company Limited, Secretary to General Manager, Deputy Head, Director of General Manager's Office, Head of Human Resources Department, Assistant to General Manager and Head of Board Office, and Director of General Manager's Office. He has been the chief economist of the Company since August 2013. Mr. Chen is currently also a director of the Company's subsidiaries, Wuxi Hongda Textile Machinery and Special Parts Company Limited Zhengzhou Hongda New Textile Machinery Company Limited a, chief supervisor of Xianyang Jingwei Textile Machinery Company Limited and supervisor of Qingdao Hongda Textile Machinery Company Limited.

Deputy General Manager and Secretary to the Board

Mr. Ye Xuehua, aged 49, 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 Supervisor of the Company's subsidiary, Shanghai Weixin Electrical and Machinery Company Limited.



III. Career details (continued)

Positions in shareholders' units

Name	Name of shareholder's unit	Position	Commencement of office term	End of office term	Whether receiving remuneration from shareholder's unit 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 position in shareholder's 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.				

III. Career details (continued)
Positions in shareholders' units

Name	Name of other units	Position	Commencement of office term	End of office term	Whether receiving remuneration from other 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	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 and General Manager	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
Xu Wenyong	China Textile Industry Association	Vice-chairman	1 September 2006		Yes
Xu Wenyong	China Filament Weaving Association	Chairman	1 August 2011		Yes
An Guojun	Financial Research Institute of Chinese Academy of Social Sciences	Associate researcher	1 December 2007		Yes
Li Min	Everbright Financial Holding (Beijing) Investment Management Company Limited	General manager	1 July 2013		Yes
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	Financial Controller	1 April 2011		No
Liu Hong	China Textile Science and Technology Co., Ltd.	Chief Supervisor	1 April 2012		No
Description of position in other units	N/A				



IV. 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 should determined the 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. On 19 March 2013, the Board of the Company considered and approved Policies on Remunerations of Senior Management, further regulating the remunerations of senior management. During the year 2013, the Company has not implemented any share incentive scheme.

Remuneration for directors, supervisors and senior management in reporting period

Unit: RMB'0000

Name	Positoin	Gender	Age	Status of positoin	Total remuneration received from the Company	Total Remuneration received from shareholder's unit	Remuneration actually received at period-end
Ye Maoxin	Chairman	Male	51	In office	0	55.6	55.6
Li Xiaohong	Vice Chairman	Male	47	Resigned	0	55.12	55.12
Yan Fuquan	Director	Male	50	In office	0	55.6	55.6
Shi Tinghong	Director	Male	51	In office	0	55.12	55.12
Yao Yuming	Director	Male	52	In office	88.25	0	88.25
Xu Wenying	Independent Non-executive Director	Male	62	Retired	5.6	0	5.6
Liu Huangsong	Independent Non-executive Director	Male	45	Retired	3.2	0	3.2
An Guojun	Independent Non-executive Director	Female	40	In office	5.6	0	5.6
Li Min	Independent Non-executive Director	Male	47	In office	5.6	0	5.6
Tu Kelin	Chairman of Supervisory Committee	Male	63	Retired	0	0	0
Peng Zeqing	Vice Chairman of Supervisory Committee	Female	61	Retired	0	0	0
Liu Hong	Supervisor	Male	43	In office	0	35.74	35.74
Hu Guangfei	Supervisor	Male	50	In office	29.66	0	29.66

IV. Remuneration for directors, supervisors and senior management (continued)
Remuneration for directors, supervisors and senior management in reporting period (continued)

Name	Position	Gender	Age	Status of position	Total remuneration received from the Company	Total Remuneration received from shareholder's unit	Remuneration actually received at period-end
An Yongzhi	Supervisor	Female	43	Resigned	23.12	0	23.12
Ding Yufei	Vice Chairman of Supervisory Committee	Female	50	In office	42.83	0	42.83
Cheng Na	Supervisor	Female	30	In office	8.7	0	8.7
Lin Jianwang	Standing Deputy General Manager	Male	58	In office	87.18	0	87.18
Shi Jianping	Deputy General Manager	Male	51	In office	73.26	0	73.26
Liu Xianming	Deputy General Manager	Male	51	In office	74.94	0	74.94
Wang Weizhi	Deputy General Manager	Male	56	Resigned	17.71	0	17.71
Mao Faqing	Financial Controller	Male	44	In office	80	0	80
Wang Xiqiao	Chief Economist	Female	55	Resigned	48.52	0	48.52
Ye Xuehua	Deputy General Manager, Secretary to the Board	Male	49	In office	76.15	0	76.15
Wu Xudong	Deputy General Manager	Male	50	In office	39.77	0	39.77
Chen Zhongmin	Chief Economist	Male	45	In office	12.62	0	12.62
Total	—	—	—	—	722.71	257.18	979.89

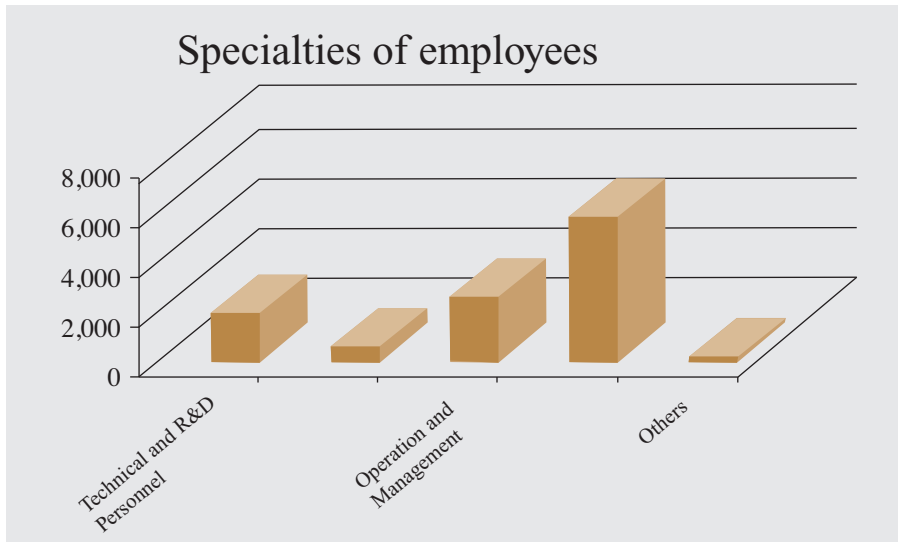
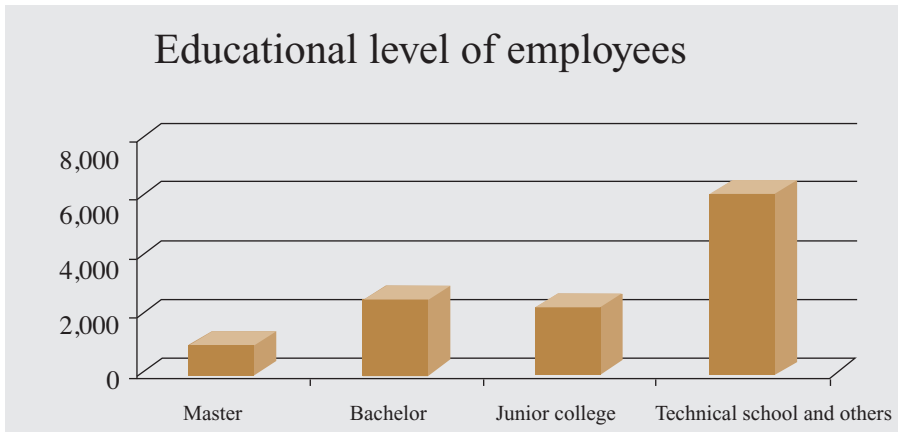


V. Changes in directors, supervisors and senior management of the Company

Name	Position	Type	Date	Reason
Ding Yufei	Supervisor	Elected	21 May 2013	
Peng Zeqing	Supervisor	Resigned	21 May 2013	Retired
Wu Xudong	Deputy General Manager	Appointed	7 May 2013	
Wang Weizhi	Deputy General Manager	Resigned	7 May 2013	Change of work
Liu Huangsong	Director	Resigned due to the expiry of the term of office	15 August 2013	
Chen Zhongmin	Chief Economist	Appointed	15 August 2013	
Wang Xiqiao	Chief Economist	Resigned due to the expiry of the term of office	15 August 2013	
Cheng Na	Staff representative supervisor	Elected	15 August 2013	
Li Xiaohong	Director, Vice Chairman	Resigned	4 March 2014	Change of work
Xu Wenying	Independent Non-executive Director	Resigned	4 March 2014	To meet the requirements of the regulations in the PRC
Tu Kelin	Supervisor and Chairman of the Supervisory Committee	Resigned	4 March 2014	To meet the requirements of the regulations in the PRC
Wang Jiangan	Director, Vice Chairman	Elected	4 March 2014	
Chen Jinrong	Independent Non-executive Director	Elected	4 March 2014	
Qiao Yu	Supervisor and Chairman of the Supervisory Committee	Elected	4 March 2014	

VI. Staff

As at 31 December 2013, the total number of staff of the Group was 12,522, among which 12,139, 524, 966 and 688 were at the entry, senior, middle and junior levels respectively, and 5,963 received tertiary educations or above. Amongst the staff in the Group, 2,061 were engaged in technical, scientific research and development, 652 in sales and marketing, 2,848 in operation and management, 6,357 in production and 221 in other areas. For the year ended 31 December 2013, the total remuneration for the staff of the Group amounted to RMB2,168,760.50 thousand (RMB1,732,645.94 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 3,373 for the year ended 31 December 2013.



Chapter VIII Corporate Governance

Section I Structure of Corporate Governance Disclosed Pursuant to Requirements of 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 convening of the shareholders’ general meeting, Board meeting and the meeting of the supervisory committee of the Company and decision-making process is in compliance with the requirements of the Company Laws, Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, Guidelines for the Proper Management of Listed Companies and the Articles of Association. 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 is no difference between the corporate governance, the Company Laws and relevant regulations of CSRC.

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

1. During the reporting period, the directors, supervisors and the senior management actively participated in the relevant training organized by the Beijing Securities Regulatory Bureau, further enhancing the conscientiousness and duty-performing ability of directors, supervisors and senior management. The Company further strengthened its control and governance over its subsidiaries, and conducted an on-site guidance over the guidance of its subsidiaries in the first half of the year; and in the second half of the year, the Company inspected the convening of “three meetings” of its 28 level-one subsidiaries.
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.



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

1. Annual General Meeting during the reporting period

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
2012 Annual General Meeting	21 May 2013	The resolution on the Company's 2012 Annual Report of the Board of Directors	99.48% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	The resolution on the Company's 2012 Annual Report of the Supervisory Committee	99.48% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	The resolution on the Company and its subsidiaries' 2012 audited financial statements	99.48% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	The resolution on the Company's 2012 annual profit distribution plan	99.48% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	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, 2013, and authorizing the Company's Board of Directors to determine their remuneration	97.13% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	The resolution on approving the resignation of Ms. Peng Zeqing as a supervisor of the Company	99.48% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	The resolution on approving the appointment of Ms. Ding Yufei as a supervisor of the Company	99.38% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	The resolution on approving the report on the use of the capital raised in previous time of the Company	99.48% pass rate	22 May 2013	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 general meeting and extraordinary general meeting held during the reporting period (continued)

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

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
2012 Annual General Meeting	21 May 2013	The resolution on the grant of a general mandate to the board of directors of the Company to issue H shares	95.73% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	The resolution on overseas financing of the subsidiaries of the Company	97.13% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
2012 Annual General Meeting	21 May 2013	The resolution on authorizing the Company to provide guarantee for the overseas financing of its subsidiaries	97.13% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
A-share class shareholders’ meeting	21 May 2013	The resolution on the grant of a general mandate to the board of directors of the Company to issue H shares	99.46% pass rate	22 May 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
H share class shareholders’ meeting	21 May 2013	The resolution on the grant of a general mandate to the board of directors of the Company to issue H shares	15.51% failed	22 May 2013	Securities Times, Websites of CNINF, 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 2013	15 August 2013	To elect and appoint Mr. Ye Maixin as an executive director of the Company	98.01% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Mr. Li Xiaohong as an executive director of the Company	99.85% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Mr. Yan Fuquan as an executive director of the Company	99.85% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Mr. Shi Tinghong as an executive director of the Company	99.85% pass rate	16 August 2013	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 general meeting and extraordinary general meeting held during the reporting period (continued)

2. Extraordinary general meeting held during the reporting period (continued)

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Mr. Yao Yuming as an executive director of the Company	97.99% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Mr. Xu Wenying as an independent non-executive director of the Company	99.85% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Ms. An Guojun as an independent non-executive director of the Company	99.85% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Mr. Li Min as an independent non-executive director of the Company	99.85% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Mr. Tu Kelin as a supervisor of the Company	99.85% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Ms. Ding Yufei as a supervisor of the Company	97.99% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To elect and appoint Mr. Liu Hong as a supervisor of the Company	97.99% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To approve the amendments to the articles of association of the Company, with effect from the date of the resolution	99.85% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2013	15 August 2013	To consider and approve the grant of a general mandate to the board of directors of the Company to issue H shares not exceeding 20% of H shares	95.93% pass rate	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
A-share class shareholders' meeting	15 August 2013	Resolution on the grant of a general mandate to the board of directors of the Company to issue H shares not exceeding 20% of the existing H shares, being 36.16 million shares	99.84% pass rate	16 August 2013	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)

2. Extraordinary general meeting held during the reporting period (continued)

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
H share class shareholders’ meeting	15 August 2013	Resolution on the grant of a general mandate to the board of directors of the Company to issue H shares not exceeding 20% of the existing H shares, being 36.16 million shares	57.95% failed	16 August 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company
The second extraordinary general meeting in 2013	30 December 2013	To consider and approve by ordinary resolution the form and substance of the composite services agreement made between the Company and China Textile Machinery (Group) Company Limited from 1 January 2014 to 31 December 2016 and to authorise any of the Directors of the Company to sign the contract	94.88% pass rate	31 December 2013	Securities Times, Websites of CNINF, the Hong Kong Stock Exchange and the Company

III. Responsibility performance of independent directors during the reporting period

1. The attendance of Board meetings and general meetings by independent directors

Attendance of Board meetings by independent directors						
Name of independent director	Times of Board meeting supposed to attend in the reporting period	Times of presence in person	Times of attending by communication	Times of proxy presence	Times of Absence	Whether absent from two consecutive meetings or not
Xu Wenying	13	11	2	0	0	No
Liu Huangsong	7	5	2	0	0	No
An Guojun	13	11	2	0	0	No
Li Min	13	11	2	0	0	No
Times present at the general meeting by independent directors						3

Explanation for absence for two consecutive board meetings.

No

2. Objection for relevant issues from independent directors

Independent directors have no objections for relevant issues during the reporting period.

3. Other explanation about responsibility performance of independent directors

Independent director’s advice for the Company was adopted.

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

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

The Audit Committee of the Board convened a meeting on 19 March 2013, and considered and approved: 1. the 2012 annual financial report which was prepared in accordance with Hong Kong Financial Reporting Standards; 2. the 2012 annual financial report which was prepared in accordance with China Accounting Standards for Business Enterprises; 3. Related party transactions conducted in 2012; 4. the Summary Report on Accounting Firm’s Engaged in the 2012 Annual Audit Work; 5. review of the internal audit system of the Group; and 6. the reappointment of the auditors.

The Audit Committee of the Board convened a meeting on 27 August 2013, and considered and approved: 1. the unaudited financial report which was prepared in accordance with Hong Kong Financial Reporting Standards; 2. the unaudited financial report which was prepared in accordance with China Accounting Standards for Business Enterprises; and 3. the report of the internal control and internal audit work in the first half of 2013.

The Nomination and Remuneration Committee of the Board held a meeting on 19 March 2013, and considered and approved: 1. the structure, number and composition of the Board; 2. the management’s resolution on remuneration.

The Nomination and Remuneration Committee of the Board held a meeting on 21 June 2013, and considered and approved: the resolution on the change of the Board.

The Nomination and Remuneration Committee of the Board held a meeting on 15 August 2013, and considered and approved: 1. Chairman of the Election Committee; and 2. the examination of the candidates for the senior management proposed to be appointed by the Seventh session of the Board of the Company.

The Nomination and Remuneration Committee of the Board held a meeting on 18 December 2013, and considered and approved: the resolution to propose the appointment of Mr. Wang Jiangan as a Director of the 7th session of the Board.

V. Work of the Supervisory Committee

The supervisory committee had not found any risks in the Company in supervisory activities during the reporting period.

The supervisory committee has no objection about supervisory issues in the reporting period.

VI. Independence of the Company relative to its controlling shareholders in aspects of business, personnel, assets, institution and finance

As at the end of the reporting period, the controlling shareholder of the Company was China Textile Machinery (Group) Co., Ltd., and the actual controller was China Hengtian Group Company Limited. The two together held 238,207,179 shares which accounted for 33.83% of the total share capital of the Company. The Company has a sound corporate governance structure, and is completely separate from its controlling shareholders in aspects like business, assets, institution and finance which guarantee the Company’s independence and completeness in its 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 the 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 paid staff of the Company and none of them work part-time for the controlling shareholders. All 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 sole discretion of appointment and removal.

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

VI. Independence of the Company relative to its controlling shareholders in aspects of business, personnel, assets, institution and finance (continued)

3. The Company is independent in its assets: The Company is independent in its assets which is evidenced by the fact that all the Company’s assets are under its own control, and are independently owned and operated. No funds or assets have ever been appropriated by its controlling shareholders.
4. The Company is independent in its structure. The Company’s production, operation and offices are completely separate from its 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 the 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 its management. There is no intervention in the Company’s financial and accounting activities from the controlling shareholders.

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 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 have 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 subsidiaries, 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.
3. Resolution Measures and Progress of Work:

In order to address the competition in the same industry of profile fiber sorting machines, Hengtian Group procured CHTC Heavy Industry to transfer the equities in Zhengzhou Auto-Control held by CHTC Heavy Industry to Jingwei Textile and its controlled enterprises, enterprises and natural persons outside the Group and to forgo the control over Zhengzhou Auto-Control. Combined with the integration of the textile machineries, Hengtian Group continued to procure CHTC Heavy Industry to transfer the equities in Zhengzhou Auto-Control held by CHTC Heavy Industry and to forgo the control over Zhengzhou Auto-Control pursuant to the undertakings, and strive to solve the problem of competition in the same industry of profile fiber sorting machines by the end of 2014.

Hengtian Group coordinated Jingwei Textile and CHTC Heavy Industry, and caused Zhengzhou Hongda to lease the second united plant in the new factory area of CHTC Heavy Industry and to close its operation. Relocation is planned to commence in the first half of 2014, and we strive to complete relocation and close the operation of Zhengzhou Hongda by the end of 2014. Hengtian Group has regarded the business integration as the key line of work in the coming three years, and the integration proposal for the commercial vehicles is currently under preparation; with the implementation of the integration proposal, the competition or potential competition in the same industry of commercial vehicles involving Jingwei Textile, CHTC Heavy Industry and Kama Co. will be solved.

(Please see Item 6 of Section V of 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 made 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.

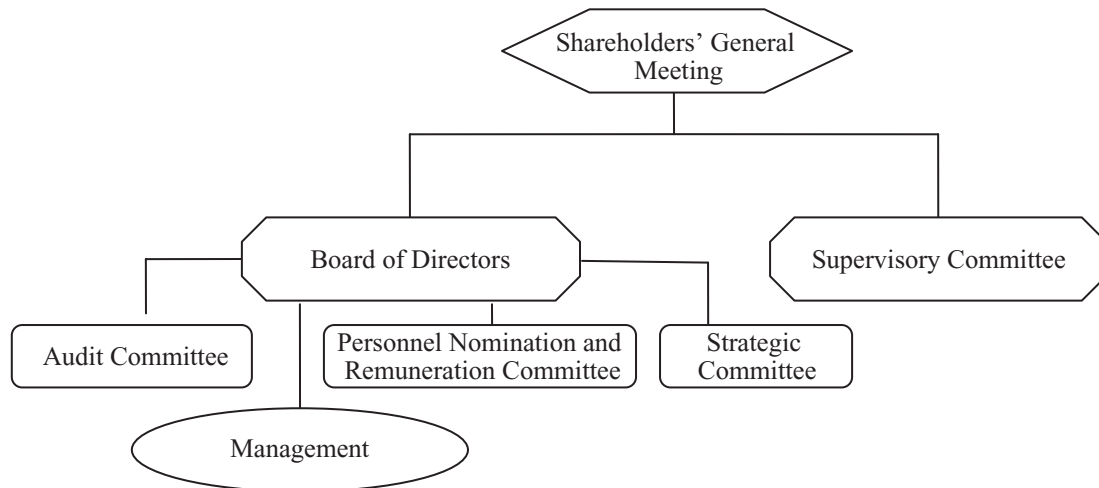
During the reporting period, the Company has adopted the Corporate Governance Code (during the period from 1 January 2013 to 31 December 2013) in Appendix 14 to the Listing Rules of the Stock Exchange and committed to maintaining a high standard of corporate governance in order to enhance transparency 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 the 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 Corporate Governance Code (during the period from 1 January 2013 to 31 December 2013).

(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 Hong Kong Stock Exchange (the “Listing Rules”) (continued)

(II) The Board

The seventh Board of the Company comprises 8 Directors, 5 of which are Executive Directors (including Mr. Ye Maoxin, Mr. Wang Jiangan, Mr. Yan Fuquan, Mr. Shi Tinghong and Mr. Yao Yuming respectively) and 3 are Independent Non-Executive Directors (including Ms. Chen Jinrong, Ms. An Guojun and Mr. Li Min respectively). Pursuant to Article 103 of the Articles of Association, the Board shall comprise of 9 Directors. The Board is looking for a Director with appropriate qualifications and will promptly determine a qualifying candidate.

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 the 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 (including the independent non-executive 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 2013, the Chairman of the Company was Mr. Ye Maoxin, and the General Manager (Chief Executive Officer) of the Company was 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) in 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 authorize 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 Hong Kong 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 authorize a Deputy General Manager as proxy) the regular meetings of the General Manager, which should be attended by General Manager, Deputy General Managers and other senior management staff;
- (9) to determine the awards, punishment, promotion or demotion, salary increase or deduction, engagement, employment, dismissal or discharge of Company staff;
- (10) to exercise the authority on the pledge, lease, subcontracting or transfer of the Company’s assets under the scope as authorized by the Board; and
- (11) to exercise other authorities as granted by the Articles of Association and the Board.

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

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

As at the end of 2013, one Director held management positions in the Company, accounting for 1/8 of the total number of Directors. This arrangement enabled the Board to review and supervise the procedure of management of the Company.

During the reporting period, the seventh Board of the Company has three Independent Non-executive Directors, representing 3/8 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 Hong Kong Stock Exchange (the “Listing Rules”) (continued)**

(II) The Board (continued)

In 2013, the Company held 13 Board meetings to discuss about the Company’s overall strategic and investment proposals as well as the operation and financial performance of the Company. The Board meeting achieved efficient and timely discussions and prudent decisions. Independent non-executive Directors of the Company had no objection to the Company’s decisions. Attendance percentage of the meetings was 100% (including attendance by other Directors as proxy) and the details are as follows:

Name of Director	Position	Total number of meetings	Attendance in person	Attendance via communication means	Attendance by proxy	Absence	Whether attending in person for two consecutive meetings?
Ye Maoxin	Chairman	13	11	2	0	0	No
Li Xiaohong	Vice Chairman	13	11	2	0	0	No
Yan Fuquan	Director	13	11	2	0	0	No
Shi Tinghong	Director	13	11	2	0	0	No
Yao Yuming	Director, General Manager	13	11	2	0	0	No
Xu Wenyong	Independent non-executive Director	13	11	2	0	0	No
Liu Huangsong (Note)	Independent non-executive Director	7	5	2	0	0	No
An Guojun	Independent non-executive Director	13	11	2	0	0	No
Li Min	Independent non-executive Director	13	11	2	0	0	No

Note: Liu Huangsong resigned on 15 August 2013.

No Directors of the Company had not attended in person for two consecutive Board meetings.

Number of Board meetings convened during the year	13
Of which: Number of on-site meetings	11
Number of meetings convened via communication means	2
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 the Directors fully understand their duties and that the procedures during Board meetings are executed on a timely basis and the relevant laws and regulations are complied with. The 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 Hong Kong Stock Exchange as the code of practice for securities transactions by the Directors. The Company has made specific enquiries to all the Directors and all of them 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 Hong Kong 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 aware 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 can regularly access 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 which 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 in 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 the Directors participated in during the year under review were as follows:

Name of Directors	Corporate governance, update of laws and regulations		Accounting/finance/management and other professional skills	
	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 (Note)	√	√	√	√
An Guojun	√	√	√	√
Li Min	√	√	√	√

Note: As of his date of resignation.

Corporate Governance Functions

In terms of corporate governance functions, during the year under review, the Board has formulated the terms of reference in respect of corporate governance functions, and has 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 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 review and monitor the code of conduct and compliance manual of the employees and directors (if applicable); and
- (e) To review the compliance of the Code by the Group and disclose 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 Hong Kong 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 2013, the members of the Audit Committee under the seventh Board of the Company were Mr. Xu Wenying (Chairman of the Committee), Mr. Li Min and Ms. An Guojun. Three of the members are Independent Non-executive Directors.

One meeting of the Audit Committee was held in 2013. 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 2013 is as follows:

Name of the committee member	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Xu Wenying (Chairman of the seventh Committee)	1	1	100%
An Guojun	1	1	100%
Li Min	1	1	100%

The work of the Audit Committee for the year include: reviewed the completeness of the 2012 Annual Report, 2013 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 results of the Group for the year ended 31 December 2013.

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 2013, the seventh 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. Li Min and Ms. An Guojun, which complied with the requirement of the relevant provision. Due to resignation of Mr. Xu Wenying as an independent non-executive director of the seventh session of the Board on 4 March 2014, he ceased to be the Chairman of the Personnel Nomination and Remuneration committee, such that the seventh Personnel Nomination and Remuneration Committee of the Board comprise two Independent Non-executive Directors and two Executive Directors, including Mr. Li Min (Chairman of the Committee), Ms. An Guojun, Mr Ye Maoxin and Mr. Yao Yumin. Pursuant to Provision A.5.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules, a majority of the members of the Nomination Committee shall be Independent Non-executive Directors, therefore, the Board is looking for an Independent Non-executive Director with appropriate qualifications and will promptly determine a qualifying candidate to fill the vacancy in the Personnel Nomination and Remuneration Committee.

The main duties of the 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 positions 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 Hong Kong 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 the adoption of 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.

In 2013, the Personnel Nomination and Remuneration Committee convened one meeting and all members attended. All issues approved in the meeting of the Committee were recorded and filed in accordance with the relevant rules. The Chairman of the Committee will report all important issues discussed to the Board.

Summary of Board Diversity Policy

The Group organized internal training sessions on the Board diversity, so as to ensure complete and full understanding of the relevant requirements.

In order to enhance the performance quality of the Company, the Board has adopted a Board Diversity Policy on 15 August 2013, the summary of which is as follows:

- (1) The selection of the Board members will be based on a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and working experience; and
- (2) The Personnel Nomination and Remuneration Committee of the Board has set measurable objectives based on four focus areas: gender, age, working experience and independence to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Personnel Nomination and Remuneration Committee of the Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

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 committees of the Company 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 organize the technical appraisal of the development of the products;
- (9) to organize the qualification review and management of the technical staff of the Company;
- (10) to organize 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 Hong Kong 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 IV “Directors, supervisors, senior management and staff” of this annual report.

In 2013, the Supervisory Committee of the Company held 7 meetings and all the Supervisors attended the meetings and the Board meetings and have performed the duties of the Supervisory Committee in a diligent manner. The Supervisory Committee reviewed matters including the financial information related to the Company’s 2012 annual report and 2013 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	7	7	100%
Peng Zeqing	Vice Chairman of Supervisory Committee	2	2	100%
Ding Yufei	Vice Chairman of Supervisory Committee	5	5	100%
Liu Hong	Supervisor	7	7	100%
Hu Guangfei	Supervisor	7	7	100%
An Yongzhi	Supervisor	4	4	100%
Cheng Na	Supervisor	3	3	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 31 December 2013) 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 enable 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 the 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 2013 and the review covered its financial controls, operational monitoring, compliance controls and risk management functions. Specifically, 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 Hong Kong Stock Exchange (the “Listing Rules”) (continued)

(III). Mechanism of supervision (continued)

Remuneration of 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 the 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.

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.

It was approved by shareholders of the Company at the 2012 annual general meeting of the Company held in May 2013 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 2013.

The aggregate remuneration of 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 2013 was RMB 3,960,000.

Financial Controller

Financial Controller is in charge of the Company’s financial matters and is accountable to the 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 of Substantial Shareholders in the Company’s shares

Save as disclosed in Chapter III “Movements in share capital and information on shareholders”, to the best knowledge of the Directors, Supervisors and senior management of the Company, as at 31 December 2013, no person (other than the Directors, Supervisors and senior management of the Company) held 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 Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or any interests or short positions recorded in the register required to be maintained pursuant to section 336 of the Securities and Futures Ordinance.

Relation with shareholders, investors 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 Hong Kong Stock Exchange (the “Listing Rules”) (continued)**

(III). Mechanism of supervision (continued)

General Meetings

The general meeting is the highest authority of the Company and will exercise its authority and make decisions on significant issues 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 meeting.

During the year, the Company held three 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	3	3	0	0	0
Li Xiaohong	Vice Chairman	3	3	0	0	0
Yan Fuquan	Director	3	3	0	0	0
Shi Tinghong	Director	3	3	0	0	0
Yao Yuming	Director, General Manager	3	3	0	0	0
Xu Wenyong	Independent non-executive Director	3	3	0	0	0
Liu Huangsong	Independent non-executive Director	3	3	0	0	0
An Guojun	Independent non-executive Director	3	3	0	0	0
Li Min	Independent non-executive Director	3	3	0	0	0

Substantial shareholder

The Company’s substantial shareholder is China Textile Machinery (Group) Company Limited (holding 31.13% 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 at the general meeting

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 an 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 convening such meeting within thirty days from the date of receipt of the requisition(s), the shareholders may themselves convene the 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 Hong Kong Stock Exchange (the “Listing Rules”) (continued)

(III). Mechanism of supervision (continued)

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

- (3) Any reasonable expenses incurred by the shareholders by reason of failure by the Board to duly convene such meeting shall be reimbursed to the shareholders by the Company and any sum so reimbursed 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 an 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 these matters fall within the functions and powers of the general meeting.

Ways of making enquiries 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, the following amendments were made to the Articles of Association of the Company:

Regarding amendments to business scope

In order to align with the Company’s future business development and increase the flexibility of its operations, the Board proposed to amend the business scope set out in the Articles of Association of the Company, details of the amendment are as follows:

Before amendments	After amendments
<p>Article 15</p> <p>The business scope of the Company should be the one reviewed and approved by the corporate registration authorities</p> <p>The business scope of the Company includes:</p> <p>Development and production of textile machineries, other electrical products, automatic office equipment and their specialised accessories and appliances (products with specific requirements shall be reported and approved separately); development of computer application software; domestic and overseas sale of products manufactured by the Company; carrying on business relating to cotton and its by-products, textile products, cottonseed and short staple; development of consultancy services in respect of technology and economic information related to the products of the Company.</p>	<p>Article 15</p> <p>The business scope of the Company should be the one reviewed and approved by the corporate registration authorities.</p> <p>The business scope of the Company includes:</p> <p>Development and production of textile machineries, other electrical products, automatic office equipment and their specialised accessories and appliances (products with specific requirements shall be reported and approved separately); development of computer application software; domestic and overseas sale of products manufactured by the Company; carrying on business relating to cotton and its by-products, textile products, cottonseed and short staple; development of consultancy services in respect of technology and economic information related to the products of the Company; installation services and logistics.</p>

The above amendments to the Articles of Association were passed and approved by the Shareholders at the Extraordinary General Meeting on 15 August 2013, and the relevant alteration procedures relating to the industrial and commercial administration have not completed.

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 optimize 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 Users” (外部信息使用人管理制度) and “Registration and Management System for People with Access to the Insider Information” (内幕信息知情人登記管理制度) to further regulate information management.



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”) (continued)

(III). Mechanism of supervision (continued)

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 for the year ended 31 December 2013.

(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 development trend and the requirements of regulatory bodies. The Company’s objective is 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 shareholders’ value.

Chapter IX Internal Control

I. The construction of internal control system

In accordance with the requirements of the Basic Norms of Internal Control for Enterprises and its supporting guidelines, through the continued efforts of the Board, management and the staff, the Company has established a relatively comprehensive internal control system. Internal control and the necessary internal supervision mechanism were established from the corporate governance to business flow, which provides a reasonable guarantee for the lawful and compliant operation and management, safety of assets, and the true and complete financial reports. The Company adheres to the principle of risks-orientation, continues to improve the internal control system and self-evaluation system, and conduct self-evaluation for the design of the internal control and its implementation, forming a mechanism to spur the construction of internal control by evaluation.

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

The Board of Directors and all 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 Committee conducts supervision over the Board of Directors in establishment and implementation of the internal control system; the management is in charge of organizing and leading daily operation of the Company's internal control. The objectives of the Company's internal control is: to reasonably ensure the operation is 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 exists inherent limitation in internal control, it therefore can only provide reasonable assurance for realization of the aforesaid objectives. In the opinion of the Board of Directors, no material defects in the design and execution of the internal control of the Company were found through self-examination of the internal control of the Company for 2013, and the internal control system of the Company was healthy and had been executed effectively in 2013.

III. Basis for establishment of internal control of financial reporting

The Company has established a relatively systematic management system covering aspects such as funds, guarantees, accounting, assets and financial reports on the basis of laws and regulations provided in Accounting, Accounting Standards for Business Enterprises, Enterprise Financial Rules, as well as Basic Norms of Internal Control for Enterprises and its supporting guidelines, and regulatory norms of the market and the Company's own business characteristics, achieving standardization, proceduralization, systematization and informatization of its business, so as to ensure the smooth preparation of the financial reports of the Company.

IV. Self-evaluation report of internal control

Details of major defects in self-evaluation report found in the reporting period	
No major defect has been found in the reporting period	
Date of self-evaluation report of internal control disclosed (full-text)	25 March 2014
Index of self-evaluation report of internal control disclosed (full-text)	The full text of the Report on Self-evaluation of Internal Control of the Company for the Year 2013 was published on the website of CNINF (http://www.cninfo.com.cn), the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://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 internal control in financial reporting in all material aspects according to the Basic Norms of Internal Control for Enterprises and relevant regulations as at 31 December 2013.	
Date of disclosing the internal control audit report, full text	25 March 2014
Index of disclosing the internal control audit report, full text	The full text of the Report on Self-evaluation of Internal Control of the Company for the Year 2013 was published on the website of CNINF (http://www.cninfo.com.cn), the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.jwgf.com) for shareholders' reference.

The accounting firm has not issued any non-standard internal control audit report.

The opinion of the internal audit report issued by the accounting firm 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 the sixteenth Meeting of the Fifth Session of the Board dated 24 March 2010, and no major errors in annual reports have been found by the Company since the implementation of such policy.

Chapter X Report of the Auditor – The PRC

Auditor’s Report

(I) AUDIT REPORT

Opinion	Standard unqualified opinion
Signature Date	24 March 2014
Audit Firm	Baker Tilly China Certified Public Accountants
Audit Report NO.	[2014] No. 2000 Of The Report
Signature Auditor	Kuang Min, Wang Zhongzhen

To all shareholders of Jingwei Textile Machinery Company Limited:

We have audited the accompanying financial statements of Jingwei Textile Machinery Company Limited (hereinafter referred to as the “Jingwei Textile Machinery”), which comprise the consolidated balance sheet and balance sheet as at 31 December 2013, 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 Textile Machinery is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) Preparing and fairly 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. An audit also includes evaluating the appropriateness of the accounting policies 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 Textile Machinery 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 2013, the results of operations and the cash flows and consolidated results of operations and consolidated cash flows for the year then ended.



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

(II) FINANCIAL REPORT

All amounts are stated in RMB unless otherwise stated.

1. THE CONSOLIDATED BALANCE SHEET

Prepared by Jingwei Textile Machinery Company Limited

Item	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VI.1	9,486,457,524.83	6,548,740,008.05
Held-for-trading financial assets	VI.2	243,515,847.35	276,665,724.16
Bills receivable	VI.3	1,548,491,284.12	1,376,597,049.14
Accounts receivable	VI.6	778,564,374.89	698,770,042.46
Advance to suppliers	VI.8	341,119,713.18	463,173,676.21
Interest receivables	VI.5	64,114.99	
Dividend receivables	VI.4	36,022,950.70	10,265,494.00
Other receivables	VI.7	311,436,433.54	283,950,683.69
Inventories	VI.9	1,619,573,041.58	1,484,581,205.31
Non-current assets due within one year		4,301,428.55	22,082,751.25
Other current assets	VI.10	329,774.69	537,168.49
Total Current Assets		14,369,876,488.42	11,165,363,802.76
Non-Current Assets:			
Available-for-sale financial assets	VI.11	376,788,993.41	570,852,379.82
Long-term equity investments	VI.13	239,287,362.83	218,004,243.80
Fixed assets	VI.14	1,816,944,619.20	1,658,181,634.78
Construction in progress	VI.15	149,669,840.40	268,578,405.91
Intangible assets	VI.16	566,514,087.48	506,237,411.28
Development expenditure		14,221,806.55	–
Goodwill	VI.17	845,120,985.01	844,306,425.04
Long-term deferred expenses	VI.18	28,301,010.32	33,060,441.34
Deferred tax assets	VI.19	456,761,637.47	288,902,514.03
Total Non-Current Assets		4,493,610,342.67	4,388,123,456.00
Total Assets		18,863,486,831.09	15,553,487,258.76

**1. THE CONSOLIDATED BALANCE SHEET (continued)**

Item	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	VI.21	1,945,504,547.47	1,455,761,360.52
Bills payable	VI.22	612,660,270.01	379,795,024.10
Accounts payable	VI.23	1,755,525,871.17	1,730,702,546.56
Advances from customers	VI.24	411,088,307.38	566,497,450.34
Employee benefits payables	VI.25	1,629,884,230.60	1,106,647,580.96
Taxation payables	VI.26	509,209,633.97	357,569,382.58
Interest payables	VI.27	49,201,704.03	48,489,844.48
Dividend payables	VI.28	6,686,958.92	5,009,834.99
Other payables	VI.29	329,994,838.71	344,259,776.02
Long-term liabilities due within one year	VI.30	25,581,023.23	93,654,888.58
Total Current Liabilities		7,275,337,385.49	6,088,387,689.13
Non-Current Liabilities:			
Bonds payable	VI.31	1,200,000,000.00	1,200,000,000.00
Long-term payables	VI.32	55,711,220.00	84,947,999.93
Special payables	VI.33	20,102,619.80	17,341,405.91
Other non-current liabilities	VI.34	112,068,913.25	96,755,977.44
Total Non-Current Liabilities		1,387,882,753.05	1,399,045,383.28
Total Liabilities		8,663,220,138.54	7,487,433,072.41
Shareholders' Equity:			
Share capital	VI.35	704,130,000.00	704,130,000.00
Capital reserve	VI.37	1,883,304,144.37	1,997,154,774.06
Special reserve	VI.36	10,587,684.57	5,377,780.42
Surplus reserve	VI.38	820,492,967.34	733,425,418.69
Risk preparation	VI.39	105,343,583.49	56,712,015.61
Unappropriated profit	VI.40	1,593,931,859.21	1,206,302,151.39
Translation differences arising from translation of financial statements denominated in foreign currencies		-3,721,933.80	-3,393,652.48
Total Shareholders' Equity Attributable To Equity Holders Of The Parent		5,114,068,305.18	4,699,708,487.69
Non-controlling interests		5,086,198,387.37	3,366,345,698.66
Total Shareholders' Equity		10,200,266,692.55	8,066,054,186.35
Total Liabilities And shareholders' Equity		18,863,486,831.09	15,553,487,258.76

Ye Maoxin,
person in charge
of the company

Mao Faqing,
person in charge
of accounting function

An Yongzhi,
person in charge
of accounting department

**2. THE BALANCE SHEET OF THE COMPANY**

Prepared by Jingwei Textile Machinery Company Limited

Item	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		600,262,673.12	1,058,965,290.65
Bills receivable		1,186,364,902.03	942,499,755.88
Accounts receivable	XII.1	622,437,292.27	589,567,295.13
Advance to suppliers		334,314,010.85	472,758,914.17
Dividend receivables		218,260,548.72	171,845,943.46
Other receivables	XII.2	933,657,145.94	797,763,957.33
Inventories		220,928,281.17	134,272,370.01
Non-current assets due within one year		1,411,428.55	19,192,751.25
Total Current Assets		4,117,636,282.65	4,186,866,277.88
Non-Current Assets:			
Available-for-sale financial assets			
Held to maturity investments			
Long-term receivables		253,842,252.79	231,162,252.79
Long-term equity investments	XII.3	3,601,801,704.97	3,005,667,348.55
Fixed assets		260,278,734.30	275,654,722.48
Construction in progress		26,132,772.23	3,167,874.90
Intangible assets		63,042,909.71	58,259,338.38
Total Non-Current Assets		4,205,098,374.00	3,573,911,537.10
Total Assets		8,322,734,656.65	7,760,777,814.98

2. THE BALANCE SHEET OF THE COMPANY (continued)

Item	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings		1,738,878,919.15	1,267,781,292.81
Bills payable		417,918,154.76	243,152,451.44
Accounts payable		1,025,664,346.32	883,262,478.76
Advances from customers		270,156,177.52	448,423,877.69
Employee benefits payables		36,038,785.96	32,087,600.52
Taxation payables		26,430,850.91	18,006,874.52
Interest payables		48,705,333.32	48,426,666.65
Dividend payables		474,469.81	2,531.35
Other payables		227,506,377.51	177,827,077.25
Long-term liabilities due within one year		23,592,596.80	91,118,935.48
Total Current Liabilities		3,815,366,012.06	3,210,089,786.47
Non-Current Liabilities:			
Bonds payable		1,200,000,000.00	1,200,000,000.00
Long-term payables			25,035,315.23
Special payables		4,000,000.00	4,000,000.00
Other non-current liabilities		14,398,150.40	16,028,578.97
Total Non-Current Liabilities		1,218,398,150.40	1,245,063,894.20
Total Liabilities		5,033,764,162.46	4,455,153,680.67
Shareholders' Equity:			
Share capital		704,130,000.00	704,130,000.00
Capital reserve		2,047,960,760.48	2,047,893,275.55
Special reserve		91,111.10	724.92
Surplus reserve		386,807,862.04	381,447,713.16
Undistributed profit		149,980,760.57	172,152,420.68
Total Shareholders' Equity		3,288,970,494.19	3,305,624,134.31
Total Liabilities And shareholders' Equity		8,322,734,656.65	7,760,777,814.98

Ye Maoxin,
person in charge
of the company

Mao Faqing,
person in charge
of accounting function

An Yongzhi,
person in charge
of accounting department



3. THE CONSOLIDATED INCOME STATEMENT

Prepared by Jingwei Textile Machinery Company Limited

Item	Notes	Closing balance	Opening balance
Total Operating Revenues		10,558,276,337.66	8,677,401,466.68
Including: Operating income	VI.41	5,675,484,043.48	5,061,930,443.44
Interest income		340,742,194.17	81,660,031.30
Fees and commission income		4,542,050,100.01	3,533,810,991.94
Total Operating Costs		8,143,157,577.36	7,005,231,025.78
Including: Operating costs		4,815,121,164.00	4,198,210,324.02
Interest expense			826,777.68
Sales taxes and levies	VI.42	285,094,261.19	231,951,608.69
Selling and distribution expenses	VI.43	186,506,656.55	192,468,265.02
Administrative expenses	VI.44	2,682,743,498.17	2,183,175,903.25
Financial expenses	VI.45	148,556,928.22	140,149,934.87
Impairment loss in respect of assets	VI.48	25,135,069.23	58,448,212.25
Add: Gains from changes in fair values (loss expressed with“-”)	VI.46	-11,122,873.20	43,783,411.62
Investment income (loss expressed with“-”)	VI.47	-7,033,581.82	73,128,120.12
Including: Income from investment in associates and jointly controlled entities		38,033,001.61	677,198.66
Exchange gains (loss expressed with“-”)		-2,074,191.54	-30,297.13
Operating Profits (loss expressed with“-”)		2,394,888,113.74	1,789,051,675.51
Add: Non-operating income	VI.49	91,107,848.67	121,045,532.81
Less: Non-operating expenses	VI.50	10,547,275.52	14,598,439.77
Including: Loss from disposal of non-current assets		3,610,553.24	4,414,968.86
Total Profits (loss expressed with“-”)		2,475,448,686.89	1,895,498,768.55
Less: Income tax	VI.51	694,292,999.43	513,371,111.79
Net Profit (loss expressed with“-”)		1,781,155,687.46	1,382,127,656.76
Net profit attributable to shareholders of the parent company		591,778,324.35	430,242,760.54
Profit or loss attributable to non-controlling interests		1,189,377,363.11	951,884,896.22
Earnings Per Share			
(I) Basic earnings per share		0.85	0.7
(II) Diluted earnings per share		0.85	0.7
Other Comprehensive Income	VI.53	-110,670,320.51	-3,335,593.12
Total Comprehensive Income		1,670,485,366.95	1,378,792,063.64
Attributable to owners of the Company's total comprehensive income		551,322,821.62	428,232,682.17
Attributable to non-controlling interests' total comprehensive income		1,119,162,545.33	950,559,381.47

Ye Maoxin,
person in charge
of the company

Mao Faqing,
person in charge
of accounting function

An Yongzhi,
person in charge
of accounting department

4. THE INCOME STATEMENT OF THE COMPANY

Prepared by Jingwei Textile Machinery Company Limited

Item	Notes	Closing balance	Opening balance
Operating Revenues	XII.4	3,733,914,719.71	3,378,963,527.88
Less: Operating costs		3,446,942,751.50	3,128,677,153.32
Sales taxes and levies		7,382,971.46	5,588,436.61
Selling and distribution expenses		83,631,287.22	95,860,521.95
Administrative expenses		190,011,763.87	176,943,713.39
Financial expenses		117,428,445.42	119,114,827.33
Impairment loss in respect of assets		5,918,371.88	46,195,089.54
Add: Gains from changes in fair values (loss expressed with“-”)			-1,253.73
Investment income (loss expressed with“-”)	XII.5	159,322,228.84	137,260,108.03
Including: Income from investment in associates and jointly controlled entities		24,763,342.80	13,123,952.72
Operating Profits (loss expressed with“-”)		41,921,357.20	-56,157,359.96
Add: Non-operating income		13,683,403.89	74,639,852.46
Less: Non-operating expenses		1,967,109.82	1,401,897.79
Including: Loss from disposal of non-current assets		1,437,610.39	783,564.86
Total Profits (loss expressed with“-”)		53,637,651.27	17,080,594.71
Less: Income tax		36,162.50	34,500.00
Net Profit (loss expressed with“-”)		53,601,488.77	17,046,094.71
Other Comprehensive Income		67,484.93	-1,165,903.32
Total Comprehensive Income		53,668,973.70	15,880,191.39

Ye Maoxin,
person in charge
of the company

Mao Faqing,
person in charge
of accounting function

An Yongzhi,
person in charge
of accounting department



5. THE CONSOLIDATED CASH FLOW STATEMENT

Prepared by Jingwei Textile Machinery Company Limited

Item	Notes	For the year	Last year
Cash flow from operating activities:			
Cash receipts from sales of goods and the renderings of services		3,916,452,939.10	3,888,607,451.56
Interests, fees and commissions received		4,941,858,117.65	3,727,025,301.70
Receipts of tax refunds		5,006,540.73	7,600,856.78
Other cash receipts relating to operating activities	VI.54	224,331,685.94	180,005,737.69
Sub-total of cash inflows from operating activities		9,087,649,283.42	7,803,239,347.73
Cash payments for goods purchased and services received			
Cash payments for goods purchased and services received		3,085,037,276.90	2,964,951,787.68
Cash payments for interests, fees and commissions			826,777.68
Cash payments to and on behalf of employees		1,628,330,676.11	1,285,845,033.88
Payments of all types of taxes		1,174,138,041.53	1,052,471,407.23
Other cash payments relating to operating activities	VI.54	823,674,247.44	707,489,282.62
Sub-total of cash outflows from operating activities		6,711,180,241.98	6,011,584,289.09
Net cash flows from operating activities		2,376,469,041.44	1,791,655,058.64
Cash flows from investing activities:			
Cash receipts from disposals of investments		492,187,591.29	841,991,440.34
Cash receipts from returns on investments		18,849,511.14	6,974,564.39
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets		7,847,310.37	46,514,475.58
Net cash received from disposals of subsidiaries and other business units			41,086,776.59
Sub-total of cash inflows from investing activities		518,884,412.80	936,567,256.90
Cash payments to acquirements of fixed assets, intangible assets and other long-term assets			
Cash payments to acquirements of fixed assets, intangible assets and other long-term assets		205,810,034.71	225,945,974.43
Cash payments for investments		480,957,794.89	920,343,776.09
Net cash payments for purchases of subsidiaries and other business units		5,543,007.01	8,528,174.57
Other cash payments relating to investing activities		821,707.43	—
Sub-total of cash outflows from investing activities		693,132,544.04	1,154,817,925.09
Net cash flows from investing activities		-174,248,131.24	-218,250,668.19

**5. THE CONSOLIDATED CASH FLOW STATEMENT (continued)**

Item	Notes	For the year	Last year
Cash flows from financing activities:			
Capital injections from investments		670,325,584.94	831,059,659.39
Including: capital injections from non-controlling interests of subsidiaries		670,325,584.94	61,750,000.00
Cash receipts from borrowings		2,443,268,207.07	2,365,456,880.34
Proceeds from issuing bonds		–	1,196,400,000.00
Other cash receipts relating to financing activities		–	23,732,400.00
Sub-total of cash inflows from financing activities		3,113,593,792.01	4,416,648,939.73
Cash repayments of amounts borrowed		2,024,825,831.47	3,104,150,323.46
Cash payments for interest expenses and distribution of dividends or profits		386,162,191.08	151,101,871.31
Including: cash payments to non-controlling interests for distribution of dividends or profits		162,392,925.83	5,017,949.61
Other cash payments relating to financing activities		46,217,936.41	85,088,299.80
Sub-total of cash outflows from financing activities		2,457,205,958.96	3,340,340,494.57
Net cash flows from financing activities		656,387,833.05	1,076,308,445.16
Effect of foreign exchange rate changes on cash and cash equivalents		-1,209,311.98	-869,398.32
Net increase in cash and cash equivalents		2,857,399,431.27	2,648,843,437.29
Add: Opening balance of cash and cash equivalents		6,456,694,048.29	3,807,850,611.00
Closing balance of cash and cash equivalents		9,314,093,479.56	6,456,694,048.29

Ye Maoxin,
person in charge
of the company

Mao Faqing,
person in charge
of accounting function

An Yongzhi,
person in charge
of accounting department

**6. THE CASH FLOW STATEMENT OF THE COMPANY**

Prepared by Jingwei Textile Machinery Company Limited

Item	Notes	For the year	Last year
Cash flow from operating activities:			
Cash receipts from sale of goods and the renderings of services		2,360,003,213.59	2,027,188,511.93
Other cash receipts relating to operating activities		45,959,338.77	425,809,094.27
Sub-total of cash inflows from operating activities		2,405,962,552.36	2,452,997,606.20
Cash payments for goods purchased and services received		2,062,084,213.31	1,592,367,528.92
Cash payments to and on behalf of employees		180,372,114.85	186,301,556.73
Payments of all types of taxes		55,481,900.17	79,458,229.78
Other cash payments relating to operating activities		94,542,014.89	573,938,590.28
Sub-total of cash outflows from operating activities		2,392,480,243.22	2,432,065,905.71
Net cash flows from operating activities		13,482,309.14	20,931,700.49
Cash flows from investing activities:			
Cash receipts from disposals of investments		218,354,565.73	41,296,988.32
Cash receipts from gains on investments		106,810,541.51	10,403,668.39
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets		2,808,691.25	29,233,440.46
Sub-total of cash inflows from investing activities		327,973,798.49	80,934,097.17
Cash payments to acquire fixed assets, intangible assets and other long-term assets		19,078,626.42	30,245,737.12
Cash payments for investments		781,190,985.39	236,385,658.27
Other cash payments relating to investing activities		11,860,000.00	–
Sub-total of cash outflows from investing activities		812,129,611.81	266,631,395.39
Net cash flows from investing activities		-484,155,813.32	-185,697,298.22

**6. THE CASH FLOW STATEMENT OF THE COMPANY (continued)**

Item	Notes	For the year	Last year
Cash flows from financing activities:			
Capital injections from investments		–	769,309,659.39
Cash receipts from borrowings		2,229,642,578.75	2,104,476,812.63
Proceeds from issuing bonds			1,196,400,000.00
Other cash receipts relating to financing activities		1,008,781,164.46	1,832,177,537.85
Sub-total of cash inflows from financing activities		3,238,423,743.21	5,902,364,009.87
Cash payments of debts		1,844,059,594.76	2,863,150,323.46
Cash payments for interest expenses and distribution of dividends or profits		213,589,260.22	131,075,514.23
Other cash payments relating to financing activities		1,213,685,885.48	2,134,711,315.01
Sub-total of cash outflows from financing activities		3,271,334,740.46	5,128,937,152.70
Net cash flows from financing activities		-32,910,997.25	773,426,857.17
Net increase in cash and cash equivalents		-503,584,501.43	608,661,259.44
Add: Opening balance of cash and cash equivalents		1,040,410,788.66	431,749,529.22
Closing balance of cash and cash equivalents		536,826,287.23	1,040,410,788.66

Ye Maoxin,
person in charge
of the company

Mao Faqing,
person in charge
of accounting function

An Yongzhi,
person in charge
of accounting department



7. THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by Jingwei Textile Machinery Company Limited

For the year ended 31 December 2013

Item	For the year ended 31 December 2013								Total Shareholders' Equity
	Total Shareholders' Equity Attributable To Equity Holders Of The Parent								
	Share capital	Capital reserve	Special reserve	Surplus reserve	Risk preparation	Undistributed profits	Others	Minority equity	
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
Add: changes in accounting policies						-2,446,342.75		-81,165.85	-2,527,508.60
Balance at 1 January 2013	704,130,000.00	1,997,154,774.06	5,377,780.42	733,425,418.69	56,712,015.61	1,206,302,151.39	-3,393,652.48	3,366,345,698.66	8,066,054,186.35
Changes for the year		-113,850,629.69	5,209,904.15	87,067,548.65	48,631,567.88	387,629,707.82	-328,281.32	1,719,852,688.71	2,134,212,506.20
(I) Net profit						591,778,324.35		1,189,377,363.11	1,781,155,687.46
(II) Other comprehensive income		-42,090,721.41				1,963,500.00	-328,281.32	-70,214,817.78	-110,670,320.51
Sub-total of (I) to (II)		-42,090,721.41				593,741,824.35	-328,281.32	1,119,162,545.33	1,670,485,366.95
(III) Capital contributed and distributed		-71,759,908.28						762,720,630.24	690,960,721.96
1. Capital contributed by owners								681,745,584.94	681,745,584.94
2. Others		-71,759,908.28						80,975,045.30	9,215,137.02
(IV) Profit distribution				87,067,548.65	48,631,567.88	-206,112,116.53		-163,598,111.39	-234,011,111.39
1. Extraction of surplus reserve				87,067,548.65		-87,067,548.65			
2. Extraction of general risk preparation					48,631,567.88	-48,631,567.88			
3. Distribution to shareholders						-70,413,000.00		-163,598,111.39	-234,011,111.39
(V) Special Reserve			5,209,904.15					1,567,624.53	6,777,528.68
1. Extraction for the year			16,458,057.10					3,229,513.83	19,687,570.93
2. Using for the year			-11,248,152.95					-1,661,889.30	-12,910,042.25
Balance at 31 December 2013	704,130,000.00	1,883,304,144.37	10,587,684.57	820,492,967.34	105,343,583.49	1,593,931,859.21	-3,721,933.80	5,086,198,387.37	10,200,266,692.55

For the year ended 31 December 2012

Item	For the year ended 31 December 2012								Total Shareholders' Equity
	Total Shareholders' Equity Attributable To Equity Holders Of The Parent								
	Share capital	Capital reserve	Special reserve	Surplus reserve	Risk preparation	Undistributed profits	Others	Minority equity	
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
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
Changes for the year	100,330,000.00	804,076,629.53	5,377,780.42	62,143,354.88	30,199,358.82	301,672,046.84	-32,681.29	1,033,511,267.32	2,337,277,756.52
(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
Sub-total of (I) to (II)		-1,977,397.08				430,242,760.54	-32,681.29	950,559,381.47	1,378,792,063.64
(III) Capital contributed and distributed	100,330,000.00	806,054,026.61						87,681,818.05	994,065,844.66
1. Capital contributed by owners	100,330,000.00	803,319,973.17						88,538,090.62	992,008,063.79
2. Others		2,734,053.44						-676,272.57	2,057,780.87
(IV) Profits distribution				62,143,354.88	30,199,358.82	-128,570,713.70		-6,212,739.17	-42,440,739.17
1. Extraction of surplus reserve				62,143,354.88		-62,143,354.88			
2. Extraction of general 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
(V) Special Reserve			5,377,780.42					1,482,806.97	6,860,587.39
1. Extraction for the year			11,484,367.67					2,913,452.40	14,397,820.07
2. Using for the year			-6,106,587.25					-1,430,645.43	-7,537,232.68
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

Ye Maoxin,
person in charge
of the companyMao Faqing,
person in charge
of accounting functionAn Yongzhi,
person in charge
of accounting department

**8. THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY**

Prepared by Jingwei Textile Machinery Company Limited

For the year ended 31 December 2013

Item	For the year ended 31 December 2013					Total Shareholders' Equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Undistributed profits	
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
Balance at 1 January 2013	704,130,000.00	2,047,893,275.55	724.92	381,447,713.16	172,152,420.68	3,305,624,134.31
Changes for the year		67,484.93	90,386.18	5,360,148.88	-22,171,660.11	-16,653,640.12
(I) Net profit					53,601,488.77	53,601,488.77
(II) Other comprehensive income		67,484.93				67,484.93
Sub-total of (I) to (II)		67,484.93			53,601,488.77	53,668,973.70
(III) Capital contributed and distributed						
(IV) Profits distribution				5,360,148.88	-75,773,148.88	-70,413,000.00
1. Extraction of surplus reserve				5,360,148.88	-5,360,148.88	
2. Extraction of general risk preparation						
3. Distribution to shareholders						
4. Others						
(V) Special Reserve			90,386.18			90,386.18
1. Extraction of the year			2,897,963.00			2,897,963.00
2. Using of the year			-2,807,576.82			-2,807,576.82
Balance at 31 December 2013	<u>704,130,000.00</u>	<u>2,047,960,760.48</u>	<u>91,111.10</u>	<u>386,807,862.04</u>	<u>149,980,760.57</u>	<u>3,288,970,494.19</u>

Item	For the year ended 31 December 2012					Total Shareholders' Equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Undistributed profits	
Balance at 31 December 2012	603,800,000.00	1,245,739,205.70		379,743,103.69	200,814,751.50	2,430,097,060.89
Balance at 1 January 2013	603,800,000.00	1,245,739,205.70		379,743,103.69	200,814,751.50	2,430,097,060.89
Changes for the year	100,330,000.00	802,154,069.85	724.92	1,704,609.47	-28,662,330.82	875,527,073.42
(I) Net profit					17,046,094.71	17,046,094.71
(II) Other comprehensive income		-1,165,903.32				-1,165,903.32
Sub-total of (I) to (II)		-1,165,903.32			17,046,094.71	15,880,191.39
(III) Capital contributed and distributed	100,330,000.00	803,319,973.17				903,649,973.17
1. Capital contributed by owners	100,330,000.00	803,319,973.17				903,649,973.17
(IV) Profits distribution				1,704,609.47	-45,708,425.53	-44,003,816.06
1. Extraction of surplus reserve				1,704,609.47	-1,704,609.47	
2. Extraction of general risk preparation						
3. Distribution to shareholders						
4. Others						
(V) Special Reserve			724.92			724.92
1. Extraction of the year			1,542,777.11			1,542,777.11
2. Using of the year			-1,542,052.19			-1,542,052.19
(VI) Others						
Balance at 31 December 2012	<u>704,130,000.00</u>	<u>2,047,893,275.55</u>	<u>724.92</u>	<u>381,447,713.16</u>	<u>172,152,420.68</u>	<u>3,305,624,134.31</u>

Ye Maoxin,
person in charge
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Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(II) GENERAL

Jingwei Textile Machinery Company Limited (hereinafter referred to as 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 and the office address is 7/F, First Shanghai Center, 39 Liangma Qiao Road, Chaoyang, Beijing.

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 CSRC 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, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS

1. Basis of preparation

The financial statements have been prepared on the going concern basis which one based on the actual transactions occurred, significant accounting policies and accounting estimates in accordance with Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance of the PRC on 15 February 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 truly and completely present the Company’s and Group’s financial position as at 31 December 2013, the Company’s and Group’s results of operations and cash flows for the year then ended.

3. Accounting period

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. Foreign subsidiaries of the Company like Hong Kong Huaming Co., Limited, China Hengtian New Energy Automobile Co., Limited and China Hi-Tech (International) Limited adopt Hong Kong Dollar as functional currency based on operating environments. Foreign subsidiaries of the Company like CHTC Europe Holding B.V., Ginaf Trucks Nederland B.V., DURABUS, Proizvodnjavozil, d.o.o and JW-PROTTI MACCHINE TESSILI S.R adopt European Dollars as functional currency based on operating environments. The Group adopts RMB as the functional currency for the preparation of the financial statements.

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

5. Accounting treatments of business combination under common control and not under common control

(1) A business combination under common control

A business combination 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 cover the difference, any excess is adjusted against retained earnings.

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

(2) A business combination not under common control

A business combination not 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 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 under common control, the cost of combination is the aggregate of the fair value, 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. If the future events, stipulated in the combination contract and may affect the merge costs, properly occur and the amount could be measured, it should be included in the merge costs.

The audit fee, legal service fee, appraisal consultation fee as well as others agency fee and others administrative expenses should be charged to profit or loss of the period to which they related. The cost of acquirer issuing equity securities or debt securities should recognized as the initiate amount of the equity securities or debt securities.

The acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, which are acquired in a business combination not 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.



Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

6. Specific accounting policies of disposal of equities step by step until losing control

(1) The judgemental principle for the deals treated as a whole deal

Different deals are treated as a whole deal when any one or more below situations are satisfied with terms, conditions and economic effects of each deal of disposal of subsidiary:

- 1) These contracts of transactions are considered with the time and its related effects.
- 2) Only the whole transaction can make a complete business consequence.
- 3) One transaction depends on the occurrences of at least one of the others.
- 4) One transaction is not economical in single, but is economical in consideration with others.

(2) The accounting treatments for the deals treated as a whole

The disposing subsidiaries until losing control belong to deals as a whole should be treated as one transaction, but the difference between disposal income and proportionate share of the subsidiary's identifiable net assets before losing control should be recognized as other comprehensive income and charged to profit or loss when losing control.

In the consolidated financial statements, retained equity should be revalued based on the fair value of the date of the disposal. The proceeds and the fair value of retained equity less the origin proportionate share of continue calculating subsidiary's net assets from acquired date should be charged to profit or loss. The original subsidiary's equity investment relating to other comprehensive income should be transferred to profit or loss.

(3) The accounting treatment of deals other than above

When disposing the shares of subsidiaries without losing control, the proceeds less the proportionate share of subsidiary's net assets adjust to the capital reserves, if the share premium in capital reserve is not sufficient to cover the difference, any excess is adjusted against retained earnings.

In the consolidated financial statements, retained equity should be revalued based on the fair value of the date of the disposal. The disposal income and the fair value less the origin proportionate share of continue calculating subsidiary's net assets from acquired date should be charged to profit or loss for the current period. The original subsidiary's equity investment related to other comprehensive income should be transferred to profit or loss.

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

7. Preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has ability to use its power to affect its returns.

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 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 intra-group balances 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 company is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet within owners' equity. The portion of net profit or loss 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.

8. 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.

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

(1) Foreign currency transactions

On initial recognition, foreign currency transactions are translated with 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; (2) exchange differences arising from available-for-sales non-monetary investment e.g. stocks and shares denominated in foreign currency, which are recognized in equity, all other exchange differences are included in profit or loss in the period in which they arose.

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

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

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

(2) Financial statements denominated in foreign currencies

The assets and liabilities of balance sheet are translated with the spot exchange rate at the balance sheet date. The equity items except retained earnings are translated using the spot exchange rate at the transaction date. The income and expenses are translated using the spot at the transaction date. The difference is included in translation differences in equity arising from translation of financial statements denominated in foreign currencies.

10. Financial instruments

Financial assets are classified as financial assets measured 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.

Financial liabilities are classified as financial liabilities measured at fair value through profit or loss as well as other financial liabilities.

(1) Classification and measurement of financial instruments

Financial assets are classified as held-for-trading financial assets, available-for-sale financial assets, loans and receivables at initiate recognition according to nature and holding purpose.

Financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group are mainly accounts payable, borrowings, bonds payable and other financial liabilities.

(2) The initial recognition and measurement of financial instruments

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

Financial assets measured 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: (a) it has been acquired principally for the purpose of selling or repurchasing it in the near future; or (b) 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 (c) 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 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

10. Financial instruments (continued)

(2) The initial recognition and measurement of financial instruments (continued)

c) Available-for-sale financial assets

Available-for-sale financial assets include financial assets that referred as non-derivative financial assets at initial recognition as well as financial assets except loans and accounts receivable that measured at fair value through profit or loss, held to maturity investments.

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 gains or losses 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) Transfer of financial assets

Transfer of financial assets refers to transfer from the Group to other parties. If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group shall derecognize the financial assets. If the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognize the financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group shall determine whether it has retained control of the financial assets. In this case:

- a) If the Group has not retained control, it shall derecognize the financial asset and recognize the corresponding assets and liabilities.
- b) If the Group has retained control, it shall continue to recognize the financial assets to the extent of its continuing involvement in the financial asset as well as the corresponding liabilities.

(4) Derecognition 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' obligations are released.



Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

10. Financial instruments (continued)

(5) Recognition of fair value for financial assets and financial liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties at an arm's length. The Group assumes that disposal assets and transfer of liabilities are orderly transacted in major markets of related assets and liabilities. If there does not exist the major markets, assumed that they are transacted in the favorite market of related assets and liabilities.

The Group adopts valuation techniques to determine the fair value including the market approach, income approach and cost approach.

The fair value of input could be classified as three levels:

The input value of the first level is the market price obtained from the active market for the identical assets and liabilities. Active market means frequency and volume of transactions of related assets and liabilities are sufficient to provide information of price in the market continuously.

The input value of the second level is directly or indirectly observed value of related assets and liabilities except the first level.

The input value of the third level is non-observed value of related assets and liabilities.

The Group adopts the first level (the quoted price of active market) to determine their fair value if they exist in an active market. Otherwise, the Group adopts the second and third input value to determine fair value.

(6) Impairment test and provision method of financial assets(excluding accounts receivables)

The Group assesses the recoverable amount of financial assets, except those assets measured 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 situations of the country or region where the debtor is staying may cause unable payment of financial assets of the Group; (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.

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

11. The recognition criteria and method of receivables provisions

The Group reviews the book value of receivables at balance sheet day; 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 debtors; (2) Debtors may go into liquidation or under other financial reorganizations; and (3) Other significant indicators.

(1) Provision for bad debts of accounts receivable with significant single amounts

Standard of the significant amount	The Group classifies receivables with amounts of or over 10million as individual receivable with significant amounts
Provisions for standard of the significant amount	The Group conducts independent impairment tests for receivables with significant amounts. The significant amount without impairment after signal test are retested in a combination of receivables with similar credit risk features. The individual tests with impairment are not included in a combination of receivables with similar credit risk features.

(2) Provision made in accordance with aging portfolio

Combination name	Method	Standard of combination
Aging portfolio	Analysis of aging portfolio	Regarding major credit risk feature as aging portfolio standard, applying aging analysis to make provisions

Applying the aging analysis to make provisions

Aging	Proportion of receivables (%)	Proportion of other receivables (%)
Within 1 year (Including 1 year)	0%	0%
1-2 years	20%	20%
2-3 years	50%	50%
Over 3 years	100%	100%
3-4 years	100%	100%
4-5 years	100%	100%
Over 5 years	100%	100%

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

Reason of provision individually	The Group shall recognize an impairment loss if exists impairment indication, for example: 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.
Method for provision individually	Provision for bad debts should be made according to amount of the carrying amount that lower than present value of future cash flow after individual impairment tests, if there is an objective indicator of impairment.

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

12. Inventories

(1) Classification of inventories

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 locations and conditions.

(2) Basis of measurement on issued inventories

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

(3) Basis of determining net realizable value of inventories and method of determining write down of inventories

Net realizable value is the estimated selling price of inventories 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 practicably evaluated separately from other items in that product line, provision for write down 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 write down inventories for each category. After write down 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 write down.

(4) inventory system of inventories

The perpetual inventory system is adopted by the Company.

(5) Consumables and the amortization method of packaging

For consumables: one-off amortization method;

For packaging materials: one-off amortization method;

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

13. 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 merge cost. The initial investment cost of the long-term equity investment acquired other than through a business combination is initially measured at its cost.

Stepwise combination under common control, the proportionate share of carrying amount of subsidiary's net assets recognized as initial cost. The original book value and fair value of consideration for obtained new share less investment cost charged to capital reserves (share premium or capital premium), if capital reserves are not sufficient to cover the difference, any excess is adjusted against retained earnings.

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.

In addition, a long-term equity investment where the Company can exercise control over the investee is accounted under the cost method.

(2) Subsequent measurement and recognition in profit or loss

a) Long-term equity investment accounted under 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 including cash dividends 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.

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

13. Long-term equity investment (continued)

(2) Subsequent measurement and recognition in profit or loss (continued)

b) Long-term equity investment accounted under 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 profit or loss of the investee in the current period. The Group recognizes its share of the investee's net profit or loss 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. The proportionate share of the joint ventures and associates unrealized profit, belong to the Group, should be offset, basis for recognised investment income or loss. However the unrealized loss of inter-transactions between Group and investees, charged to impairment loss according to No.8 Impairment loss of ASBE, should not be offset. For any changes in shareholder's equity other than net profit or loss in the investee, the Group adjusts the carrying amount of the long-term equity investment and includes the corresponding adjustment in shareholders' equity.

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

c) Disposal of 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 under the equity method, when disposed of, is transferred to profit or loss for the current period on a pro-rata basis according to the original proportion in shareholder's equity.

d) Loss of control of investment arising from disposal or other reasons

In individual financial statements, accounting treatment for the amount of equity disposed should be recognized based on above. Retained balance should be recognized as long-term equity investment or other financial assets. If residual balance can lead to the Group have a major influence or joint control on original subsidiaries, the balance would be changed from cost method to equity method and recognized according to corresponding accounting standard.

In the consolidated financial statements, retained share should be revalued based on the fair value of the date of the disposal. The proceeds and the fair value of the retained share less the origin proportionate share of continue calculating subsidiary's net assets from acquired day should be charged to profit or loss for the loss control accounting period. The origin subsidiary's equity investment relate to other comprehensive income should be charged to profit or loss.

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

13. Long-term equity investment (continued)

(3) Basis of determining common control and significant influence on investees

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.

The related activities are activities which have a significant influence on some certain arrangements, determined by special situation, generally including sales of goods and goods purchases, management of financial assets, purchases and disposals of assets, research and development activities and financial activities.

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) Impairment test methods and provisions methods

The Group reviews the indication of impairment at balance sheet day every year, if there is indication of impairment, the Group should assess its recoverable amount. If the recoverable amount below the book value of assets, the difference should be recognised in profit or loss as impairment. Goodwill arising from business combination, whatever there is indication of impairment, should be reviewed with impairment test annually.

14. Fixed assets

(1) The recognition criteria 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 standards and measurements of fixed assets under finance lease

The lower of fair value at the date of commencement of lease and the present value of the minimum lease payments amounts is recognized as the cost of finance lease assets, depreciated in accordance with accounting policy of fixed assets.

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

- (a) The lease transfers ownership of the asset to the lessee by the end of the lease term;
- (b) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date 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.



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

14. Fixed assets (continued)

(3) The 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%	1.90%-10.56%
Machinery and equipment	5-22 years	5%	4.32%-19.00%
Electrical equipment	5-22 years	5%	4.32%-19.00%
Motor vehicles	5-14 years	5%	6.79%-19.00%

(4) Impairment test and provision of fixed assets

The Group reviews if there is an indication of impairment at every balance sheet day. If the indication of impairment exists, the Group should assess the recoverable amount. The difference is charged to profit or loss for current year if the recoverable amount below the book value of fixed assets.

15. Construction in progress

(1) Classification of the construction in progress

Construction in progress includes the construction project, installation project, equipment installing project, overhaul project and other projects.

(2) The point of time and recognition of transfer from construction in progress 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) Impairment test and provision of fixed assets

The Group reviews if there is an indication of impairment at every balance sheet day. If the indication of impairment exists, the Group should assess the recoverable amount. The difference is charged to profit or loss for current year if the recoverable amount below the book value of construction in progress.

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

16. Borrowing costs

(1) The recognition principle of capitalization of borrowing costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset can be capitalized to cost of related assets, other borrowing costs incurred is recognized as an expense in the period in which they are incurred.

(2) Capitalization period

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) The suspension of capitalization

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 calculation methods of capitalization of 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.

17. Intangible assets

(1) The measurements 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 into 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 estimation of useful life with intangible assets of a 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.

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

Item	Useful life	Basis
Land-use right	50 years	50 years of land-use right certificates

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

17. Intangible assets (continued)

(3) The judgment of intangible assets with an 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, which shall not be amortized.

(4) The impairment for intangible assets

The Group shall carry out impairment test in each accounting period as required and estimate its recoverable amount. If the recoverable amount is lower than its book value, impairment loss should be included in the profit or loss for the current period.

(5) Standards for classification of research and development stages on the Company's internal projects

The expenditure incurred in the internal development project of the Group is classified into expenditure in the research stage and expenditure in the development stage. Research stage refers to the stage that undertakes the planned activities of investigation and research in order to acquire new technology and knowledge; Development stage refers to the stage that, before putting it into production or use, with the results of research or other knowledge applied to a specified project or design, it enables to produce new or improved materials, equipment and products.

(6) Research and development ("R&D") expenditure

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.

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.

18. Long-term deferred expenses

Long-term deferred expenses are recorded at actual amount, amortized using the straight line method though the benefit period or prescribed contract period. The Group couldn't benefit from the long-term deferred expense, the unamortized part should be charged to profit or loss when occurs.

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

19. Revenue recognition

(1) Time of revenue recognition from the sale of goods

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

(2) The standard of recognition of revenue from transferring 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 and commission income is determined according to the length of time and way agreed in related contracts and arrangements.

(3) 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.

(4) The basis of recognition of the stage of complications when confirming the revenues from rendering services and construction contracts under the method of calculation of stage of complications

The income of rendering service for current period is calculated at total income multitude proportion of completion stage less recognized income of prior period at balance sheet day. Meanwhile the cost of rendering service for current period is recognized by total estimation of cost multitude the proportion of competition stage less prior period recognized cost.



Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

20. Government grants

(1) Class 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. 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) Accounting policies of government grants

A government grant related to an asset is recognized as deferred income, when receives the government grant and evenly amortized to profit or loss over the useful life of the related asset which reaches the working condition for its intended use. If related assets are disposal, transferred, scrapped and damaged before useful life end, the residual of government grant should be all charged to the profit or loss which relates to.

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.

21. Deferred tax assets and deferred tax liabilities

(1) The recognition basis of deferred tax assets

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

(2) The recognition basis of deferred tax liabilities

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

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

22. Finance leases and operating lease

(1) Accounting treatment of operating lease

1) Recording of operating leases by the Group as lessee

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

2) Recording of operating leases by the Group as lessor

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

(2) Accounting treatment of finance lease

Recording of finance leases by the Group as lessee

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

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

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

Contingent lease payment shall be charged as profit or loss in the periods in which they are incurred.

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(III) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (CONTINUED)

23. Change of major accounting policies and accounting estimates

The Group changes the accounting policies and accounting estimates in the current year.

(1) Change of accounting policies

The Group has changed accounting policies as a result of early adoption of the No.9 of accounting standard (employment salaries) in accordance with *issued revised notice of No.9 of accounting standard for Business Enterprises (employment salaries) (Accounting No. 2014-8)*. The change mainly affects the benefit plan set, the movement of the reset benefit plan affecting the net liabilities or net assets should be charged to other comprehensive income when it occurs.

The Group has changed accounting policies as a result of early adoption of the No.30 of accounting standard (presentation of financial statement) in accordance with *issued revised notice of No.30 of accounting standard for Business Enterprises (presentation of financial statement) (Accounting No. 2014-7)*. The change has no influence on the Group of financial statement.

The Group has changed accounting policies as a result of early adoption of the No.33 of accounting standard (consolidated financial statement) in accordance with *issued revised notice of No.33 of accounting standard for Business Enterprises (consolidated financial statement) (Accounting No. 2014-10)*. The change has no influence on the Group of financial statement.

The Group has changed accounting policies as a result of early adoption of the No.39 of accounting standard (measurements of fair value) in accordance with *issued revised notice of No.39 of accounting standard for Business Enterprises (measurements of fair value) (Accounting No. 2014-6)*. The change has no influence on the Group of financial statement.

The Group has changed accounting policies as a result of early adoption of the No.40 of accounting standard (joint venture arrangements) in accordance with *issued revised notice of No.40 of accounting standard for Business Enterprises (joint venture arrangements) (Accounting No. 2014-11)*. The change has no influence on the Group of financial statement.

Details as below:

Content and reason	Approval procedures	Affecting items	Affecting amount
Early adoption of the No.9 of accounting standard (employment salaries)	Approval by board of directors	Long-term payables	2,527,508.60
Early adoption of the No.9 of accounting standard (employment salaries)	Approval by board of directors	Undistributed profits	-2,446,342.75
Early adoption of the No.9 of accounting standard (employment salaries)	Approval by board of directors	Total shareholders' equity attributable to equity holders of the parent company	-2,446,342.75
Early adoption of the No.9 of accounting standard (employment salaries)	Approval by board of directors	Non-controlling interests	-81,165.85



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(IV) TAXATION**1. The major taxes and tax rates**

Taxes	Tax basis	Tax rates
VAT	Output tax less input tax	22%(Slovenia, Italy),21% (Netherlands), 17%,13%,6%,half of 4%
Business tax	5% of assessable profit	5%
City construction tax	7%,5% or 1% (subject to which location of subsidiaries)	7%,5%,1%
Income tax	Assessable profit	27.5% (Italy), 25%,20% (Netherlands), 17% (Slovenia), 16.5% (Hong Kong), 15%

Income tax rate of the Company and subsidiaries:

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

2. Taxes relief and tax relief 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 2013.

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 2013.

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(IV) TAXATION (CONTINUED)

2. Taxes relief and tax relief approval documents (continued)

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 2013.

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 2013.

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 2013.

Pursuant to the approval document No. GF201131001477 jointly issued by four government authorities including National Taxation Bureau of Shanghai Municipal, Shanghai Jingwei Protti Textile Machinery Company Limited (“Shanghai Protti”), a subsidiary of the Company, is designated as a new and high technology enterprise and enjoys the preferential income tax rate of 15% for 2013.

Pursuant to the approval document No. GF201314000007 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 2013.

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 2013.

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 2013.

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 2013.

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 2013.

Pursuant to the approval document No. GR201121000037 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 2013.

According to Hu 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 2013 halved the enterprise income tax.

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(V) COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidated financial statements

(1) Subsidiaries acquired or incorporated by the Group

Name of Subsidiaries	Type	Place of incorporation	Nature of business	Registered capital	Scope of business	Actual investment paid at the end of reporting period	Total shareholding of the Group (%)	Total percentage of voting power held by the Group (%)	Whether consolidated	Non-controlling interests
Beijing Jingpeng Investment Management Company Limited	Limited Liability Company	Beijing	Investment management	100,000,000.00	Sales/ Consultation	100,000,000.00	100.00	100.00	Yes	
Shenyang Hongda Huaming Textile Machinery Company Limited	Limited Liability Company	Shenyang	M&S	40,000,000.00	T&M	40,000,000.00	98.50	100.00	Yes	36,061.82
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	Material Sales	5,000,000.00	T&M	12,570,004.00	96.94	96.94	Yes	466,105.74
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 Protti Textile Machinery Company Limited	Limited Liability Company	Shanghai	M&S	50,000,000.00	T&M	46,247,088.00	100.00	100.00	Yes	
Shanghai WSP Mould and Injection Plastic Company Limited	Limited Liability Company	Shanghai	M&S	5,256,800.00	T&M	2,628,410.50	50.00	100.00	Yes	5,111,422.94
Jingwei Textile Machinery Yuci Material Company Limited	Limited Liability Company	Jinzhong	Mental material Sales	5,000,000.00	T&M	5,000,000.00	99.92	100.00	Yes	621.24
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	3,801,893.25
Hongkong Huaming Company Limited	Limited Liability Company	HongKong	M&S	USD7,700,000.00	T&M	USD7,700,000.00	100.00	100.00	Yes	
Shanxi Jingwei Precision Machinery Manufacturing Company Limited	Limited Liability Company	Jinzhong	M&S	25,000,000.00	T&M	17,200,000.00	68.80	68.80	Yes	5,383,358.49
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	783,236.15
Hubei Xinchufeng Automobile Company Limited	Limited Liability Company	Suizhou	Automobile manufacture	311,420,000.00	Automobile	250,000,000.00	80.28	80.28	Yes	49,796,608.46
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	-361,995.07
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	3,076,927.17
Shanghai Shenxin Machinery Technology Company Limited	Limited Liability Company	Shanghai	M&D	2,000,000.00	M&D	20,000,000.00	100.00	100.00	Yes	1,452,935.81
Beijing Jinwei Huajing Medical technology Company Limited	Limited Liability Company	Beijing	M&D	1,000,000.00	M&D	1,000,000.00	100.00	100.00	Yes	-1,047,080.48
Yichang Jingwei Machinery Company Limited	Limited Liability Company	Yichang	M&S	80,000,000.00	M&S	78,927,593.34	100.00	100.00	Yes	



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(V) COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**1. Scope of consolidated financial statements (continued)****(1) Subsidiaries acquired or incorporated by the Group (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
Hubei Hengtian Motor Company Limited	Limited Liability Company	Suizhou	Automobile sales	43,550,000.00	Automobile sales	26,130,000.00	60.00	60.00	Yes	17,823,817.47
Jingwei Tsudakoma Textile Machinery (Xianyang) Company Limited	Limited Liability Company	Xianyang	M&S	126,000,000.00	M&S	64,260,000.00	51.00	51.00	Yes	56,872,980.48
JW-PROTTI MACCHINE TESSILI S.R.	Limited Liability Company	Italy	M&S	EUR1,000,000.00	M&S	790,000.00	94.05	94.05	Yes	421,842.38
Huangshi Hi-Tech Jingwei Textile Machinery Company Limited	Limited Liability Company	Huangshi	M&S	10,000,000.00	M&S	6,500,000.00	92.86	92.86	Yes	500,000.00
SSGA Fund Management Company Limited	Limited Liability Company	Beijing	Fund Management	300,000,000.00	Fund Management	153,000,000.00	51.00	51.00		95,274,592.58
SSGA assets management Company Limited	Limited Liability Company	Beijing	Assets management	50,000,000.00	Assets management	50,000,000.00	100.00	100.00		-619,978.58

Other notes of subsidiaries acquired or incorporated by the Group:

Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited was renamed as Shanghai Jingwei Protti Textile Machinery Company Limited.

Jinzhong Jingwei Foundry Company Limited was renamed as Shanxi Jingwei Precision Machinery Manufacturing Company Limited.

(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	2,176,435.75
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	-13,247,617.82
Changde Textile Machinery Company Limited	Limited Liability Company	Changde	M&S	42,350,000.00	T&M	40,232,400.00	95.00	95.00	Yes	7,164,126.35
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	6,214,492.53
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	1,685,976.25

Notes to the Financial Statements
For the year ended 31 December 2013
 (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

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	86.20	Yes	55,323,894.83
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	85.00	Yes	3,632,775.73
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	8,450,091.20
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	18,736,192.22
Zhongrong International Trust Company Limited	Limited Liability Company	Haerbin	Trust	1,600,000,000.00	Trust	2,063,145,321.62	37.47	70.46	Yes	4,726,189,612.18
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	10,803,936.34
China Hi-Tech new energy automobile Company Limited	Limited Liability Company	Hong Kong	Equity investment	HKD 5,000,000.00	Equity investment	HKD 4,974,976.00	100.00	100.00	Yes	-537,282.19
China Hi-Tech(international) Limited	Limited Liability Company	Hong Kong	Equity investment	HKD 10,000.00	Equity investment	HKD 10,000.00	100.00	100.00	Yes	
CHTC Europe Holding B.V.	Limited Liability Company	Netherlands	Equity investment	EUR 1,500,002.04	Equity investment	EUR 1,500,002.04	100.00	100.00	Yes	200,885.20
Ginaf Trucks Nederland B.V.	Limited Liability Company	Netherlands	Automobiles Manufacture	EUR 2,000,000.00	Automobiles Manufacture	EUR 2,000,000.00	100.00	100.00	Yes	769,057.05
Jinzhong Jingwei Hengxin Machinery Fiber Company Limited	Limited Liability Company	Jinzhong	M&S	7,900,000.00	T&M	4,029,000.00	51.00	51.00	Yes	3,706,951.36
DURABUS, Proizvodnjavozil, d.o.o	Limited Liability Company	Slovenia	Automobiles Manufacture	EUR 2,600,000.00	Automobiles Manufacture	EUR 1,326,000.00	51.00	51.00	Yes	1,082,351.41
Fuzhou Gallant Medical Technology Company Limited	Limited Liability Company	Fuzhou	M&D	HKD 38,805,000.00	M&D	HKD 18,805,000.00	48.46	48.46	Yes	15,073,159.13

Notes:

M&S represents Manufacture and Sales.

T&M represents Textile and Machinery.

A&M represents Agriculture and Machinery.

M&D represents Medical and Devices.

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(V) COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Description of change in scope of consolidation

(1) Increase in scope of consolidation

The Jingwei Company invested EUR 790,000.00 to set up Jw-Protti Macchine Tessili S.R holding 94.05% equity interest, which is included in the scope of consolidation.

Zhongrong Trust, the subsidiary of the company, invested RMB 153,000,000.00 to set up SSGA Fund Management Company Limited, which is included in the scope of consolidation.

Huangshi Jingwei Textile Machinery Company Limited, the subsidiary of the company, invested RMB 6,500,000.00 to set up Huangshi Heng Tian Jingwei Textile Company Limited, which is included in the scope of consolidation.

Shanghai Huayuan, the subsidiary of the Company, invested HKD 18,805,000.00 to acquire 48.46% equity interest of Fuzhou Gallant Medical Technology Company Limited, which is include in the scope of consolidation.

CHTC Europe Holding B.V., the subsidiary of the company, invested EUR 1,326,000.00 to 51% equity interest of DURABUS,Proizvodnjavozil,d.o.o, which is include in the scope of consolidation.

(2) Decrease in scope of consolidation

Shanxi Jingwei Heli Machinery Manufacturing Company Limited, the subsidiary of the company, disposed the Shanxi Jingwei Heli Electronic Machinery Company Limited, which is excluded from the scope of consolidation.

Shanxi Jingwei Heli Machinery Manufacturing Company Limited, the subsidiary of the company, disposed the Shanxi Jingwei Heli General Machinery Company Limited, which is excluded from the scope of consolidation.

Shanxi Jingwei Heli Machinery Manufacturing Company Limited, the subsidiary of the company, disposed Shanxi Jingwei Heli Supplementary Machinery Company Limited, which is excluded from the scope of consolidation.

3. The company included/excluded in the scope of consolidation in the current year

Subsidiaries and special purpose entities are included in the scope of consolidation, controlled by entrusting or lease:

Name	Closing net assets	Net profit for current period
JW-PROTTI MACCHINE TESSILI S.R	7,087,059.14	14,835.08
SSGA Fund Management Company Limited	236,054,870.09	-63,945,129.91
SSGA Assets Management Company Limited	49,233,556.33	-766,443.67
Huangshi Hi-Tech Jingwei Textile Machinery Company Limited	7,000,000.00	
DURABUS,Proizvodnja vozil,d.o.o	-3,507,305.99	-18,481,525.05
Fuzhou Gallant Medical Technology Company Limited	28,957,509.97	-18,427.28

Subsidiaries and special purpose entities are excluded in the scope of consolidation, controlled by entrusting or lease:

Name	net assets at the date of disposal	Net profit from opening to the date before disposal
Shanxi Jingwei Heli Supplementary Machinery Company Limited	13,018,158.06	-4,518,299.97
Shanxi Jingwei Heli Electronic Machinery Company Limited	7,886,207.78	-3,355,942.23
Shanxi Jingwei Heli General Machinery Company Limited	13,718,281.58	291,935.75

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(V) COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Acquiree	Goodwill	Calculation of goodwill
DURABUS,Proizvodnja vozil,d.o.o	-1,591,982.01	Investment costs less the share of investee's fair value of net assets at the acquisition date
Fuzhou Gallant Medical Technology Company Limited	814,559.97	Investment costs less the share of investee's fair value of net assets at the acquisition date

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

Name	Date of disposal
Shanxi Jingwei Heli Supplementary Machinery Company Limited	31 October.2013
Shanxi Jingwei Heli Electronic Machinery Company Limited	31 October.2013
Shanxi Jingwei Heli General Machinery Company Limited	31 October.2013

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, with HK as functional currency. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 0.78623. 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.

China Hi-Tech new energy automobile Company Limited, a subsidiary of the Company, is registered in Hong Kong, PRC with HK as functional currency. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 0.78623. 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.

JW-PROTTI MACCHINE TESSILI S.R, a subsidiary of the Company, is registered in Italy with ERU as functional currency. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 8.4189. 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, with HK as functional currency. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 0.78623. 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., an indirect subsidiary of the Company, is registered in Netherland, with ERU as functional currency. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 8.4189. 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.

DURABUS,Proizvodnjavozil,d.o.o, s an indirect subsidiary of the Company, is registered in Netherlands, with ERU as functional currency. In the balance sheet, both assets and liabilities items are translated at the closing exchange rate of 8.4189. 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 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Items	31-DEC-2013			1-JAN-2013		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Petty cash	-	-	918,176.25	-	-	958,851.87
RMB	-	-	772,294.12	-	-	826,985.03
USD	4,654.00	6.0969	28,374.97	5,754.00	6.2855	36,166.77
HKD	31,850.00	0.7862	25,040.47	31,850.00	0.8108	25,823.98
EUR	7,108.53	8.4189	59,846.00	3,776.78	8.3176	31,413.75
JPY	374,961.76	0.0578	21,672.79	375,401.78	0.0730	27,404.33
GBP	1,050.00	10.0556	10,558.38	1,050.00	10.1611	10,669.16
CHF	57.00	6.8336	389.52	57.00	6.8219	388.85
Cash at bank	-	-	9,293,184,494.33	-	-	6,440,035,225.72
RMB	-	-	9,066,944,140.29	-	-	6,417,357,372.74
USD	8,572,941.56	6.0969	52,268,367.41	3,071,001.72	6.2855	19,302,781.28
HKD	165,033,199.99	0.7862	129,749,101.83	771,780.37	0.8108	625,759.52
EUR	5,252,810.32	8.4189	44,222,884.80	220,590.90	8.3176	1,834,786.86
CHF	134,057.27	6.8219	914,525.32	-	-	-
Other cash and bank balances	-	-	192,354,854.25	-	-	107,745,930.46
RMB	-	-	191,776,650.83	-	-	107,743,840.85
HKD	735,440.63	0.7862	578,203.42	2,577.22	0.8108	2,089.61
Total	-	-	<u>9,486,457,524.83</u>	-	-	<u>6,548,740,008.05</u>

2. Held-for-trading financial assets

(1) Held-for-trading financial assets

Items	Fair value at 31st December 2013	Fair value at 1st January 2013
Held-for-trading securities	<u>243,515,847.35</u>	<u>276,665,724.16</u>
Total	<u>243,515,847.35</u>	<u>276,665,724.16</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivables

(1) By categories

Categories	31-DEC-2013	1-JAN-2013
Bank guarantee bills	1,387,198,629.85	1,330,747,049.14
Commercial bills	161,292,654.27	45,850,000.00
Total	<u>1,548,491,284.12</u>	<u>1,376,597,049.14</u>

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

Name of Drawer	Date of issue	Due date	Balance	Remark
Nanchang Phoenix Yarn Company Limited	September 30, 2013	March 30, 2014	6,000,000.00	Bank Bill
Xuzhou Hengxiang Rubber Company Limited	August 30, 2013	February 28, 2014	5,000,000.00	Bank Bill
Zhenjiang Xinhai Textile Company Limited	July 25, 2013	January 25, 2014	5,000,000.00	Bank Bill
Far Eastern Leasing Company Limited	September 25, 2013	March 25, 2014	4,567,500.00	Bank Bill
Changle Juyi Knitting Company Limited	November 26, 2013	May 26, 2014	3,600,000.00	Bank Bill
Others			8,760,000.00	Bank Bill
Total			<u>32,927,500.00</u>	–

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

Name of Drawer	Date of issue	Due date	Balance	Remark
Fujian Changle kaixiang knitting Company Limited	July4,2013	January,4,2014	9,800,000.00	
Huafang Group Jintian Textile Company Limited	September23,2013	March23,2014	9,000,000.00	
Fujian Yaxin Textile Company Limited	August30,2013	February26,2014	7,000,000.00	
Fujian Sansd Rubber&Plastic Company Limited	August1,2013	February1,2014	6,000,000.00	
Fujian Straits Textile Technology Company Limited	Octorber31,2013	April30,2014	6,000,000.00	
Others			622,396,410.50	
Total	–	–	<u>660,196,410.50</u>	–

Note: Discounted and unexpired bills receivable amounted to RMB13,904,170.004.



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**4. Dividend receivables**

Name of company	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
Within 1 year of Dividend receivables	7,385,494.00	30,757,456.70	5,000,000.00	33,142,950.70
Including:	—	—	—	—
Beijing Hang Tang Wealth Investment Management Company Limited	5,000,000.00	28,600,000.00	5,000,000.00	28,600,000.00
China Texmatech Company Limited Jingwei Machinery (Group) Company Limited	785,494.00	957,456.70		1,742,950.70
Over 1 year of Dividend receivables	1,600,000.00	1,200,000.00		2,800,000.00
	2,880,000.00			2,880,000.00
Including:	—	—	—	—
Hengtian Properties Company Limited	2,880,000.00	0.00	0.00	2,880,000.00
Total	<u>10,265,494.00</u>	<u>30,757,456.70</u>	<u>5,000,000.00</u>	<u>36,022,950.70</u>

5. Interest receivables**(1). Interest receivables**

Items	As at 1 January 2013	Increase	Decrease	As at 31 December 2013
Interest income on interbank deposits	—	64,114.99	—	64,114.99
Total	<u>—</u>	<u>64,114.99</u>	<u>—</u>	<u>64,114.99</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Accounts receivables

(1) By categories

Categories	31-DEC-2013				1-JAN-2013			
	Book value Balance	Proportion (%)	Provision for bad debt Balance	Proportion (%)	Book value Balance	Proportion (%)	Provision for bad debt Balance	Proportion (%)
Significant balance under assessment of impairment individually	169,662,721.72	20.75%			20,168,810.80	2.75%	274,600.82	1.36%
Aging analysis	621,386,709.20	76.02%	36,198,343.29	5.83%	704,472,538.82	96%	32,685,164.78	4.64%
Subtotal	621,386,709.20	76.02%	36,198,343.29	5.83%	704,472,538.82	96%	32,685,164.78	4.64%
Insignificant balance under assessment of impairment individually	26,425,102.45	3.23%	2,711,815.19	10.26%	9,189,842.57	1.25%	2,101,384.13	22.87%
Total	817,474,533.37	-	38,910,158.48	-	733,831,192.19	-	35,061,149.73	-

Description of the type of accounts receivable

Significant balance under assessment of impairment individually

Particulars	Balance RMB
Jingwei Machinery (Group) Company Limited	55,789,559.24
Pulead Technology Industry Company Limited	46,319,920.00
Tumushuke Qianhai Cotton Textile Company Limited	40,902,840.20
Zhejiang Deco Industrial Company Limited	15,550,402.28
Hengyang Tianmian Textile Co., Ltd.	11,100,000.00
Total	169,662,721.72

Aging analysis of accounts receivable

Aging	31-DEC-2013			1-JAN-2013		
	Book value Balance RMB	Proportion	Provision for bad debt	Book value Balance RMB	Proportion	Provision for bad debt
Less than 1 year						
Including	-	-	-	-	-	-
Less than 1 year Subtotal	546,217,111.42	87.9%		639,186,118.07	90.74%	
1-2 years	40,266,067.30	6.48%	8,053,213.42	34,184,182.29	4.85%	6,836,836.45
2-3 years	13,516,801.27	2.18%	6,758,400.66	10,507,820.32	1.49%	5,253,910.19
Over 3 years	21,386,729.21	3.44%	21,386,729.21	20,594,418.14	2.92%	20,594,418.14
Total	621,386,709.20	-	36,198,343.29	704,472,538.82	-	32,685,164.78



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**6. Accounts receivables (Continued)****(1) By categories (Continued)****Insignificant balance under assessment of impairment individually:**

Particulars	Balance RMB	Provision for bad debt	Proportion	Reasons of impairment
Jiangxi Hongxin Electric Vehicle Manufacturing Company Limited	4,026,330.62			N/A
Guangxi Suyuan Investment Company Limited	1,750,000.00			N/A
AVIC International Leasing Company Limited	1,724,000.00			N/A
Champions of the Earth environmental				
Tianjin New Materials Company Limited	1,375,000.00			N/A
Dongyang Arctic Fashion Company Limited	1,280,000.00			N/A
Others	16,269,771.83	2,711,815.19	16.67%	Expect to be partially irrecoverable
Total	<u>26,425,102.45</u>	<u>2,711,815.19</u>	-	-

(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
Wugang Longshan Textile Technology Company Limited	Balance Collected	According to the accounting policy	1,401,281.90	1,401,281.90
Jiangyin Meilun Yarn Company Limited	Balance Collected	According to the accounting policy	452,000.00	452,000.00
Sanmenxia Wanshengyuan Trading Company Limited	Balance Collected	According to the accounting policy	370,000.00	370,000.00
Changzhou Jinzheng Textile Machinery Company Limited	Balance Collected	According to the accounting policy	302,900.00	302,900.00
Shandong Light Industrial Products Import and Export Corporation	Balance Collected	According to the accounting policy	263,481.00	263,481.00
Others	Balance Collected	According to the accounting policy	1,121,556.26	963,650.46
Total	-	-	<u>3,911,219.16</u>	<u>-</u>

(3) Accounts receivable written-off during the year

Name	Accounts receivable properties	Write-off time	Write-off amount	Write-off reason	Arising from related party transactions
OERLIONTEXTILECOMPONENTS GMBH	Receivable of goods of sales		233,602.04	Uncollected	NO
Jin Jiang Juxing Textile Machinery Industry Company Limited	Receivable of goods of sales		165,000.00	Uncollected	NO
Others			4,494,587.49		
Total	-	-	<u>4,893,189.53</u>	-	-



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**6. Accounts receivables (Continued)****(4) Accounts receivable include any balance due from shareholders hold 5% or more equity interest in the Company**

Name of Company	31-DEC-2013		1-JAN-2013	
	Balance <i>RMB</i>	Provision for bad debt <i>RMB</i>	Balance	Provision for bad debt
China Hi-Tech Group Corporation	63,998.00	—	63,998.00	—
Total	63,998.00	—	63,998.00	—

(5) Top five accounts receivable outstanding as at 31 December 2013 are as follows:

Name of Company	Relationship with the Group	Balance	Aging	Proportion
China Textile Machinery and Technology Import and Export Corporation	Associate	63,593,739.32	Less than 1 year	7.78%
Shandong Ruyi Technology Group Company Limited	Third party	57,632,300.00	Less than 1 year	7.05%
Jingwei Machinery (Group) Company Limited	Associate	55,789,559.24	Less than 1 year	6.82%
Pulead Technology Industry Company Limited	Third party	46,319,920.00	Less than 2 years	5.67%
Henan Xinye Textile Company Limited	Third party	45,121,895.17	Less than 1 year	5.52%
Total	—	268,457,413.73	—	32.84%

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Accounts receivables (Continued)

(6) Accounts receivable from related parties

Name of Company	Relationship with the Group	Balance	Proportion
China Hi-Tech Group Corporation	Ultimate holding company	63,998.00	0.01%
China Texmatech Company Limited	Associates	63,593,739.32	7.78%
China Textile Machinery Industry Corporation Sales Technical Services	Company controlled by the same parent company	140,641.73	0.02%
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	Company controlled by the same actual controller	5,981,697.03	0.73%
Tianjin Textile Machinery Textile Machinery Parts Distribution Company Limited	Companies in which key personnel of subsidiaries have significant influence	30,383.74	0%
Tianjin Textile Machinery Company Limited	Companies in which key personnel of subsidiaries have significant influence	224,859.93	0.03%
Textile Machinery Textile Machinery Company Limited. Shenyang Branch	Companies in which key personnel of subsidiaries have significant influence	3,503.85	0%
Shenyang Textile Machinery Co., Ltd	Companies in which key personnel of subsidiaries have significant influence	44,662.64	0.01%
Shaoyang Textile Machinery Company Limited.	Companies in which key personnel of subsidiaries have significant influence	49,268.80	0.01%
Shandong Helon Bolet Chemical Fiber Company Limited.	Company controlled by the same actual controller	2,710,616.50	0.33%
Qingdao Textile Machinery. Company Limited.	Companies in which key personnel of subsidiaries have significant influence	963,906.61	0.12%
Fong's National Engineering (Shenzhen) Company Limited.	Company controlled by the same actual controller	121,335.77	0.01%
Monforts Fong's Textile Machinery (Zhongshan) Company Limited.	Company controlled by the same actual controller	0.03	0%
Jingwei Machinery (Group) Company Limited	Associates	55,789,559.24	6.82%
Jingwei Textile Machinery (Group) General Machinery Company Limited	Associates	93,726.48	0.01%
Jinzhong Jingwei Yu Xin Machinery Company Limited	Associates	18,847,601.53	2.31%
Hengyang Textile Machinery Company Limited	Company controlled by the same actual controller	266,742.50	0.03%
Hi-Tech Heavy Industry Company Limited	Company controlled by the same actual controller	16,608.47	0%
Hi-Tech Swan Company Limited	Company controlled by the same actual controller	82,185.00	0.01%
Handan Hongda Chemical Fiber Machinery Company Limited	Company controlled by the same actual controller	292,192.95	0.04%
Anhui Huamao Jingwei New Textile Company Limited	Associates	44,341.02	0.01%
Total	-	<u>149,361,571.14</u>	<u>18.28%</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables

(1) By categories

Categories	31-DEC-2013				1-JAN-2013			
	Book value Balance	Proportion	Provision for bad debt Balance	Proportion	Book value Balance	Proportion	Provision for bad debt Balance	Proportion
Significant balance under assessment of impairment individually	122,328,561.91	38.29%			113,368,561.91	38.42%		
Aging analysis	151,781,302.52	47.51%	4,174,586.80	2.75%	134,477,981.51	45.58%	6,250,067.11	4.65%
Subtotal	151,781,302.52	47.51%	4,174,586.80	2.75%	134,477,981.51	45.58%	6,250,067.11	4.65%
Insignificant balance under assessment of impairment individually	45,373,180.67	14.2%	3,872,024.76	8.53%	47,214,703.52	16%	4,860,496.14	10.29%
Total	319,483,045.10	-	8,046,611.56	-	295,061,246.94	-	11,110,563.25	-

Description of the type of other receivables

Significant balance under assessment of impairment individually

Particulars	Balance RMB
Beijing Guanghe Realty Company Limited	58,000,000.00
Beijing Bohong Real Estate Company Limited	41,160,000.00
Anhui huamao Jingwei New Textile Company Limited	23,168,561.91
Total	122,328,561.91

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

Aging	31-DEC-2013			1-JAN-2013		
	Book value Balance	Proportion	Provision for bad debt	Book value Balance	Proportion	Provision for bad debt
Less than 1 year						
Including	144,090,265.09	94.93%		121,314,185.46	90.21%	
Less than 1 year Subtotal	144,090,265.09	94.93%		121,314,185.46	90.21%	
1-2 years	2,311,383.98	1.52%	462,276.79	8,202,224.70	6.1%	1,640,444.94
2-3 years	3,334,686.89	2.2%	1,667,343.45	703,898.37	0.52%	351,949.19
Over 3 years	2,044,966.56	1.35%	2,044,966.56	4,257,672.98	3.17%	4,257,672.98
Total	151,781,302.52	-	4,174,586.80	134,477,981.51	-	6,250,067.11



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**7. Other receivables (Continued)****(1) By categories (Continued)****Significant balance under assessment of impairment individually:**

Categories	Amount RMB	Provision for bad debt	Proportion	Provision grounds
Beijing Liangyou Investment Management Company Limited	9,200,000.00			N/A
CMB Financial Leasing Co., LTD	8,850,000.00			N/A
Linxi People's Hospital	2,982,000.00			N/A
NanGong People's Hospital	2,920,000.00			N/A
Xianyang Hongda Real Estate Development Company Limited	2,814,000.00			N/A
Others	18,607,180.67	3,872,024.76	20.81%	Expect to be irrecoverable partially
Total	45,373,180.67	3,872,024.76	-	-

(2) Other receivables written-off during the year

Name	Accounts receivable properties	Write-off time	Write-off amount	Write-off reason	Arising from related party transactions
Changzhi Huifeng Machinery Factory	current money		309,000.00	Uncollectible	NO
Xiao Shan textile equipment supply station	current money		171,415.60	Uncollectible	NO
Others			3,934,153.85		
Total	-	-	4,414,569.45	-	-

(3) Top five other receivables outstanding as at 31 December 2013 are as follows

Name	Relationship with the company	Amount	Aging	Proportion
Beijing Guanghe Realty Company Limited	Third party	58,000,000.00	2-3years	18.15%
Beijing Bohong Real Estate Company Limited	Key controlled	41,160,000.00	1-2years	12.88%
Anhui huamao Jingwei New Textile Company Limited	Associates	23,168,561.91	Over 5 years	7.25%
Xianyang Jingwei Machinery Company Limited	Associates	12,606,824.04	less than 2 years	3.95%
Beijing Liangyou Investment Management Company Limited	Third party	9,200,000.00	4-5years	2.88%
Total	-	144,135,385.95	-	45.11%

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(4) Accounts receivable from related parties

Name of Company	Relationship with the company	Balance	Proportion
Xianyang Hongda Real Estate Development Company Limited	Company controlled by the same actual controller	2,814,000.00	0.88%
Xianyang Jingwei Machinery Company Limited	Associates	12,606,824.04	3.95%
Anhui Huamao Jingwei New Textile Company Limited	Associates	23,168,561.91	7.25%
Beijing Bohong Real Estate Company Limited	Company controlled by the same actual controller	41,160,000.00	12.88%
Hi-Tech Heavy Industry Company Limited	Company controlled by the same actual controller	119,718.56	0.04%
Total	-	<u>79,869,104.51</u>	<u>25%</u>

8. Advance to suppliers

(1) Aging analysis

Aging	31-DEC-2013		1-JAN-2013	
	Balance	Proportion	Balance	Proportion
Less than 1 year	232,550,378.14	68.17%	378,858,991.57	81.8%
1-2 years	69,807,123.34	20.46%	25,300,802.04	5.46%
2-3 years	16,161,191.12	4.74%	46,252,268.92	9.99%
Over 3 years	22,601,020.58	6.63%	12,761,613.68	2.76%
Total	<u>341,119,713.18</u>	-	<u>463,173,676.21</u>	-

(2) Top five outstanding balances are as follows:

Name of company	Relationship with the company	Balance	Reason for non-settlement
Tianjin Textile Machinery Company Limited	Key personnel	63,626,869.57	Advance payment for goods
Xinjiang Tiansheng Industrial Company Limited	Third party	52,375,016.55	Advance payment for goods
Jiujiang Red Eagle Aircraft Sales Company Limited	Third party	30,825,365.98	Advance payment for goods
Hubei Zhongjia Trading Company Limited	Third party	27,510,839.46	Advance payment for goods
Wuxi Huaming Auto technology Company Limited	Third party	22,318,000.00	Advance payment for goods
Total	-	<u>196,656,091.56</u>	-



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**9. Inventories****(1) By categories**

Categories	31-DEC-2013			1-JAN-2013		
	Inventories			Inventories		
	Book value	Provision	Carrying value	Book value	Provision	Carrying value
Raw materials	436,653,105.56	31,776,742.98	404,876,362.58	467,324,226.32	26,621,802.71	440,702,423.61
Work-in-progress	610,554,033.72	38,812,043.07	571,741,990.65	551,933,858.16	30,708,660.76	521,225,197.40
Finished goods	687,055,266.23	44,536,124.89	642,519,141.34	571,964,094.66	52,210,828.76	519,753,265.90
Revolving materials	1,556,806.77	1,121,259.76	435,547.01	4,192,397.89	1,292,079.49	2,900,318.40
Total	1,735,819,212.28	116,246,170.70	1,619,573,041.58	1,595,414,577.03	110,833,371.72	1,484,581,205.31

(2) Accumulated inventories write-down

Categories	At 1 January 2013	Provision	Reverse	Decrease	
				Written-down	At 31 December 2013
Raw materials	26,621,802.71	19,139,478.17	355,030.15	13,629,507.75	31,776,742.98
Work-in-progress	30,708,660.76	9,311,641.18	121,968.96	1,086,289.91	38,812,043.07
Finished goods	52,210,828.76	8,985,030.87	6,256,700.16	10,403,034.58	44,536,124.89
Revolving materials	1,292,079.49		170,819.73		1,121,259.76
Total	110,833,371.72	37,436,150.22	6,904,519.00	25,118,832.24	116,246,170.70

(3) Inventory provision

Categories	The basis of Provision	Current inventory impairment reversal reason	The reversed amount as a proportion of the ending balance of inventory
Raw materials	Cost of inventories is higher than net realizable value, difference higher than net realizable value according to the cost accrual provision, included in the current profit or loss.	Net realizable value of inventories is higher than costs and write-down of inventory value influencing factors have already disappeared.	0.08%
Work-in-progress	Cost of inventories is higher than net realizable value, difference higher than net realizable value according to the cost accrual provision, included in the current profit or loss.	Net realizable value of inventories is higher than costs and write-down of inventory value influencing factors have already disappeared.	0.92%
Finished goods	Cost of inventories is higher than net realizable value, difference higher than net realizable value according to the cost accrual provision, included in the current profit or loss.	Net realizable value of inventories is higher than costs and write-down of inventory value influencing factors have already disappeared.	0.02%
Revolving materials	Cost of inventories is higher than net realizable value, difference higher than net realizable value according to the cost accrual provision, included in the current profit or loss.	Net realizable value of inventories is higher than costs and write-down of inventory value influencing factors have already disappeared.	10.97%

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Other current assets

Items	Closing balance	Opening balance
Prepaid income tax	329,774.69	537,168.49
Total	<u>329,774.69</u>	<u>537,168.49</u>

11. Available for sale financial assets

(1) Available for sale financial assets

Items	31-DEC-2013	1-JAN-2013
Available for sale debentures	28,547,280.00	29,605,350.00
Available for sale equity instruments	348,241,713.41	541,247,029.82
Total	<u>376,788,993.41</u>	<u>570,852,379.82</u>

(2) Long-term debt investments available-for-sale financial assets

Bond	Types of Bonds	par value	The initial investment cost	Date of expiry	At January 2013		Accrued interest received or receivable	At December 2013
					Current Interest			
Mianyang Business debt	Financial bonds	30,000,000.00	27,804,060.00	December 28, 2019	29,605,350.00	1,830,000.00	3,660,000.00	28,547,280.00
Total	-	-	<u>27,804,060.00</u>	-	<u>29,605,350.00</u>	<u>1,830,000.00</u>	<u>3,660,000.00</u>	<u>28,547,280.00</u>

(3) Impairment of available-for-sale financial assets

Categories	Available-for-sale equity instruments	Available-for-sale debt instruments	Others	Total
Equity instruments debt cost/amortised cost	525,702,471.04	27,804,060.00		553,506,531.04
Fair Value	348,241,713.41	28,547,280.00		376,788,993.41
Accumulated other comprehensive income into account of changes in the fair value of the amount	-177,460,757.63	743,220.00		-176,717,537.63



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**11. Available for sale financial assets (Continued)****(4) The description of fair value of available-for-sale equity instrument falling sharply or continuous falling at the end**

Available-for-sale equity instruments (sub)	Cost	Fair value	Fair value relative to the cost decrease	Time continued to fall	Impairment	Not according to the difference between the cost and fair market value at the end of provision for impairment of reasons
Liuguo Chemical	155,850,000.00	156,000,000.00	0.1%			
Hengyuan Coal	324,000,000.00	146,349,310.50	-54.83%			This company holds the Hengyuan Coal cost of equity instruments of RMB324,000,000.00, the fair value at the balance sheet date is 146,349,310.50 dollars. It decreased more than 50% relative to the costs and the continued decline in 19 months, but according to Wexler (Beijing) International issued by asset appraisal limited, "Wexler (2014) No. 0029" assessment report, estimated the present value of Hengyuan Coal electricity future cash flows exceeds the carry amount, and therefore no provision for impairment.

12. Investment in joint ventures and associates

Name of Investees	Proportion of ownership held by the Group	In the proportion of voting rights of the investees	Total assets at closing balance	Total liabilities at closing balance	Total net assets at closing balance	Total operating income for the current period	Net profit for the current period
1. Joint Venture							
2. Associates							
Shenzhen Huarong Equity Investment and Fund Management Company Limited	49%	49%	26,205,749.18	3,850,460.95	22,355,288.23	13,180,978.20	9,342,197.54
Shanghai Rong European Equity Investment Fund Management Company Limited	40%	40%	10,000,000.00	0.00	10,000,000.00	0.00	0.00
China Texmatech Company Limited	25%	25%	1,070,554,591.41	766,322,852.59	304,231,738.82	4,329,883,121.50	39,001,568.13
Hongda Research Company Limited	40%	40%	131,486,071.32	111,681,863.99	19,804,207.33	49,457,537.49	-10,327,186.06
Jingwei Machinery (Group) Company Limited	18.83%	18.83%	808,149,846.61	735,816,195.02	72,333,651.59	272,542,108.12	16,160,397.47
Beijing Hang Tang Wealth Investment Management Company Limited	20%	20%	333,042,178.52	242,311,867.74	90,730,310.78	996,378,426.49	109,272,415.46
Xianyang Jingwei Machinery Manufacture Company Limited	25%	25%	116,578,056.82	136,885,845.67	-20,307,788.85	210,000.00	-36,883,374.43
Xinhu Wealth Company Limited	23.08%	23.08%	212,795,325.88	65,885,815.26	146,909,510.62	656,226,616.34	61,750,092.96
Jinzhong Jingwei Yu Xin Machinery Company Limited	20%	20%	37,235,570.76	35,763,381.00	1,472,189.76	7,567,797.38	-939,548.77
Rueiyuan Baoxing Fund Management Company Limited	49%	49%	4,003,869.97	5,000.00	3,998,869.97	0.00	-1,130.03
Zhongrong Kangjian Capital Management (beijing) Company Limited	49%	49%	33,909,030.45	31,950,000.00	1,959,030.45	0.00	-40,969.55
Suizhou Jina Fu Construction Machinery Services Company Limited	40%	40%	135,319,852.17	126,855,558.93	8,464,293.24	9,888,669.79	-4,579,296.50
Anhui Huamao Jingwei New Type Textile Company Limited	25%	25%	302,106,477.76	323,101,683.06	-20,995,205.30	283,373,011.11	-16,648,020.14

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

(1) By details

Name of Investees	Accounting Method	Initial investment cost	At 1 January 2013	Changes	At 31 December 2013	Proportion of ownership held by the Group	The proportion of voting rights in the investee (%)	Impairment	Current provision for impairment	Cash dividends
Jianghai Securities Company Limited	Cost method	28,673,400.00	28,673,400.00		28,673,400.00	2.1%	2.1%			
China Aviation Investment Holdings Co., Ltd	Cost method	3,390,947.82	3,390,947.82	-3,390,947.82						99,506.10
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		
Shenyang Textile Machinery Manufacturing Company Limited	Cost method	1,200,000.00	1,200,000.00		1,200,000.00	10%	10%			
Qingdao Textile Machinery Manufacturing Company Limited	Cost method	15,802,027.04	15,802,027.04		15,802,027.04	17%	17%			350,000.00
Changde Tianhe powder metallurgy Company Limited	Cost method	200,000.00	200,000.00		200,000.00	10%	10%			
Qingdao Jinyi Pressing and Casing Company Limited	Cost method	1,057,000.00	1,057,000.00		1,057,000.00	27%	27%			
Qingdao Qingfeng Forging Company Limited	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	20%	20%	5,000,000.00		
Jiangsu Hongyuan Textile Machinery Company Limited	Cost method	1,422,652.84	1,422,652.84		1,422,652.84	0.7%	0.7%			300,000.00
Tianjin Textile Machinery Company Limited	Cost method	6,750,000.00	6,750,000.00		6,750,000.00	15%	15%			
The Wuxi Guochuang Investment Management Company Limited	Cost method	980,000.00	980,000.00		980,000.00	0.49%	0.49%			
Others	Cost method	1,356,883.87	1,356,883.87	213,116.13	1,570,000.00			370,000.00		
Shenzhen Huarong Equity Investment and Fund Management Company Limited	Equity method	4,900,000.00	6,376,414.36	4,577,676.79	10,954,091.15	49%	49%			
Shanghai Rong European Equity Investment Fund Management Company Limited	Equity method	4,000,000.00		4,000,000.00	4,000,000.00	40%	40%			
China Texmatech Company Limited	Equity method	30,000,000.00	57,875,797.98	8,503,955.06	66,379,753.04	25%	25%			957,456.70
Hongda Research Company Limited	Equity method	20,000,000.00	12,052,557.35	-4,130,874.42	7,921,682.93	40%	40%			
Jingwei Machinery (Group) Company Limited	Equity method	8,000,000.00	11,351,892.22	2,124,652.89	13,476,545.11	18.83%	18.83%			1,200,000.00
Beijing Hang Tang Wealth Investment Management Company Limited	Equity method	10,000,000.00	24,519,984.91	-6,373,922.76	18,146,062.15	20%	20%			28,600,000.00
Xianyang Jingwei Machinery Manufacture Company Limited	Equity method	27,453,333.33	26,371,964.29	-10,771,451.34	15,600,512.95	25%	25%			
Xinhu Wealth Company Limited	Equity method	15,000,000.00	13,327,822.06	14,253,617.03	27,581,439.09	23.08%	23.08%			
Jinzhong Jingwei Yu Xin Machinery Company Limited	Equity method	1,000,000.00		812,090.25	812,090.25	20%	20%			
Rueiyuan Baoxing Fund Management Company Limited	Equity method	1,960,000.00		1,959,446.29	1,959,446.29	49%	49%			
Financial Health in Capital Management (Beijing) Company Limited	Equity method	980,000.00		959,647.84	959,647.84	49%	49%			
Suizhou Jina Fu Construction Machinery Services Company Limited	Equity method	6,000,000.00		4,168,281.40	4,168,281.40	40%	40%			
Anhui Huamao Jingwei New Type Textile Company Limited	Equity method	11,344,404.85				25%	25%			
Total		231,337,251.92	242,575,946.91	16,905,287.34	259,481,234.25			20,193,871.42		31,506,962.80

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed Assets

(1) Listed by details

Items	1-Jan-2013	Increase	Decrease	31-Dec-2013	
Cost	<u>3,195,029,414.21</u>	<u>372,630,260.52</u>	<u>216,278,621.70</u>	<u>3,351,381,053.03</u>	
Building and plant	1,352,826,726.02	195,792,947.16	53,554,827.87	1,495,064,845.31	
Machinery and equipment	1,696,456,158.82	166,066,243.94	123,985,467.63	1,738,536,935.13	
Motor vehicle	145,746,529.37	10,771,069.42	38,738,326.20	117,779,272.59	
	1-Jan-2013	Increase	Provision	Decrease	31-Dec-2013
Accumulated depreciation	<u>1,521,895,512.96</u>	<u>629,039.07</u>	<u>156,150,718.52</u>	<u>154,899,637.93</u>	<u>1,523,775,632.62</u>
Building and plant	370,509,810.63		39,803,521.73	29,980,206.57	380,333,125.79
Machinery and equipment	1,074,185,531.90	255,628.32	102,880,784.51	97,695,420.63	1,079,626,524.10
Motor vehicle	77,200,170.43	373,410.75	13,466,412.28	27,224,010.73	63,815,982.73
	1-Jan-2013				31-Dec-2013
Net book value	<u>1,673,133,901.25</u>				<u>1,827,605,420.41</u>
Building and plant	982,316,915.39				1,114,731,719.52
Machinery and equipment	622,270,626.92				658,910,411.03
Motor vehicle	68,546,358.94				53,963,289.86
Accumulated provision for impairment	<u>14,952,266.47</u>				<u>10,660,801.21</u>
Building and plant	1,155,327.60				
Machinery and equipment	13,725,989.54				10,598,889.71
Motor vehicle	70,949.33				61,911.50
Book value	<u>1,658,181,634.78</u>				<u>1,816,944,619.20</u>
Building and plant	981,161,587.79				1,114,731,719.52
Machinery and equipment	608,544,637.38				648,311,521.32
Motor vehicle	68,475,409.61				53,901,378.36

Note: The depreciation for the period was RMB156,150,718.52 and the fixed assets transferred from construction in progress was RMB276,627,940.37.

(2) Assets held under finance lease

Items	Cost	Accumulated depreciation	Net book value
Machinery and equipment	120,219,165.34	84,821,687.45	35,397,477.89
Motor vehicle	<u>1,538,119.37</u>	<u>257,859.38</u>	<u>1,280,259.99</u>
Total	<u>121,757,284.71</u>	<u>85,079,546.83</u>	<u>36,677,737.88</u>



Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**14. Fixed Assets (Continued)****(3) Assets leased under operating leases**

Items	Net book value
Building and plant	19,122,299.19
Machinery and equipment	12,733,949.76
Motor vehicle	1,225,905.74
	<hr/>
Total	<u>33,082,154.69</u>

(4) Fixed assets without certificates of ownership

As at 31 December 2013, the buildings and plants with book value of RMB523,446,074.68 have no certificates of ownership, RMB 206,097,568.15 of ownership certificates completed on February 7, 2014, application of others are still in progress.

15. Construction in progress**(1) Listed by details**

Items	At 31 December 2013			At 1 January 2013		
	Book value	Impairments	Carrying value	Book value	Impairments	Carrying value
New plant in Tianjin industry zone	1,933,250.00		1,933,250.00	113,885,168.22		113,885,168.22
New plant in Tianjin industry zone	2,046,169.64		2,046,169.64	39,800,833.13		39,800,833.13
Changde Textile New Plant Project	33,459,539.40		33,459,539.40	22,281,745.25		22,281,745.25
Qingdao Hongda Laoshan the Second Phase of the Project	3,741,243.64		3,741,243.64	12,375,484.96		12,375,484.96
YiChang Machinery NO.1 Workshop	23,176,523.10		23,176,523.10	6,662,247.80		6,662,247.80
Chu Feng Automobile Industry Park II	21,193,920.84		21,193,920.84	71,000.00		71,000.00
Others	64,119,193.78		64,119,193.78	73,501,926.55		73,501,926.55
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Total	<u>149,669,840.40</u>		<u>149,669,840.40</u>	<u>268,578,405.91</u>		<u>268,578,405.91</u>

(2) Movements on significant construction in progress

Items	Budget	Opening balance	Increase	Transferred into fixed assets	Other reduction	Progress	Total amount of interest capitalized	Amount of interest capitalized	Rate of Capitalization (%)	Funding	Closing balance
New plant in Tianjin industry zone	237,510,000.00	113,885,168.22	4,646,400.77	116,598,318.99		99.00	23,820,788.18	3,175,263.81	6%	Self-raised funds and Loans	1,933,250.00
Jingwei new plant project in Xiayang	110,000,000.00	39,800,833.13	35,438,824.93	73,193,488.42		99.00	4,568,938.88	4,169,272.22	6%	Self-raised funds and Loans	2,046,169.64
Changde Textile New Plant Project	60,738,000.00	22,281,745.25	11,177,794.15			57.00				Self-raised funds	33,459,539.40
Qingdao Hongda Laoshan the Second Phase of the Project	3,800,000.00	12,375,484.96	3,589,743.64	12,223,984.96		98.00				Self-raised funds	3,741,243.64
YiChang Machinery NO.1 Workshop	35,000,000.00	6,662,247.80	16,514,275.30			67.00				Self-raised funds	23,176,523.10
Chu Feng Automobile Industry Park II	55,029,988.00	71,000.00	21,122,920.84			38.00				Self-raised funds	21,193,920.84
Others	490,529,842.28	73,501,926.55	105,945,170.23	74,612,148.00	40,715,755.00		491,193.33	247,193.33			64,119,193.78
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Total	<u>992,606,830.28</u>	<u>268,578,405.91</u>	<u>198,435,129.86</u>	<u>276,627,940.37</u>	<u>40,715,755.00</u>	-	<u>28,880,920.39</u>	<u>7,591,729.36</u>	-	-	<u>149,669,840.40</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets

(1) Listed by details

Items	At 1 January 2013	Increase	Decrease	At 31 December 2013
Cost	<u>616,598,874.74</u>	<u>98,031,978.47</u>	<u>9,640,972.93</u>	<u>704,989,880.28</u>
Land use rights	529,525,912.03	52,815,755.00	2,088,246.33	580,253,420.70
Computer software	41,605,046.54	38,416,115.34	7,413,410.38	72,607,751.50
Patents	22,515,818.60	1,704,570.37		24,220,388.97
Non-patented technology	20,682,384.57		139,316.22	20,543,068.35
Trademark right		5,095,537.76		5,095,537.76
Others	2,269,713.00			2,269,713.00
Accumulated amortization	<u>110,361,463.46</u>	<u>29,051,423.28</u>	<u>937,093.94</u>	<u>138,475,792.80</u>
Land use rights	75,366,945.46	11,771,913.21	896,449.84	86,242,408.83
Computer software	15,656,855.90	10,546,577.13	7,749.95	26,195,683.08
Patents	13,263,763.31	4,171,501.21		17,435,264.52
Non-patented technology	4,485,100.11	2,324,906.69	32,894.15	6,777,112.65
Trademark right		9,553.60		9,553.60
Others	1,588,798.68	226,971.44		1,815,770.12
Net book value	<u>506,237,411.28</u>	<u>68,980,555.19</u>	<u>8,703,878.99</u>	<u>566,514,087.48</u>
Land use rights	454,158,966.57	41,043,841.79	1,191,796.49	494,011,011.87
Computer software	25,948,190.64	27,869,538.21	7,405,660.43	46,412,068.42
Patents	9,252,055.29	-2,466,930.84	0.00	6,785,124.45
Non-patented technology	16,197,284.46	-2,324,906.69	106,422.07	13,765,955.70
Trademark right		5,085,984.16	0.00	5,085,984.16
Others	680,914.32	-226,971.44	0.00	453,942.88
Book value	<u>506,237,411.28</u>	<u>68,980,555.19</u>	<u>8,703,878.99</u>	<u>566,514,087.48</u>
Land use rights	454,158,966.57	41,043,841.79	1,191,796.49	494,011,011.87
Computer software	25,948,190.64	27,869,538.21	7,405,660.43	46,412,068.42
Patents	9,252,055.29	-2,466,930.84	0.00	6,785,124.45
Non-patented technology	16,197,284.46	-2,324,906.69	106,422.07	13,765,955.70
Trademark right		5,085,984.16	0.00	5,085,984.16
Others	680,914.32	-226,971.44	0.00	453,942.88

(2) Research and development expenditure

Items	1-JAN-2013	Increase	Decrease		31-DEC-2013
			Recognize in profit or loss	Recognized as intangible asset	
Textile machinery and other project development costs	—	219,753,030.78	219,753,030.78	—	—
Magnetic induction of cancer treatment project	—	14,221,806.55	—	—	14,221,806.55
Total	<u>—</u>	<u>233,974,837.33</u>	<u>219,753,030.78</u>	<u>—</u>	<u>14,221,806.55</u>

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Goodwill

Name of investees	At 1 January 2013	Increase	Decrease	At 31 December 2013
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 Company Limited	168,039.33			168,039.33
Zhongrong Trust Company Limited	833,388,872.51			833,388,872.51
Jinzhong Fiber Company Limited	2,475,698.35			2,475,698.35
Jinzhong Hengxin Company Limited	556,468.53			556,468.53
Fuzhou Haolian Medical Technology Company Limited		814,559.97		814,559.97
Total	844,306,425.04	814,559.97		845,120,985.01

18. Long-term prepaid expenses

Items	At 1 January 2013	Increase	Decrease	Other reductions	At 31 December 2013
Leasehold improvements expenses on operating leases of fixed assets	25,390,441.34	10,809,616.33	14,775,752.23		21,424,305.44
Expenses on product announcements and customer resources	7,670,000.00		1,330,000.00		6,340,000.00
Other		568,275.75	31,570.87		536,704.88
Total	33,060,441.34	11,377,892.08	16,137,323.10		28,301,010.32

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities are not the net amount after offsetting

Recognized deferred tax assets and liabilities components

Items	At 31 December 2013	At 1 January 2013
Deferred tax assets:		
Impairment of assets	4,400,220.66	4,418,858.13
Deductible losses	4,527,140.89	
Accrued payroll	377,350,555.19	251,093,346.93
Internal sales unrealized profits	763,456.51	3,761,711.33
Changes in fair value of trading financial assets	25,540,879.81	22,953,177.59
Changes in fair value of available-for-sale financial assets	44,179,384.41	6,675,420.05
Sub-total	456,761,637.47	288,902,514.03

Deferred income tax liabilities:

Deferred tax assets not recognized

Items	At 31 December 2013	At 1 January 2013
Deductible temporary differences	287,192,168.04	256,544,150.67
Deductible losses	699,427,213.99	486,636,724.10
Total	986,619,382.03	743,180,874.77

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(1) Deferred tax assets and deferred tax liabilities are not the net amount after offsetting (continued)

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

Years	31-DEC-2013	1-JAN-2013
2013		107,303,380.65
2014	47,600,652.05	52,788,006.97
2015	67,014,102.40	67,014,102.40
2016	75,721,548.61	75,721,548.61
2017	182,975,279.86	182,975,279.86
2018	312,286,625.31	
No expiry date	13,829,005.76	834,405.61
Total	<u>699,427,213.99</u>	<u>486,636,724.10</u>

(2) Deferred tax assets and deferred tax liabilities are the net amount after offsetting

Component after offsetting deferred tax assets and liabilities

Items	Deferred tax assets and deferred tax liabilities as at 31 December 2013	Deductible or taxable temporary differences as at 31 December 2013	Deferred tax assets and deferred tax liabilities as at 1 January 2013	Deductible or taxable temporary differences as at 1 January 2013
Deferred tax assets	<u>456,761,637.47</u>		<u>288,902,514.03</u>	

20. Provision for impairment

Items	At 1 January 2013	Increase	Decrease		At 31 December 2013
			Reversals	Written-off	
Provision for bad debts	101,903,600.27	35,482,737.61	26,836,480.91	9,879,730.48	100,670,126.49
Provision for inventories written-down	110,833,371.72	37,436,150.22	6,904,519.00	25,118,832.24	116,246,170.70
Provision for impairment losses on long-term equity investments	24,571,703.11			4,377,831.69	20,193,871.42
Provision for impairment losses on fixed assets	14,952,266.47			4,291,465.26	10,660,801.21
Provision for impairment losses on intangible assets	0.00				0.00
Total	<u>252,260,941.57</u>	<u>72,918,887.83</u>	<u>33,740,999.91</u>	<u>43,667,859.67</u>	<u>247,770,969.82</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Short-term borrowings

(1) By category

Items	31-DEC-2013	1-JAN-2013
Pledged loans	17,904,170.00	63,713,831.00
Mortgage loans	77,000,000.00	46,000,000.00
Guarantees	161,721,458.32	52,920,828.71
Credit loans	1,688,878,919.15	1,293,126,700.81
Total	<u>1,945,504,547.47</u>	<u>1,455,761,360.52</u>

22. Bills payables

Categories	31-DEC-2013	1-JAN-2013
Commercial bills under acceptance	20,416,235.85	18,613,439.06
Bank bills under acceptance	592,244,034.16	361,181,585.04
Total	<u>612,660,270.01</u>	<u>379,795,024.10</u>

23. Accounts payables

(1) By aging

Items	31-DEC-2013	1-JAN-2013
Less than 1 year	1,683,582,160.15	1,589,893,455.29
1-2 years	39,843,968.02	87,449,721.59
2-3 years	9,553,127.66	31,539,429.86
Over 3 years	22,546,615.34	21,819,939.82
Total	<u>1,755,525,871.17</u>	<u>1,730,702,546.56</u>

(2) The accounts payables due to the shareholders with 5% or more equity interests in the company at the year end

Name of Company	31-DEC-2013	1-JAN-2013
Jingwei Machinery (Group) Company Limited	<u>6,301,379.63</u>	<u>6,301,379.63</u>
Total	<u>6,301,379.63</u>	<u>6,301,379.63</u>



Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**24. Advances from customers****(1) By aging**

Items	31-DEC-2013	1-JAN-2013
Less than 1 year	274,987,247.84	419,349,469.92
1-2 years	71,357,416.67	99,382,639.55
2-3 years	31,614,169.38	22,057,414.03
Over 3 years	33,129,473.49	25,707,926.84
Total	<u>411,088,307.38</u>	<u>566,497,450.34</u>

25. Employee benefits payables

Items	At 1 January 2013	Increase	Decrease	At 31 December 2013
I. Salaries, bonuses, allowances and subsidies	1,047,037,203.54	1,842,841,054.48	1,328,399,686.07	1,561,478,571.95
II. Staff welfare	1,994,989.49	41,230,286.54	41,958,933.50	1,266,342.53
III. Social insurance	25,909,389.13	190,710,875.72	183,516,723.77	33,103,541.08
1. Medical insurance	1,968,326.22	57,528,650.28	56,608,943.45	2,888,033.05
2. Basic pension contributions	20,811,474.53	112,410,294.90	105,808,091.97	27,413,677.46
3. Annuity payments				
4. Unemployment insurance	1,976,357.33	11,862,425.71	11,792,508.11	2,046,274.93
5. Work Physical injury insurance	825,586.37	5,062,705.94	5,469,999.83	418,292.48
6. Maternity insurance	327,644.68	3,846,798.89	3,837,180.41	337,263.16
IV. Housing funds	8,632,155.90	50,350,658.12	50,383,868.40	8,598,945.62
V. Termination benefits	9,057,378.82	5,859,446.37	7,707,804.31	7,209,020.88
VI. Others	14,016,464.08	37,768,178.06	33,556,833.60	18,227,808.54
Total	<u>1,106,647,580.96</u>	<u>2,168,760,499.29</u>	<u>1,645,523,849.65</u>	<u>1,629,884,230.60</u>

The default nature of employee benefits payable is RMB0.00.

Union running costs and Employee education costs are RMB 15,791,161.32, non-monetary benefits is RMB 0.00, compensation to employees for termination of employment relationship is RMB 7,707,804.31.

26. Taxation payables

Items	1-DEC-2013	1-JAN-2013
VAT	-3,024,513.65	-692,391.81
Business tax	94,684,621.37	91,596,453.83
Enterprise income tax	298,731,439.53	177,749,171.34
Individual income tax	76,154,862.96	48,783,562.11
Urban maintenance and construction tax	10,694,531.50	10,151,672.82
Land use tax	11,452,684.35	10,380,618.08
Property Tax	4,916,868.58	4,231,126.78
Education surcharges	9,816,376.13	9,229,542.70
Others	5,782,763.20	6,139,626.73
Total	<u>509,209,633.97</u>	<u>357,569,382.58</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Interest payables

Items	31-DEC-2013	1-JAN-2013
Interests on corporate bonds	47,221,666.65	47,221,666.65
Interest payables for short-term	1,980,037.38	1,268,177.83
Total	<u>49,201,704.03</u>	<u>48,489,844.48</u>

28. Dividend payables

Investors	31-DEC-2013	1-JAN-2013	Reason for not yet paid over one year
Change Textile Machinery Factory	3,593,498.60	2,901,357.98	unpaid
Shenyang Textile Machinery Manufacturing Company Limited	69,003.63	38,806.67	unpaid
Others	3,024,456.69	2,069,670.34	unpaid
Total	<u>6,686,958.92</u>	<u>5,009,834.99</u>	-

29. Other payables

(1) By aging

Aging	31-DEC-2013	1-JAN-2013
Less than 1 year	182,834,444.77	129,126,896.19
1-2 years	49,542,623.27	111,785,582.18
2-3 years	27,590,536.15	40,448,203.08
Over 3 years	70,027,234.52	62,899,094.57
Total	<u>329,994,838.71</u>	<u>344,259,776.02</u>

(2) The other payables due to the shareholders with 5% or more equity interests in the Company at the year end

Name of Company	31-DEC-2013	1-JAN-2013
Jingwei Machinery (Group) Company Limited	20,231,020.72	20,231,020.72
Total	<u>20,231,020.72</u>	<u>20,231,020.72</u>

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Long-term payables due within one year

(1) List by details

Items	31-DEC-2013	1-JAN-2013
Long-term borrowings due within one year		60,000,000.00
Long-term payables due within one year	25,581,023.23	33,654,888.58
Total	<u>25,581,023.23</u>	<u>93,654,888.58</u>

(2) Long-term borrowings due within one year

Items	31-DEC-2013	1-JAN-2013
Credit loans	—	60,000,000.00
Total	<u>—</u>	<u>60,000,000.00</u>

(3) Long-term payables due within one year

Name of Company	Term	Initial amount	Interest rate (%)	Accrued interest	At 31 December 2013
CMB Finance Lease Company Limited					23,592,596.80
Retirement and supplemental benefit obligation					1,690,000.00
Others					298,426.43

31. Bonds payable

Name of debenture	Par value	Issue date	Term	Issue amount	Opening balance of accrued interest	Accrued interest during the year	Interest paid during the year	Closing balance of interest payable	Closing balance
Medium term notes	1,200,000,000.00	24, April, 2012	5 years	1,200,000,000.00	47,221,666.65	67,800,000.00	67,800,000.00	47,221,666.65	1,200,000,000.00

32. Long-term payables

(1) The top five long-term payments

Name of Company	Term	Initial amount	Interest rate (%)	Accrued interest	At 31 December 2013
Suizhou City Investment Group Company Limited					29,994,000.00
Retirement and supplemental benefit obligation					25,090,000.00
Others					627,220.00
Total					<u>55,711,220.00</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Special payables

Items	1-JAN-2013	Increase	Decrease	31-DEC-2013
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
Relocation grants	6,141,405.91		2,238,786.11	3,902,619.80
New spinning frames and its manufacturing processing facilities construction projects	4,000,000.00			4,000,000.00
Enterprise information technology upgrade projects	2,000,000.00			2,000,000.00
High-tech fiber and composite materials twisting device industry revitalization project		5,000,000.00		5,000,000.00
Total	<u>17,341,405.91</u>	<u>5,000,000.00</u>	<u>2,238,786.11</u>	<u>20,102,619.80</u>

34. Other non-current liabilities

Items	31-DEC-2013	1-JAN-2013
Assets-related government grant		
– Relocation grant	39,118,316.81	40,467,224.29
– Grant for investment on the industrialization of efficient modern weaving machine project	15,836,327.85	21,609,946.71
– Refund of acquisition cost of land use right	9,211,351.26	9,417,652.52
– Grant on investment on high point twisting machine project	7,125,842.23	7,605,120.01
– Grant on investment on high point twisting machine project	2,336,250.00	3,115,000.00
– Grant on investment on the project of textile machinery special precise super-speed bearing and spindle	2,610,000.00	3,045,000.00
– 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	1,237,500.00	1,312,500.00
– Precision winding, digital control network and the equipment industrialization project		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	574,080.00
– The industrialization of LED high efficiency and energy saving lighting lamps projects		390,000.00
– Corn united harvest machine patent technology transformation funds	251,100.00	288,300.00
– New type Air-jet loom special grant		174,553.91
– Deep treatment of electroplating waste water closed circulation projects	928,571.43	
– Innovative Technology Center Capacity Building Project	3,500,000.00	
– Others	1,212,000.00	250,000.00
Earnings-related government grant		
– G4729 textile machinery funds		1,400,000.00
– The multifunctional magnetic induction hyperthermia system R&D funding	1,567,093.67	827,600.00
– Yichang high-tech zone management Committee allocated mechanical construction subsidies	22,724,480.00	
– Others	1,388,000.00	2,501,000.00
Total	<u>112,068,913.25</u>	<u>96,755,977.44</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**35. Share capital**

	As at 1 January 2013	New issue	Bonus issue	Changes(+/-) Reserve transfer to shares	Others	Total	As at 31 December 2013
Total shares	704,130,000.00						704,130,000.00

36. Special Reserve**Special reserves statement:**

According to *CaiQi [2012] No.16, "Measures for the usage management and accrual of the Production Safety Fee"*, issued by Ministry of Finance ("MOF") and Safety Production General Bureau, the Group is required to make provision to "Production safety funds" since 2012.

37. Capital reserve

Items	At 1 January 2013	Increase	Decrease	At 31 December 2013
Capital premium (Share premium)	2,002,674,552.92		71,759,908.28	1,930,914,644.64
Other capital reserves	-5,519,778.86	67,484.93	42,158,206.34	-47,610,500.27
Others	1,997,154,774.06	67,484.93	113,918,114.62	1,883,304,144.37

38. Surplus reserve

Items	At 1 January 2013	Increase	Decrease	At 31 December 2013
Statutory surplus reserve	553,805,844.01	85,429,057.43		639,234,901.44
Discretionary surplus reserve	179,619,574.68	1,638,491.22		181,258,065.90
Total	733,425,418.69	87,067,548.65		820,492,967.34

39. General Risk Reserve**General risk reserve statement**

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

General risk reserve is 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 doubtful debts of financial companies". General risk reserve is used to cover potential losses not yet identified.

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

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Undistributed profits

Items	Amount
At the end of 2012	1,208,748,494.14
At the beginning of 2013 Changes(+/-)	<u>-2,446,342.75</u>
At the beginning of 2013 after adjustment	1,206,302,151.39
Add: Net profit of 2013 attribute to the owner of parent company	591,778,324.35
Less: Withdraw legal surplus reserve	85,429,057.43
Withdraw discretionary surplus reserve	1,638,491.22
Appropriation to general risk reserve	48,631,567.88
Profit available for distribution to shareholders	70,413,000.00
Add: Directly in equity of actuarial gains	<u>1,963,500.00</u>
At the end of 2013	<u><u>1,593,931,859.21</u></u>

Undistributed profits at the beginning of 2013 after adjustment statement:

Due to changes in accounting policies, the impact of undistributed profit RMB-2,446,342.75 at the beginning of 2013.

Undistributed profits statement:

The Group implements currently “Enterprise Accounting Standards No. 10-Employee Benefits” so that all actuarial gains are directly recognised in equity. There is significant change in accounting policy. The movement remeasurement of the defined benefit plan affecting the net liabilities or net assets should be charged to other comprehensive income when it occurs.

41. Operating revenue and operating cost

(1) Operating revenue and operating cost

Items	2013	2012
Principal operating revenue	4,867,997,540.78	4,415,390,469.08
Other operating revenue	807,486,502.70	646,539,974.36
operating cost	4,815,121,164.00	4,198,210,324.02

(2) By products and industry

Name of industry	2013		2012	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Textile machinery	4,213,814,939.53	3,613,646,172.52	4,001,458,814.37	3,398,185,381.77
Non-textile industry	654,182,601.25	573,978,926.43	413,931,654.71	375,105,154.64
Total	<u>4,867,997,540.78</u>	<u>4,187,625,098.95</u>	<u>4,415,390,469.08</u>	<u>3,773,290,536.41</u>

(3) By geographical area

Geographical area	2013		2012	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Domestic	3,990,787,015.53	3,394,865,879.30	3,876,460,009.14	3,257,714,175.25
Overseas	877,210,525.25	792,759,219.65	538,930,459.94	515,576,361.16
Total	<u>4,867,997,540.78</u>	<u>4,187,625,098.95</u>	<u>4,415,390,469.08</u>	<u>3,773,290,536.41</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**41. Operating revenue and operating cost (continued)****(4) Operating income from the top five customers**

Customers	Principal operating revenue	Proportion
China Texmatech Company Limited	753,070,557.36	13.27%
Wuhan Fuhai East Trading Company Limited	141,019,362.65	2.48%
International Far Eastern Leasing Company Limited	111,062,393.16	1.96%
Henan Xinye Textile Co., Ltd	110,703,378.48	1.95%
China harzone industry Corp., Ltd.	99,777,777.67	1.76%
Total	<u>1,215,633,469.32</u>	<u>21.42%</u>

42. Sales taxes and levies

Taxes	2013	2012	Standard charge rate
Business tax	232,020,593.76	185,952,146.02	5%
City construction tax	27,683,553.61	24,256,901.89	1%, 5%, 7%
Education surcharge tax	19,727,845.94	17,096,241.85	3%, 2%
Others	5,662,267.88	4,646,318.93	
Total	<u>285,094,261.19</u>	<u>231,951,608.69</u>	—

43. Selling and distribution expenses

Items	2013	2012
Employee benefits	70,971,301.29	62,523,148.91
Transportation expenses	25,756,741.37	19,140,994.18
Travelling expenses	25,487,700.76	24,100,549.57
Operation expenses	12,966,256.59	12,973,940.14
Labor expenses	9,999,599.61	12,192,042.21
Sales service expenses	6,569,826.52	11,872,723.15
Exhibition expenses	6,219,031.17	15,860,817.36
Office expenses	3,884,858.00	4,192,247.67
Advertisement expenses	3,826,472.91	3,066,926.79
Sample and product losses	2,976,491.69	3,631,612.97
Depreciation expenses	2,678,680.85	3,401,700.39
Loading and unloading expenses	246,952.86	1,102,473.81
Repair and maintenance expenses	230,368.66	1,705,804.99
Others	14,692,374.27	16,703,282.88
Total	<u>186,506,656.55</u>	<u>192,468,265.02</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Administrative expenses

Items	2013	2012
Employee benefits	1,643,574,270.97	1,267,238,319.01
Consultancy service fee	327,316,238.34	320,615,641.33
Research and development expenses	219,753,030.78	155,428,207.24
Rent	83,317,191.44	63,012,191.84
Travelling expenses	51,673,220.89	47,828,630.68
Business entertainment expenses	48,541,357.13	43,869,332.03
Depreciation expenses	48,325,257.62	39,907,055.71
Taxes	31,070,135.39	29,885,407.59
Agency expenses	27,828,325.94	13,970,702.10
Office expenses	27,505,636.33	23,231,971.56
Amortization of intangible assets	21,070,889.25	16,332,321.80
Repairing and maintenance	19,685,117.38	28,371,468.11
Long-term deferred expenses	16,137,323.10	14,070,845.44
Meeting expenses	13,987,142.69	17,810,256.82
Utility bills	12,875,820.94	10,195,395.49
Transportation expenses	12,738,689.08	8,457,497.77
Amortization of consumables	6,712,357.63	6,216,697.44
Heating expenses	2,883,119.44	2,789,379.22
Insurance expenses	2,776,634.23	2,127,056.40
Labor protection expenses	2,651,554.05	3,041,922.47
Security and fire protection	2,123,456.00	2,391,809.56
Internet expenses	1,701,255.82	330,761.83
Environment expenses	1,650,821.56	2,425,399.95
Warehouse expenses	1,300,103.11	774,108.08
Management expenses	1,066,547.85	1,087,837.66
Board of directors expenses	722,347.18	569,376.40
Foreign expenses	683,531.08	378,817.20
Sewage charges	560,139.00	1,848,837.41
Litigation expenses	225,895.50	384,848.47
Inventory shortage and damage expenses	-	306,503.23
Land use expenses	-	23,000.00
Others	52,286,088.45	58,254,303.41
Total	<u>2,682,743,498.17</u>	<u>2,183,175,903.25</u>

45. Financial expenses

Items	2013	2012
Interest expense	153,603,844.21	149,093,673.19
Interest income	-13,614,910.68	-14,601,197.94
Exchange loss	5,496,910.88	1,063,547.29
Exchange gain	-10,626,700.76	-3,153,463.12
Others	13,697,784.57	7,747,375.45
Total	<u>148,556,928.22</u>	<u>140,149,934.87</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**46. Gains on changes in fair values**

Source	2013	2012
Held-for-trading financial assets	-11,122,873.20	43,783,411.62
Total	<u>-11,122,873.20</u>	<u>43,783,411.62</u>

47. Investment income**(1) Disclosure of investment income by items is as follows**

Items	2013	2012
Investment income from long-term equity investment under the cost method	749,506.10	700,000.00
Investment income from long-term equity investment under the equity method	38,033,001.61	677,198.66
Gain on disposal of long-term equity investments	13,353,259.63	78,321,740.78
Investment income from held-for-trading financial assets	3,533,284.04	2,044,564.39
Investment income from held-to-maturity investments	-	639,123.29
Investment income from available-for-sale financial assets	9,566,721.00	4,230,000.00
Gain on disposal of held-for-trading financial assets	-26,221,825.24	-60,056,666.89
Gain on disposal of available-for-sale financial assets	-46,047,528.96	45,949,614.89
Others	-	622,545.00
Total	<u>-7,033,581.82</u>	<u>73,128,120.12</u>

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

Investees	2013	2012
Jiangsu Hongyuan Company Limited	350,000.00	200,000.00
Qingdao Textile Machinery Company Limited	300,000.00	
AVIC CAPITAL Company Limited	99,506.10	
BSI Management Systems Certification (Beijing) Company Limited		500,000.00
Total	<u>749,506.10</u>	<u>700,000.00</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Investment income (continued)

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

investees	2013	2012
Beijing Hang Tang Wealth Investment Management Company Limited	22,226,077.24	13,922,967.41
Jingwei Machinery (Group) Company Limited	3,248,743.37	2,842,875.83
Hongda Research Company Limited	-4,130,874.42	165,091.53
Xianyang Jingwei Machinery Manufacture Company Limited	-10,771,451.34	-1,081,369.01
China Texmatech Company Limited	10,669,747.16	82,948.57
Anhui Huamao Jingwei New Type Textile Company Limited	-	-8,196,357.86
Hi tech world (International) Co. Ltd	-	-6,895,883.35
Shenzhen Huarong Equity Investment and Fund Management Company Limited	4,577,676.79	1,479,716.83
Shanghai Rongling Equity Investment and Fund Management Enterprise (Limited Partnership)		29,386.65
Xinhu Wealth Company Limited	14,253,617.03	-1,672,177.94
Jinzhong Jingwei Yu Xin Machinery Company Limited	-187,909.75	
Rueiyuan Baoxing Fund Management Company Limited	-553.71	
Zhongrong Kangjian Capital Management (beijing) Company Limited	-20,352.16	
Suizhou Jina Fu Construction Machinery Services Company Limited	-1,831,718.60	
Total	<u>38,033,001.61</u>	<u>677,198.66</u>

48. Assets impairment

Items	2013	2012
1. Provision for doubtful debts	8,646,256.70	52,646,708.39
2. Write down of inventories	16,488,812.53	5,801,503.86
Total	<u>25,135,069.23</u>	<u>58,448,212.25</u>

49. Non-operating income

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

Items	2013	2012	Included in the current non-recurring items
1. Gains on disposal of non-current assets	27,382,804.47	36,196,783.41	27,382,804.47
Including: Gains on disposal of fixed assets	26,339,326.20	36,196,783.41	26,339,326.20
Gains on disposal of Intangible assets	1,043,478.27		1,043,478.27
2. Receipt from debt restructuring	1,028,842.54	2,529,961.84	1,028,842.54
3. Government grants	41,047,615.32	46,799,833.43	41,047,615.32
4. Others	21,648,586.34	35,518,954.13	21,648,586.34
Total	<u>91,107,848.67</u>	<u>121,045,532.81</u>	<u>91,107,848.67</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**49. Non-operating income****(2) Government grants**

Items	2013	2012	non-recurring items(Yes/No)
Xiaoting mechanical engineering construction subsidies allocated CMC waiver of land use tax, property tax contributed in 2012	5,681,120.00		Yes
Relocation subsidies	2,514,970.94	2,605,694.09	Yes
Carbon fiber multilayer Angle league woven equipment and technology research and development program subsidies	3,350,000.00	2,250,000.00	Yes
Innovative Technology Center Capacity Building Project	1,500,000.00		Yes
Discrete Manufacturing Process Manufacturing IOT project	1,435,000.00		Yes
Science and technology project grant funds	1,400,000.00		Yes
VAT Refund	2,491,569.79	4,405,145.53	Yes
Others	20,436,168.48	37,538,993.81	Yes
Total	41,047,615.32	46,799,833.43	

50. Non-operating expenses

Items	2013	2012	Included in the current non-recurring items
1. Loss on disposal of non-current assets	3,610,553.24	4,414,968.86	3,610,553.24
Including: Loss on disposal of fixed assets	3,137,312.96	4,414,968.86	3,137,312.96
Loss on disposal of intangible assets	473,240.28		473,240.28
2. Loss from debt restructuring	4,101.50	395,101.87	4,101.50
3. Donations	2,390,750.00	598,000.00	2,390,750.00
4. Compensation, liquidated damages and penalties	1,291,642.16	4,730,465.82	1,291,642.16
5. Others	3,250,228.62	4,459,903.22	3,250,228.62
Total	10,547,275.52	14,598,439.77	10,547,275.52

51. Income tax

Items	2013	2012
Current tax expense	824,648,158.51	618,656,585.14
Deferred tax expense	-130,355,159.08	-105,285,473.35
Total	694,292,999.43	513,371,111.79

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Basic earnings per share and diluted earnings per share calculation

Basic EPS = $P \div S = P / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k)$ Where: P refers to net profit attributable to ordinary shareholders and net profit (excluding non-operating 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; S_i refers to the increases of shares due to right issue or debt to equity; S_j refers to the decreases of shares due to shares repurchase; S_k 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; M_i refers to the amount of months from the next month of that increase of shares to the end of the period; M_j refers to the amount of months from the next month of that decrease of shares to the end of the period;

Diluted EPS = $P_1 / (S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{increase of weighted average amount of ordinary shares due to warrant, share option or convertible bond})$. Where: P₁ refers to net profit attributable to ordinary shareholders and net profit (exclusive of non-operating profit or loss) attributable to ordinary shareholders, consider the effects of the dilution potential ordinary shares and modulate it according to “Enterprise Accounting Principle” and the relevant regulations. When calculating the diluted earnings per share, all effects of diluted potential ordinary shares on P₁ and weighted average shares shall be taken into consideration. The dilution potential ordinary shares shall be included in diluted EPS according to the degree of dilution in descending order, until the diluted earnings per share reach the minimum amount.

53. Other comprehensive income

Items	2013	2012
1. Fair value loss on available-for-sale financial assets	-150,015,857.45	-2,697,011.16
Less: Income tax effect arising from available-for-sale financial assets	-37,503,964.36	-674,252.79
Sub-total	-112,511,893.09	-2,022,758.37
2. Share of other comprehensive income in investee under the equity method	67,484.93	-1,165,903.32
Sub-total	67,484.93	-1,165,903.32
3. Exchange differences arising on translation of financial statements of foreign subsidiaries	-205,912.35	-75,767.23
Sub-total	-205,912.35	-75,767.23
4. Others	1,980,000.00	-71,164.20
Sub-total	1,980,000.00	-71,164.20
Total	<u>-110,670,320.51</u>	<u>-3,335,593.12</u>

54. Notes to the consolidated cash flow statement

(1) Other cash receipts relating to operating activities

Items	Amounts
Proceeds from other companies	124,509,226.60
Government grants	62,881,765.02
Interest income	13,614,910.68
Customs security deposit received from Qingdao Liuting Airport	5,127,022.88
Others	18,198,760.76
Total	<u>224,331,685.94</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**54. Notes to the consolidated cash flow statement (continued)****(2) Other cash payments relating to operating activities**

Items	Amounts
Including: Agency and consultancy service expenses	325,059,454.78
Rental expenses	85,115,484.84
Travelling expenses	74,811,958.45
Current account to pay other companies	53,635,191.60
Business entertainment expenses	47,375,483.90
Goods delivery expenses	39,537,136.16
Office expenses	33,359,478.31
Research and development expenses	28,973,472.37
Agency expenses	28,038,198.29
Repair and maintenance expenses	17,927,825.74
Labor union expense	16,624,412.56
Water, electricity and heat expenses	15,368,223.68
Meeting expenses	15,235,366.45
Business operating expenses	13,604,821.04
Sales services expenses	6,869,664.25
Exhibition expenses	6,564,765.96
Advertisement and Promotion expenses	3,928,457.25
Insurance expenses	2,851,173.53
Others	8,793,678.28
	<hr/>
Total	<u>823,674,247.44</u>

(3) Other cash payments relating to investing activities

Items	Amounts
Net cash outflow of disposal of subsidiaries	<u>821,707.43</u>
Total	<u>821,707.43</u>

(4) Other cash payments relating to financing activities

Items	Amounts
Cash payment for finance leases	35,420,233.02
Cash payment for purchase of NCI	7,197,703.39
Underwriting fees of interim-bill receivables	3,600,000.00
	<hr/>
Total	<u>46,217,936.41</u>

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Supplementary information of the consolidated cash flow statement

(1) Supplementary information of the consolidated cash flow statement

Supplementary information	2013	2012
1. Adjust the net income to cash flows from operating activities	-	-
Net profit	1,781,155,687.46	1,382,127,656.76
Add: Impairment losses	25,135,069.23	58,448,212.25
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	156,150,718.52	130,907,759.19
Amortization of intangible assets	29,051,423.28	20,861,890.90
Amortization of long-term deferred payment	16,137,323.10	14,070,845.44
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain expressed in "-")	-23,772,251.23	-31,781,814.55
Loss on fair value changes (gain expressed in "-")	11,122,873.20	-43,783,411.62
Finance cost (gain expressed in "-")	160,053,960.57	154,530,590.94
Investment losses (gain expressed in "-")	7,033,581.82	-73,128,120.12
Decrease in deferred tax assets (increase expressed in "-")	-130,355,159.08	-105,285,473.35
Decrease in inventories (increase expressed in "-")	-123,136,160.01	58,615,166.79
Decrease in trade and other receivables (increase expressed in "-")	-204,283,229.02	115,547,603.36
Increase in trade and other payables (decrease expressed in "-")	665,397,674.92	103,663,565.26
Others	6,777,528.68	6,860,587.39
	<u>2,376,469,041.44</u>	<u>1,791,655,058.64</u>
2. Investing and financing activities not involved in cash receipts and payments	-	-
3. Net changes in cash and cash equivalents	-	-
Closing balance of cash	9,314,093,479.56	6,456,694,048.29
Less: Opening balance of cash	6,456,694,048.29	3,807,850,611.00
	<u>2,857,399,431.27</u>	<u>2,648,843,437.29</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VI) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**55. Supplementary information of the consolidated cash flow statement (continued)****(2) Details of acquisition and disposal of subsidiaries and other business units**

Supplementary information	2013	2012
(I) Acquisition of subsidiaries and other business units	–	–
(i) Consideration on acquisition of subsidiaries and other business units	26,676,261.40	13,424,371.66
(ii) Cash and cash equivalents paid for acquisition of subsidiaries and other business units	26,676,261.40	12,675,371.66
Less: Cash and cash equivalents held by the subsidiaries and other business units	21,133,254.39	4,147,197.09
(iii) Net cash inflow on acquisition of subsidiaries and other business units	5,543,007.01	8,528,174.57
(iv) Net assets on acquisition of subsidiaries	55,288,635.75	9,930,918.56
Current assets	54,946,091.89	55,986,185.52
Non-current assets	16,253,382.57	19,367,169.57
Current liabilities	15,416,354.92	43,111,901.10
Non-current liabilities	494,483.79	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	35,636,482.52	82,360,000.00
(ii) Cash and cash equivalents received from disposal of the subsidiary and other business units		41,200,000.00
Less: Cash and cash equivalents held by the subsidiary and other business units	821,707.43	113,223.41
(iii) Net cash inflow received on disposal of the subsidiaries and other business units		41,086,776.59
(iv) Net assets on disposal of the subsidiary	34,622,647.42	30,321,410.75
Current assets	84,951,929.97	113,223.41
Non-current assets	4,518,138.15	73,703,907.14
Current liabilities	33,718,985.38	43,495,719.80
Non-current liabilities	21,128,435.32	
(3) Constitution of Cash and cash equivalents		
Items	31-Dec-2013	1-Jan-2012
Cash	9,314,093,479.56	6,456,694,048.29
Including: Cash on hand	918,176.25	958,851.87
Cash at bank that can be readily withdrawn on demand	9,293,184,494.33	6,440,035,225.72
Other monetary fund that can be readily withdrawn on demand	19,990,808.98	15,699,970.70
Closing balance of Cash and cash equivalents	9,314,093,479.56	6,456,694,048.29

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VII) RELATED PARTIES AND TRANSACTIONS
1. Details of the ultimate holding company

Name of Company	Relationship	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	Controlling 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

2. Details of subsidiaries at 31 December 2013 are as follows:

Name of subsidiaries	Type of subsidiary	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding (%)	Percentage of voting right held (%)	Organization code
China Hi-Tech (International) Limited	Holding Subsidiary	Limited Liability Company	Hong Kong	Ye Maoxin	Equity Investment	HKD10,000.00	100.00	100.00	
CHTC Europe Holding B. V.	Holding Subsidiary	Limited Liability Company	Nederland	Ye Maoxin	Equity Investment	EUR1,500,002.04	100.00	100.00	
Ginaf Trucks Nederland B. V.	Holding Subsidiary	Limited Liability Company	Nederland	Ye Maoxin	Automobile	EUR2,000,000.00	100.00	100.00	
DURABUS, Proizvodnja vozil, d.o.o	Holding Subsidiary	Limited Liability Company	Slovenia	Harm Prins	Automobile	EUR2,600,000.00	51.00	51.00	
JW-PROTTI MACCHINE TESSILI S.R	Holding Subsidiary	Limited Liability Company	Italy	Yao Yuming	T&M	EUR1,000,000.00	94.05	94.05	
Anshan Jingwei Haihong Agricultural Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Anshan	Shi Jinen	A&M	40,000,000.00	51.00	51.00	68007495-0
Beijing Jingpeng Investment Management Company Limited	Holding Subsidiary	Limited Liability Company	Beijing	Yao Yuming	Investment Management	100,000,000.00	100.00	100.00	10256839-3
Beijing Jingwei Textile Machinery New Technology Company Limited	Holding Subsidiary	Limited Liability Company	Beijing	Yao Yuming	T&M	100,000,000.00	100.00	100.00	70024399-4
Beijing Jingwei Huaqing Medical Technology Company Limited	Holding Subsidiary	Limited Liability Company	Beijing	Sun Yinghui	M&D	1,000,000.00	100.00	100.00	05358949-6
Beijing Zhongrong Dingxin Investment Management Company Limited	Holding Subsidiary	Limited Liability Company	Beijing	Zhang Dong	Equity Investment	100,000,000.00	100.00	100.00	58766588-7
Changde Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Changde	Yao Yuming	T&M	42,350,000.00	95.00	95.00	73474692-8
SSGA Fund Management Company Limited	Holding Subsidiary	Limited Liability Company	Beijing	Du Songlei	Fund Management	300,000,000.00	51.00	51.00	71788536-0
SSGA Asset Management Company Limited	Holding Subsidiary	Limited Liability Company	Beijing	Du Songlei	Asset Management	50,000,000.00	100.00	100.00	07851779-8
China Hi-Tech New Energy Automobile Company Limited	Holding Subsidiary	Limited Liability Company	Hong Kong	Ye Maoxin	Equity Investment	HKD5,000,000.00	100.00	100.00	
Hengtian Motor Vehicles Co., Limited	Holding Subsidiary	Company Limited by Shares	Suizhou	Ye Maoxin	Auto Sales	50,000,000.00	100.00	100.00	57371112-5
Hubei Hengtian Motor Co., Ltd	Holding Subsidiary	Limited Liability Company	Suizhou	Li Wei	Automobile Manufacturing	43,550,000.00	60.00	60.00	58822497-9
Hubei Xinchufeng Automobile Company Limited	Holding Subsidiary	Company Limited by Shares	Suizhou	Zou Xinguo	Automobile Manufacturing	311,420,000.00	80.28	80.28	79876653-0
Huangshi Hi-Tech Jingwei Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Huangshi	Li Ning	T&M	10,000,000.00	92.86	92.86	08092235-4

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VII) RELATED PARTIES AND TRANSACTIONS (CONTINUED)

2. Details of subsidiaries at 31 December 2013 are as follows: (continued)

Name of subsidiaries	Type of subsidiary	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding (%)	Percentage of voting right held (%)	Organization code
Huangshi Jingwei Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Huangshi	Liu Xianming	T&M	32,000,000.00	45.00	85.00	17841272-3
Jinzhong Jingwei Hengxin Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	T&M	7,900,000.00	51.00	51.00	11277614-5
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	T&M	31,000,000.00	65.48	65.48	74350587-8
Jingwei Textile Machinery Yuci Material Company Limited	Holding Subsidiary	Limited Liability Company	Jinzhong	Ren Yansheng	Metallurgy and metal material suppliers	5,000,000.00	99.92	100.00	11278984-3
Jingwei Tsudakoma (Xianyang) Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Xianyang	Cheng Jianrong	T&M	126,000,000.00	51.00	51.00	05477472-2
Qingdao Hongda Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Qingdao	Yao Yuming	T&M	114,000,000.00	97.66	97.66	71376206-4
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Holding Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	T&M special parts manufacturing	40,000,000.00	89.65	89.65	11274383-7
Shanxi Jingwei Heli Machinofacture Company Limited	Holding Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	Mechanical and Electrical Products Manufacturing	100,000,000.00	39.83	69.83	11278606-0
Shanxi Jingwei Precision Machinofacture Company Limited	Holding Subsidiary	Limited Liability Company	Jinzhong	Wu Xudong	Casting Mold Manufacturing	25,000,000.00	68.80	68.80	69223011-3
Shanghai Chuangan Trading Company Limited	Holding Subsidiary	Limited Liability Company	Shanghai	Yao Yuming	Needle Textile Sales	5,000,000.00	96.94	96.94	70336610-5
Shanghai Huayuan Hyperthermia Technology Company Limited	Holding Subsidiary	Limited Liability Company	Shanghai	Yao Yuming	M&D	20,000,000.00	51.00	51.00	76839464-1
Shanghai Jingwei PROTTI Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Shanghai	Zhang Xinmin	T&M	50,000,000.00	100.00	100.00	72944813-3
Shanghai Shenxin Medical Machinery Technology Company Limited	Holding Subsidiary	Limited Liability Company	Shanghai	Sun Yinghui	M&D	2,000,000.00	100.00	100.00	59316468-3
Shanghai WSP Mould and Injection Plastic Company Limited	Holding Subsidiary	Limited Liability Company	Shanghai	Lin Jianwang	Precision injection plastic parts manufacturing	5,256,800.00	50.00	100.00	74929286-9
Shanghai Weixin Electrical and Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Shanghai	Yao Yuming	T&M	16,000,000.00	100.00	100.00	60727498-0
Shenyang Hongda Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Shenyang	Wang Yu	T&M	81,994,300.00	98.00	98.00	71579925-8
Shenyang Hongda Huaming Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Shenyang	Wang Yu	T&M	40,000,000.00	98.50	100.00	77481871-1
Taiyuan Jingwei Electric Equipment Company Limited	Holding Subsidiary	Limited Liability Company	Taiyuan	Yang Deming	Machine tool control manufacturing	5,000,000.00	100.00	100.00	60207789-X
Tianjin Hongda Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Tianjin	Yao Yuming	T&M	96,084,000.00	100.00	100.00	71294571-5
Tianjin Jingwei New Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Tianjin	Yao Yuming	T&M	16,000,000.00	100.00	100.00	77732301-X
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Holding Subsidiary	Limited Liability Company	Wuxi	Xiong Jianlin	T&M special parts manufacturing	20,000,000.00	35.00	86.20	13589190-4
Wuxi Jingwei Textile Machinery Sales Service Company Limited	Holding Subsidiary	Limited Liability Company	Wuxi	Shi Jianping	T&M	1,000,000.00	100.00	100.00	77050566-2
Wuxi Jingwei Textile Technology Testing Company Limited	Holding Subsidiary	Limited Liability Company	Wuxi	Lin Jianwang	Cotton yarn manufacturing	49,530,000.00	100.00	100.00	75000921-5
Xianyang Jingwei Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Xianyang	Cheng Jianrong	T&M	50,000,000.00	97.36	97.36	56375549-0
Hongkong Huaming Co. Ltd	Holding Subsidiary	Limited Liability Company	HongKong	Ye Maoxin	T&M Accessories Sales	USD 7,700,000.00	100.00	100.00	
Yichang Jingwei Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Yichang	Yao Yuming	T&M	20,000,000.00	100.00	100.00	79591603-8
Yichang Jingwei Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Yichang	Yao Yuming	T&M	80,000,000.00	100.00	100.00	59146114-X
Zhengzhou Hongda New Textile Machinery Company Limited	Holding Subsidiary	Limited Liability Company	Zhengzhou	Shi Jianping	T&M	74,500,000.00	98.00	98.00	71676538-3
Zhongrong International Trust Company Limited	Holding Subsidiary	Limited Liability Company	Harbin	Liu Yang	Trust	1,600,000,000.00	37.47	70.46	12704434-2
Fuzhou Haolian Medical Technology Company Limited	Holding Subsidiary	Limited Liability Company	Fuzhou	Sun Yinghui	M&D	HKD38,805,000.00	48.46	48.46	66508930-2



Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VII) RELATED PARTIES AND TRANSACTIONS (CONTINUED)**3. Details of joint ventures and associates**

Name of Investee	Type	Place of incorporation	Legal representative	Principal activities	Registered capital	Percentage of shareholding	Percentage of voting held	Relationship	Organization code
(1) Joint Venture									
(2) Associate									
China Texmatech Company Limited	Limited Liability Company	Beijing	Zhu Baolin	Import and export of textile machinery	120,000,000.00	25.00%	25.00%	Associate	10000283-9
Hongda Research Company Limited	Limited Liability Company	Beijing	Liu Yujun	Sales, R&D of T&M products	50,000,000.00	40.00%	40.00%	Associate	72634111-1
Jingwei Machinery (Group) Company Limited	Limited Liability Company	Jinzhong	Wu Xudong	Production & sales of textile machinery	42,480,000.00	18.83%	18.83%	Associate	11273104-3
Beijing HangTang WealthInvestment Management Company Limited	Limited Liability Company	Beijing	Liang Yue	Investment Management	50,000,000.00	20.00%	20.00%	Associate	56952241-X
Xianyang Jingwei Textile Machinery Company Limited	Limited Liability Company	Xianyang	Cheng Jianrong	T&M	75,079,600.00	25.00%	25.00%	Associate	71350210-7
Anhui Huamao Jingwei New Textile Company Limited	Limited Liability Company	Anqing	Zhan Lingzhi	Production & sales of Textile machinery	50,000,000.00	25.00%	25.00%	Associate	77497496-8
Shenzhen Huarong Equity Investment and Fund Management Company Limited	Limited Liability Company	Shenzhen	Xie Wei	Investment Management	10,000,000.00	49.00%	49.00%	Associate	57636934-5
Xinhu Fortune Investment Management Company Limited	Limited Liability Company	Beijing	Qu Guang	Investment Management	65,000,000.00	23.08%	23.08%	Associate	58255583-0
Ruiyuan Baoxing Fund Management Company Limited	Limited Liability Company	Shenzhen	Yu Yuanxiang	Equity Investment	4,000,000.00	49.00%	49.00%	Associate	07110458-7
Zhongrong Kangjian Capital Management (Beijing) Company Limited	Limited Liability Company	Beijing	Yu Bo	Asset Management	2,000,000.00	49.00%	49.00%	Associate	07663132-7
Shanghai Rongou Equity Investment and Fund Management Company Limited	Limited Liability Company	Shanghai	Mi Boshi	Equity Investment	10,000,000.00	40.00%	40.00%	Associate	08410624-X
Jinzhong Jingwei Yuxin Machinery Company Limited	Limited Liability Company	Jinzhong	Bao Zhi	T&M	5,000,000.00	20.00%	20.00%	Associate	08097373-3
Suizhou Ginaf Mechanical Engineering Service Company Limited	Limited Liability Company	Suizhou	Li Qiang	Mechanical Engineering Service	15,000,000.00	40.00%	40.00%	Associate	06611279-3

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	186481286
State-run Yichang Textile Machinery Factory	Company controlled by the same parent company	17921223X
Hongda Industrial Corporation Limited	Company controlled by the same parent company	710925710
Wuxi Textile Machinery Research Institute	Company controlled by the same parent company	46628536X
Xianyang Textile Machinery Factory	Company controlled by the same parent company	220524623
Yichang Zhongfang Hotel	Company controlled by the same parent company	179212395
Yichang Zhongfang Industry Company Limited	Company controlled by the same parent company	71469741X
China Textile Machinery Industry Corporation Sales Technology Service Company	Company controlled by the same parent company	101476286
Beijing Bohong Real Estate Development Company Limited	Company controlled by the same actual controller	80294840X
Chifeng Huayuan Wool Industry Company Limited	Company controlled by the same actual controller	701280084
Handan Hongda Chemical Fiber Machinery Company Limited	Company controlled by the same actual controller	715835167
Hang Tang Real Estate Company Limited	Company controlled by the same actual controller	717825763
CHTC Heavy Industry Company Limited	Company controlled by the same actual controller	739080782
Hengyang Textile Machinery Company Limited	Company controlled by the same actual controller	18500076X



Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(VII) RELATED PARTIES AND TRANSACTIONS (CONTINUED)**5. Related party transactions****(1) Purchases of goods and services for related party transactions***Currency unit: yuan*

Relationship	Details	Pricing strategy	2013		2012	
			Amount	Proportion	Amount	Proportion
Associate	Purchases of tools and molds	Agreement price	5,237,401.37	100.00%	5,679,821.71	100.00%
Total			<u>5,237,401.37</u>	<u>100.00%</u>	<u>5,679,821.71</u>	<u>100.00%</u>
Companies in which key personnel of subsidiaries have significant influence	Purchases of casting	Agreement price	40,225,578.54	100.00%	38,941,793.70	100.00%
Total			<u>40,225,578.54</u>	<u>100.00%</u>	<u>38,941,793.70</u>	<u>100.00%</u>
Companies controlled by actual controlling company	Purchases of kinetic energy	Agreement price	27,759.02	100.00%	0.00	0.00%
Companies over which key personnel of subsidiaries have significant influence	Purchases of kinetic energy	Agreement price	0.00	0.00%	1,279,347.57	100.00%
Total			<u>27,759.02</u>	<u>100.00%</u>	<u>1,279,347.57</u>	<u>100.00%</u>
Associate	Purchases of packaging materials	Agreement price	21,794.87	0.12%	6,538.46	0.03%
Companies over which key personnel of subsidiaries have significant influence	Purchases of packaging materials	Agreement price	17,726,698.80	99.88%	22,771,911.02	99.97%
Total			<u>17,748,493.67</u>	<u>100.00%</u>	<u>22,778,449.48</u>	<u>100.00%</u>
Companies controlled by the same parent company	Purchases of raw materials and parts	Agreement price	4,609,474.76	1.29%	2,382,526.13	0.86%
Companies controlled by actual controlling company	Purchases of raw materials and parts	Agreement price	33,280.67	0.00%	565,229.38	0.20%
Associate	Purchases of raw materials and parts	Agreement price	129,735,852.26	36.25%	82,811,436.27	29.87%
Companies in which key personnel of subsidiaries have significant influence	Purchases of raw materials and parts	Agreement price	223,554,747.21	62.46%	191,497,506.31	69.07%
Total			<u>357,933,354.90</u>	<u>100.00%</u>	<u>277,256,698.09</u>	<u>100.00%</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VII) RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

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

Currency unit: yuan

Relationship	Details	Pricing strategy	2013		2012	
			Amount	Proportion	Amount	Proportion
Companies controlled by actual controlling company	Purchases of finished goods	Agreement price	402,658,819.22	91.44%	291,721,352.71	85.94%
Companies in which key personnel of subsidiaries have significant influence	Purchases of finished goods	Agreement price	37,714,378.65	8.56%	47,738,496.49	14.06%
Total			440,373,197.87	100.00%	339,459,849.20	100.00%
Companies controlled by the same parent company	Payment of processing fees	Agreement price	42,808.81	0.28%	48,328.20	1.71%
Associate	Payment of processing fees	Agreement price	9,311.68	0.06%	806,033.26	28.46%
Companies in which key personnel of subsidiaries have significant influence	Payment of processing fees	Agreement price	15,337,274.71	99.66%	1,977,394.20	69.83%
Total			15,389,395.20	100.00%	2,831,755.66	100.00%
Companies controlled by the same parent company	Purchases of raw materials and parts	Agreement price	3,241,695.93	100.00%	2,855,479.21	98.08%
Associate	Transportation services expenses	Agreement price	0.00	0.00%	55,959.83	1.92%
Total			3,241,695.93	100.00%	2,911,439.04	100.00%
Companies controlled by the same parent company	Repair and maintenance expenses	Agreement price	188,323.09	4.36%	2,516,188.55	25.19%
Associate	Repair and maintenance expenses	Agreement price	4,133,562.08	95.64%	7,473,035.48	74.81%
Total			4,321,885.17	100.00%	9,989,224.03	100.00%
Companies controlled by the same parent company	Other supporting service expenses	Agreement price	4,174,783.08	60.37%	4,174,783.08	57.03%
Companies controlled by actual controlling company	Other supporting service expenses	Agreement price	45,523.85	0.66%	50,000.00	0.68%
Associate	Other supporting service expenses	Agreement price	609,887.16	8.82%	751,672.14	10.27%
Companies in which key personnel of subsidiaries have significant influence	Other supporting service expenses	Agreement price	2,084,839.92	30.15%	2,342,277.12	32.00%
Total			6,915,034.01	100.00%	7,318,732.34	100.00%

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(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

Currency unit: yuan

Relationship	Details	Pricing strategy	2013		2012	
			Amount	Proportion	Amount	Proportion
Companies controlled by actual controlling company	Sales of finished goods	Agreement price	43,269,437.03	5.21%	22,983,573.19	4.63%
Associate	Sales of finished goods	Agreement price	786,365,336.80	94.66%	472,743,178.14	95.22%
Companies in which key personnel of subsidiaries have significant influence	Sales of finished goods	Agreement price	1,082,226.75	0.13%	754,700.85	0.15%
Total			<u>830,717,000.58</u>	<u>100%</u>	<u>496,481,452.18</u>	<u>100%</u>
Companies controlled by the same parent company	Sales of raw materials and parts	Agreement price	10,920.43	0.02%	0.00	0.00%
Companies controlled by actual controlling company	Sales of raw materials and parts	Agreement price	3,020,458.37	4.25%	4,810,846.87	31.82%
Associate	Sales of raw materials and parts	Agreement price	58,033,973.14	81.59%	6,180,005.68	40.87%
Companies over which key personnel of subsidiaries have significant influence	Sales of raw materials and parts	Agreement price	10,062,727.65	14.14%	4,129,364.67	27.31%
Total			<u>71,128,079.59</u>	<u>100.00%</u>	<u>15,120,217.22</u>	<u>100.00%</u>
Associate	Charge of processing fees	Agreement price	326,613.44	100.00%	587,548.76	100.00%
Total			<u>326,613.44</u>	<u>100.00%</u>	<u>587,548.76</u>	<u>100.00%</u>
Companies controlled by the same parent company	Charge of supporting services	Agreement price	280,471.59	12.46%	308,426.38	13.36%
Associate	Charge of supporting services	Agreement price	1,970,989.86	87.54%	2,000,202.02	86.64%
Total			<u>2,251,461.45</u>	<u>100.00%</u>	<u>2,308,628.40</u>	<u>100.00%</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(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

Currency unit: yuan

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 Equipment	1 January 2011	31 December 2013	Agreement Price	2,726,441.08
Tianjin Hongda Textile Machinery Company Limited	Tianjin Textile Machinery Company Limited	Buildings	1 January 2013	31 December 2015	Agreement Price	1,836,000.00

(b) The Group as lessee

Currency unit: yuan

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	1 January 2013	31 December 2013	Agreement Price	2,436,050.39
Qingdao Textile Machinery Company Limited	Qingdao Hongda Textile Machinery Company Limited	Land use right	1 January 2011	31 December 2015	Agreement Price	2,844,216.00
Changde Textile Machinery Factory	Changde Textile Machinery Company Limited	Buildings	1 January 2013	31 December 2013	Agreement Price	252,000.00
CHTC Heavy Industry Company Limited	Jingwei Textile Machinery Company Limited	Buildings	1 January 2011	31 December 2013	Agreement Price	98,744.80

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VII) RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(3) Other details of related parties

a. Disposal of equity

Shanxi Jingwei Heli Machinofactory Company Limited, a subsidiary of the Company, transferred its 100% shareholding in Jinzhong Jingwei Heli Machinofactory Company Limited to Jinzhong Jingwei Yuxin Machinery Company Limited at a consideration of RMB14,439,550.23.

b. Purchase of equity

Jingwei Machinery Group Company Limited, an associate of the Company, transferred 60.00% of its shareholding in Shanghai Chuangan Trading Company Limited to the Company at a consideration of RMB10,770,000.00.

6. Amounts due from/to related parties

Accounts due from related parties of quoted company

Currency unit: yuan

Item	Relation	31-DEC-2013	Bad debt	1-JAN-2013	Bad debt
Accounts receivable	Ultimate holding company	63,998.00		63,998.00	
Accounts receivable	Companies controlled by the same parent company	140,641.73		147,641.73	
Accounts receivable	Companies controlled by actual controlling company	9,520,647.05		8,651,619.68	
Accounts receivable	Associates	138,368,967.59		85,427,532.15	
Accounts receivable	Companies in which key personnel of subsidiaries have significant influence	1,267,316.77		2,856,051.06	
Total		149,361,571.14		97,146,842.62	
Notes receivable	Companies controlled by the same parent company	0.00		250,000.00	
Notes receivable	Companies controlled by actual controlling company	3,976,250.00		400,000.00	
Notes receivable	Associates	48,639,315.09		27,682,677.44	
Notes receivable	Companies in which key personnel of subsidiaries have significant influence	2,439,000.00		3,680,000.00	
Total		55,054,565.09		32,012,677.44	
Advances to suppliers	Companies controlled by the same parent company	1,487,827.29		0.00	
Advances to suppliers	Companies controlled by actual controlling company	10,722,486.95		54,914,602.28	
Advances to suppliers	Associates	9,536,485.94		0.00	
Advances to suppliers	Companies in which key personnel of subsidiaries have significant influence	66,468,575.50		52,456,221.42	
Total		88,215,375.68		107,370,823.70	
Other receivables	Companies controlled by actual controlling company	44,093,718.56		41,160,000.00	
Other receivables	Associates	35,775,385.95		30,315,105.95	
Total		79,869,104.51		71,475,105.95	
Dividend receivable	Companies controlled by actual controlling company	2,880,000.00		2,880,000.00	
Dividend receivable	Associates	33,142,950.70		7,385,494.00	
Total		36,022,950.70		10,265,494.00	

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VII) RELATED PARTIES AND TRANSACTIONS (CONTINUED)

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

Accounts due to related parties of quoted company

Currency unit: yuan

Item	Relation	31-DEC-2013	1-JAN-2013
Accounts payable	The Company	6,301,379.63	6,301,379.63
Accounts payable	Companies controlled by the same parent company	4,090,000.00	3,280,787.80
Accounts payable	Companies controlled by actual controlling company	81,361,985.86	122,717,348.93
Accounts payable	Associates	39,563,942.99	74,167,051.59
Accounts payable	Companies in which key personnel of subsidiaries have significant influence	66,277,787.56	72,305,973.69
Total		<u>197,595,096.04</u>	<u>278,772,541.64</u>
Notes payable	Companies controlled by actual controlling company	0.00	50,000.00
Notes payable	Associates	0.00	410,220.00
Notes payable	Companies in which key personnel of subsidiaries have significant influence	55,090,011.12	58,026,300.00
Total		<u>55,090,011.12</u>	<u>58,486,520.00</u>
Advance from customers	Companies controlled by actual controlling company	797,737.00	5,700.00
Advance from customers	Associates	16,143,272.12	14,170,472.30
Advance from customers	Companies in which key personnel of subsidiaries have significant influence	7,772.86	0.00
Total		<u>16,948,781.98</u>	<u>14,176,172.30</u>
Other payable	The Company	20,231,020.72	20,231,020.72
Other payable	Companies controlled by the same parent company	22,151,507.75	15,657,241.63
Other payable	Companies controlled by actual controlling company	0.00	36,609,040.40
Other payable	Associates	10,741,412.94	352,755.76
Other payable	Companies in which key personnel of subsidiaries have significant influence	430,169.98	0.00
Total		<u>53,554,111.39</u>	<u>72,850,058.51</u>
Dividend payable	Companies controlled by the same parent company	3,593,498.60	2,901,357.98
Dividend payable	Companies controlled by actual controlling company	18,154.56	11,932.15
Dividend payable	Companies in which key personnel of subsidiaries have significant influence	69,003.63	38,806.67
Total		<u>3,680,656.79</u>	<u>2,952,096.80</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(VIII) CONTINGENCIES**1. Contingent liabilities and financial influences arising from debt guarantee provided for other companies**

- (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.
- (2) As at 31 December 2013, the Company has provided a joint liability guarantee for one year to Tianjin Jingwei New Type Textile Machinery Company Limited, a subsidiary of the Company, for a trade finance credit amount of RMB30,000,000.00, which was applied in China Citic Bank. Tianjin Hongda uses its building which values RMB31,850,000.00 as subject matter of counter guarantee. As at 31 December 2013, the Company has provided a joint liability guarantee for one year to Shenyang Hongda, a subsidiary of the Company, for a comprehensive line of credit amounted to RMB30,000,000.00, which was applied in China Merchants Bank. Meanwhile, Shenyang Hongda uses its building which values RMB20,890,000.00 and machinery equipments which value RMB 9,100,000.00 as subject matter of counter guarantee.

(IX) COMMITMENTS**1. Significant commitments****1. Capital commitments**

	31-DEC-2013	1-JAN-2013
Contracted but not recognized in the financial statements		
– Commitments in relation to acquisition and construction of long-term assets	209,080,699.24	141,361,322.09
Total	<u>209,080,699.24</u>	<u>141,361,322.09</u>

Note: The amount above represents capital expenditure in respect of the acquisition of fixed assets to be settled within next two years.

2. Finance lease commitments

At the balance sheet date, the Group has commitments in respect of non-cancellable finance leases which fall due as follows:

	31-DEC-2013	1-JAN-2013
Minimum lease payments under non-cancellable finance leases:		
The first year subsequent to the balance sheet date	24,605,603.90	34,211,939.73
The second year subsequent to the balance sheet date	254,137.07	25,835,728.58
The third year subsequent to the balance sheet date	178,620.43	74,608.87
Subsequent periods	250,513.21	
Total	<u>25,288,874.61</u>	<u>60,122,277.18</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(X) EVENTS AFTER THE END OF THE REPORTING PERIOD

1. Illustration of profits distribution after the end of the reporting period

Currency unit: yuan

Profits or dividends to be distributed	70,413,000.00
Approved and declared profits or dividends	70,413,000.00

2. Other events after the end of the reporting period

The board of directors of the Company has received an announcement on both 10 December 2013 and 20 February 2014, from China Hi-Tech Group Corporation which considered to acquire all shares that issued in SEHK (The Stock Exchange of Hong Kong Ltd.) through an offshore company. As at the end of the reporting period, it is still in progress and it has no influence on the financial statements of the year 2013.

(XI) OTHER SIGNIFICANT EVENTS

1. Lease

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

To be expired in	Minimum lease payments
Less than 1 year	24,605,603.90
1-2 years	254,137.07
2-3 years	178,620.43
Over 3 years	250,513.21
Total	25,288,874.61

(2) Minimum lease payments of operating lease as lessee:

To be expired in	Minimum lease payments
Less than 1 year	51,508,794.59
1-2 years	20,605,867.51
2-3 years	6,440,432.65
Over 3 years	43,216.60
Total	78,598,311.35

2. Assets and liabilities measured at fair value

Currency unit: yuan

Item	Opening balance	Gain or loss in fair value during the year	Cumulative fair value changes included in equity	Provision for impairment for current year	Closing balance
Financial assets					
1. Financial assets measured at fair value through profit and loss for the current period (derivative financial assets excluded)	276,665,724.16	-11,122,873.20			243,515,847.35
2. Available-for-sale financial assets	570,852,379.82		-112,511,893.09		376,788,993.41
Total	847,518,103.98	-11,122,873.20	-112,511,893.09		620,304,840.76
Financial liabilities					

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(XI) OTHER SIGNIFICANT EVENTS (CONTINUED)

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	107,327,039.60				33,020,372.29
Sub-total of financial assets	107,327,039.60				33,020,372.29
Financial liabilities	161,363,311.51				185,682,766.43

(XII) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Accounts receivable

Currency unit: yuan

Categories	31-DEC-2013				1-JAN-2013			
	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Significant balance under assessment of impairment individually	230,786,685.42	36.35%			256,191,590.18	43.13%	216,292.06	0.08%
Aggregate balance under assessment by category of:								
Aging analysis	389,809,150.50	61.40%	11,119,407.45	2.85%	310,129,856.57	52.19%	4,379,164.29	1.41%
Subtotal	389,809,150.50	61.40%	11,119,407.45	2.85%	310,129,856.57	52.19%	4,379,164.29	1.41%
Insignificant balance under assessment of impairment individually	14,259,901.76	2.25%	1,299,037.96	9.11%	27,812,734.69	4.68%	71,429.96	0.26%
Total	634,855,737.68	-	12,418,445.41	-	594,234,181.44	-	4,666,886.31	-

Significant balance under assessment of impairment individually:

The contents of accounts receivable

	Amount RMB
Jingwei Machinery (Group) Company Limited	26,019,653.54
Tumushuke Qianhai Cotton Textile Company Limited	40,902,840.20
Hengyang Tianjin Textile Company Limited	11,100,000.00
Tianjin Hongda Textile Machinery Company Limited	82,314,502.95
Shanxi Jingwei Heli Machinofacture Company Limited	39,991,886.34
Huangshi Jingwei Textile Machinery Company Limited	30,457,802.39
Total	230,786,685.42

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

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

1. Accounts receivable (continued)

(1) Accounts receivable (continued)

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

Currency unit: yuan

Aging	31-DEC-2013				1-JAN-2013			
	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Less than 1 year	352,735,438.38	90.49%			295,596,609.58	95.31%		
1-2 years	27,244,285.19	6.99%	5,448,857.03	20.00%	11,336,796.22	3.66%	2,267,359.24	20.00%
2-3 years	8,317,753.02	2.13%	4,158,876.51	50.00%	2,169,291.45	0.70%	1,084,645.73	50.00%
Over 3 years	1,511,673.91	0.39%	1,511,673.91	100.00%	1,027,159.32	0.33%	1,027,159.32	100.00%
Total	<u>389,809,150.50</u>	<u>-</u>	<u>11,119,407.45</u>		<u>310,129,856.57</u>	<u>-</u>	<u>4,379,164.29</u>	

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	8,834,055.58			N/A
China Texmatech Company Limited	2,021,631.20	58,308.76	2.88%	Part expected to be irrecoverable
Wuxi Jingwei Textile Machinery Sales Service Company Limited	1,896,743.28			N/A
Shijiazhuang Changshan Hengxin Textile Company Limited	710,108.00	710,108.00	100.00%	Expected to be irrecoverable
Handan Textile Company Limited	517,500.00	517,500.00	100.00%	Expected to be irrecoverable
Others	279,863.70	13,121.20	4.69%	Part expected to be irrecoverable
Total	<u>14,259,901.76</u>	<u>1,299,037.96</u>	-	-

(2) There are no accounts receivable due from shareholders who hold 5% or more of voting share power in the Company.

(3) Top five accounts receivable as at 31 December 2013

Name	Relationship with the Company	Balance	Period	Proportion
Tianjin Hongda Textile Machinery Company Limited	Subsidiary	82,314,502.95	Less than 2 years	12.97%
Shandong Ruyi Technology Group Company Limited	Customer	57,632,300.00	Less than 1 year	9.08%
Henan Xinye Textile Company Limited	Customer	45,045,000.00	Less than 1 year	7.10%
Tumushuke Qianhai Cotton Textile Company Limited	Customer	40,902,840.20	Less than 2 years	6.44%
Shanxi Jingwei Heli Machinofacture Company Limited	Subsidiary	39,991,886.34	Less than 2 years	6.30%
Total		<u>265,886,529.49</u>		<u>41.89%</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(XII) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**1. Accounts receivable (continued)****(4) Accounts receivable due from related parties***Currency unit: yuan*

Name	Relationship with the Company	Balance	Proportion
China Texmatech Company Limited	Associate	44,047,814.50	6.94%
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	Company controlled by the same actual controller	3,760,000.00	0.59%
Qingdao Textile Machinery Company Limited	Company controlled or influenced by key personnel	220,411.53	0.03%
FONG'S National Engineering (Shenzhen) Company Limited	Company controlled by the same actual controller	105,000.00	0.02%
Jingwei Mechanics (Group).Ltd Company	Associate	26,019,653.54	4.1%
Jingwei Mechanics (Group) General Machinery.Ltd Company	Associate	93,726.48	0.01%
Jinzhong Jingwei Yuxin Machinery Company Limited	Associate	94,252.38	0.01%
Hengyang Textile Machinery Company Limited	Company controlled by the same actual controller	266,742.50	0.04%
CHTC Heavy Industry Company Limited	Company controlled by the same actual controller	16,608.47	0.00%
Anhui Huamao Jingwei New Textile Company Limited	Associate	1,089.74	0.00%
Total		<u>74,625,299.14</u>	<u>11.74%</u>

2. Other receivables**(1) Other receivables**

	31-DEC-2013				1-JAN-2013			
	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Significant balance under assessment of impairment individually	634,775,047.49	67.97%			675,099,467.94	84.60%		
Aggregate balance under assessment by category of:								
Aging analysis	257,615,709.53	27.58%	291,486.00	0.11%	57,108,876.19	7.16%	207,454.67	0.36%
Subtotal	<u>257,615,709.53</u>	<u>27.58%</u>	<u>291,486.00</u>	<u>0.11%</u>	<u>57,108,876.19</u>	<u>7.16%</u>	<u>207,454.67</u>	<u>0.36%</u>
Insignificant balance under assessment of impairment individually	<u>41,585,387.13</u>	<u>4.45%</u>	<u>27,512.21</u>	<u>0.07%</u>	<u>65,763,067.87</u>	<u>8.24%</u>		
Total	<u>933,976,144.15</u>	<u>-</u>	<u>318,998.21</u>	<u>-</u>	<u>797,971,412.00</u>	<u>-</u>	<u>207,454.67</u>	<u>-</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

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

2. Other receivables (continued)

(1) Other receivables (continued)

Significant balance under assessment of impairment individually

Currency unit: yuan

The contents of other receivables	Amount RMB
Tianjin Hongda Textile Machinery Company Limited	264,945,012.39
Xianyang Jingwei Textile Machinery Company Limited	106,444,974.59
Wuxi Jingwei Textile Technology Testing Company Limited	58,795,188.00
Beijing Bohong Real Estate Development Company Limited	41,160,000.00
Qingdao Hongda Textile Machinery Company Limited	38,280,000.00
Beijing Jingwei Textile Machinery New Technology Company Limited	34,283,046.84
Yichang Jingwei Machinery Company Limited	26,741,942.01
Shanghai Huayuan Hyperthermia Technology Company Limited	26,292,547.21
Anhui Huamao Jingwei New Textile Company Limited	23,168,561.91
Aushan Jingwei Haihong Agricultural Machinery Company Limited	14,663,774.54
Total	<u>634,775,047.49</u>

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

Currency unit: yuan

Aging	31-DEC-2013				1-JAN-2013			
	Amount	Proportion	Provision for bad debt	Proportion	Amount	Proportion	Provision for bad debt	Proportion
Less than 1 year	256,963,377.82	99.75%			56,308,161.56	98.60%		
1-2 years	240,859.11	0.09%	48,171.82	20.00%	725,558.85	1.27%	145,111.77	20.00%
2-3 years	336,316.84	0.13%	168,158.42	50.00%	25,625.77	0.04%	12,812.89	50.00%
Over 3 years	75,155.76	0.03%	75,155.76	100.00%	49,530.01	0.09%	49,530.01	100.00%
Total	<u>257,615,709.53</u>	<u>-</u>	<u>291,486.00</u>		<u>57,108,876.19</u>	<u>-</u>	<u>207,454.67</u>	

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

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

2. Other receivables (continued)

(1) Other receivables (continued)

Insignificant balance under assessment of impairment individually

Currency unit: yuan

The contents of other receivables	Amount RMB	Provision for bad debt	Provision grounds
Beijing Liangyou Investment Management Company Limited	9,200,000.00		N/A
CMB financial leasing company limited	8,850,000.00		N/A
Shenyang Hongda Textile Machinery Company Limited	7,305,372.03		N/A
Shanghai Weixin Electrical and Machinery Company Limited	5,100,000.00		N/A
Shanghai Chuangan Trading Company Limited	3,800,000.00		N/A
Others	<u>7,330,015.10</u>	<u>27,512.21</u>	Part expected to be irrecoverable
Total	<u>41,585,387.13</u>	<u>27,512.21</u>	

(2) There are no other receivables due from shareholders with 5% or more voting share power in the Company.

(3) Top five other receivables as at 31 December 2013

Currency unit: yuan

Name	Relationship with the Company	Balance	Period	Proportion
Tianjin Hongda Textile Machinery Company Limited	Subsidiary	264,945,012.39	Less than 5 years	28.37%
Hubei Xinchufeng Automobile Company Limited	Subsidiary	163,894,867.33	Less than 1 year	17.55%
Xianyang Jingwei Textile Machinery Company Limited	Subsidiary	106,444,974.59	Less than 2 years	11.40%
Wuxi Jingwei Textile Technology Testing Company Limited	Subsidiary	58,795,188.00	Less than 4 years	6.30%
Beijing Bohong Real Estate Development Company Limited	Company controlled by the same actual controller	<u>41,160,000.00</u>	Less than 2 years	<u>4.41%</u>
Total		<u>635,240,042.31</u>		<u>68.03%</u>

(4) Other receivables due from related parties

Name	Relationship with the Company	Balance	Proportion
Xianyang Jingwei Textile Machinery Company Limited	Associate	8,460,280.00	0.91%
Anhui Huamao New Textile Company Limited	Associate	23,168,561.91	2.48%
Beijing Bohong Real Estate Development Company Limited	Company controlled by the same actual controller	41,160,000.00	4.41%
CHTC Heavy Industry Company Limited	Company controlled by the same actual controller	<u>119,718.56</u>	<u>0.01%</u>
Total		<u>72,908,560.47</u>	<u>7.81%</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(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 2013	Increase (decrease) during the year	As at 31 December 2013	Proportion of ownership (%)	Proportion of voting (%)	Explanation of inconsistency in proportion of ownership and voting in investee	Provision for impairment loss	Impairment for the year	Cash dividends
1. Equity method											
China Texmatech Company Limited	Equity method	30,000,000.00	57,875,797.98	8,503,955.06	66,379,753.04	25.00	25.00				957,456.70
Hongda Research Company Limited	Equity method	20,000,000.00	12,052,557.35	-4,130,874.42	7,921,682.93	40.00	40.00				
Jingwei Mechanics (Group) Ltd Company	Equity method	8,000,000.00	11,351,892.20	2,124,652.91	13,476,545.11	18.83	18.83				1,200,000.00
Beijing Hang Tang Wealth Investment Management Company Limited	Equity method	10,000,000.00	24,519,984.91	-6,373,922.76	18,146,062.15	20.00	20.00				28,600,000.00
Xianyang Jingwei Textile Machinery Company Limited	Equity method	7,102,828.08	6,050,439.76	-6,050,439.76	24.33	24.33					
2. Cost method											
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				19,915,514.00
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				304,898.23
Shenyang Hongda Textile Machinery Company Limited	Cost Method	69,580,000.00	92,076,407.00		92,076,407.00	98.00	98.00				1,479,650.96
Tianjin Hongda Textile Machinery Company Limited	Cost Method	76,930,000.00	88,237,953.00		88,237,953.00	98.00	98.00				443,826.40
Changle Textile Machinery Company Limited	Cost Method	29,644,900.00	35,279,928.00		35,279,928.00	70.00	70.00				9,609,968.74
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				
Tianjin Jingwei New Textile Machinery Company Limited	Cost Method	12,000,000.00	12,000,000.00		12,000,000.00	75.00	75.00				724,796.32
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 proportion of share holding in Wuxi Hongda Textile Machinery and Special Parts Company Limited held by the Company is less than 50%, but according to the Corporation Standard of "Wuxi Special Parts", the Company has over 50% of voting rights in the board of directors in "Wuxi Special Parts". That is to say, the Company is the actual controller of the board of directors.			500,000.00
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 Machinofacure Company Limited	Cost Method	37,197,703.39	39,288,285.00	7,197,703.39	46,485,988.39	39.83	69.83	The proportion of share holding in Shanxi Jingwei Heli Machinofacure Company Limited held by the Company is less than 50%, but according to the Corporation Standard of "Jingwei Heli", the Company has over 50% of voting rights in the board of directors in "Jingwei Heli". That is to say, the Company is the actual controller of the board of directors.			

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(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 2013	Increase (decrease) during the year	As at 31 December 2013	Proportion of ownership (%)	Proportion of voting (%)	Explanation of inconsistency in proportion of ownership and voting in investee	Provision for impairment loss	Impairment for the year	Cash dividends
2. Cost method (continued)											
Yichang Jingwei Textile Machinery Company Limited	Cost Method	15,000,000.00	15,000,000.00		15,000,000.00	75.00	75.00				
Beijing Jingpeng Investment Management Company Limited	Cost Method	96,000,000.00	96,000,000.00		96,000,000.00	96.00	96.00				936,630.24
Jingwei Textile Machinery Yuci Material Company Limited	Cost Method	4,960,000.00	5,000,000.00		5,000,000.00	99.20	99.20				93,394.56
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				481,246.56
Shanghai Chuangan Trading Company Limited	Cost Method	12,570,000.00	1,800,000.00	10,770,000.00	12,570,000.00	96.94	96.94				91,790.99
Hongkong Huaming Company 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	85.00	The proportion of share holding in Huangshi Jingwei Textile Machinery Company Limited held by the Company is less than 50%, but according to the Corporation Standard of "Huangshi Jingwei", there are 3 directors appointed by personnel of the Company among all the 5 directors. That is to say, the Company is the actual controller of the board of directors.	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				42,603.31
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 Company Limited	Cost Method	250,000,000.00	150,000,000.00	100,000,000.00	250,000,000.00	80.28	80.28				
Xianyang Jingwei Textile Machinery Company Limited	Cost Method	57,468,693.00	48,680,000.00		48,680,000.00	97.36	97.36				
Zhongrong International Trust Company Limited	Cost Method	2,063,145,321.62	1,585,565,021.62	477,580,300.00	2,063,145,321.62	37.47	70.46	The proportion of share holding in Zhongrong International Trust Company Limited held by the Company is less than 50%, but according to the Corporation Standard of "Zhongrong Trust", the Company has over 50% of voting rights in the board of directors in "Zhongrong Trust". That is to say, the Company is the actual controller of the board of directors.			91,500,000.00



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(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	As at 1		Increase (decrease) during the year	As at 31 December 2013	Proportion of ownership (%)	Proportion of voting (%)	Explanation of inconsistency in proportion of ownership and voting in investee	Provision for impairment loss	Impairment for the year	Cash dividends
		Cost	January 2013								
2. Cost method (continued)											
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 (Xiayang) Company Limited	Cost Method	64,260,000.00	64,260,000.00		64,260,000.00	51.00	51.00				
JW-PROTTI MACHINE TESSILI S.R	Cost Method	6,412,982.00		6,412,982.00	6,412,982.00	94.05	94.05				
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	100,000.00	5,312,000.00	100.00	100.00				
Shanghai Jingwei PROTTI Textile Machinery Company Limited	Cost Method	42,383,554.97	40,357,554.97		40,357,554.97	78.00	78.00				
Shanxi Jingwei Precision Machinery Manufacturing 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	23,451,313.00		23,451,313.00	65.48	65.48				
Jinzhong Jingwei Hengxin Machinery Company Limited	Cost Method	4,029,000.00	4,029,000.00		4,029,000.00	51.00	51.00				
Total		<u>3,378,575,505.15</u>	<u>3,027,542,227.39</u>	<u>596,134,356.42</u>	<u>3,623,676,583.81</u>	-	-		<u>-</u>	<u>-</u>	<u>156,961,777.01</u>



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(XII) NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**4. Operating revenue and operating cost****(1) Operating income/costs***Currency unit: yuan*

Item	2013	2012
Principal operating revenue	2,859,300,437.57	2,527,461,938.87
Other operating revenue	874,614,282.14	851,501,589.01
Total	<u>3,733,914,719.71</u>	<u>3,378,963,527.88</u>
Operating cost	<u>3,446,942,751.50</u>	<u>3,128,677,153.32</u>

(2) Classified by industry*Currency unit: yuan*

Industry name	2013		2012	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Textile machinery	2,859,300,437.57	2,640,976,822.34	2,527,461,938.87	2,316,067,632.22
Total	<u>2,859,300,437.57</u>	<u>2,640,976,822.34</u>	<u>2,527,461,938.87</u>	<u>2,316,067,632.22</u>

(3) Classified according to regions*Currency unit: yuan*

Region	2013		2012	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Domestic income	2,329,624,417.92	2,144,275,435.79	2,185,238,467.21	1,984,704,528.42
Oversea income	529,676,019.65	496,701,386.55	342,223,471.66	331,363,103.80
Total	<u>2,859,300,437.57</u>	<u>2,640,976,822.34</u>	<u>2,527,461,938.87</u>	<u>2,316,067,632.22</u>

(4) Top five customers for the year ended at 31 December 2013*Currency unit: yuan*

Customers	Operating income	Proportion
China Texmatech Company Limited	519,075,480.43	13.90%
Wuhan Dongfuhai Trading Company Limited	141,019,362.65	3.78%
Far Eastern International Leasing Company Limited	93,370,085.47	2.50%
Weifang Textile Industry Supply and Marketing Company Limited	81,531,833.08	2.18%
Henan Xinye Textile Company Limited	59,825,849.56	1.60%
Total	<u>894,822,611.19</u>	<u>23.96%</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

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

5. Investment income

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

Currency unit: yuan

Item	2013	2012
Investment income under cost method	126,204,320.31	88,389,823.12
Investment income under equity method	24,763,342.80	13,123,952.72
Gain on disposal of long-term equity investment		35,768,715.14
Gain on disposal of held-for-trading financial assets	8,354,565.73	-22,382.95
Total	<u>159,322,228.84</u>	<u>137,260,108.03</u>

(2) Disclosure of investment income of long-term equity investment by item under the cost method

Currency unit: yuan

Name of investee	2013	2012	Reason of change
Zhongrong International Trust Company Limited	91,500,000.00		Distribute dividend
Qingdao Hongda Textile Machinery Company Limited.	19,915,514.00	20,664,446.77	Distribute dividend
Changde Textile Machinery Company Limited	9,689,968.74	9,093,026.92	Distribute dividend
Shenyang Hongda Textile Machinery Company Limited	1,479,650.96	1,901,506.10	Distribute dividend
Beijing Jingpeng Investment Management Company Limited	936,630.24	563,227.82	Distribute dividend
Tianjin Jingwei New Textile Machinery Company Limited	724,796.32		Distribute dividend
Wuxi Hongda Textile Machinery and Special Parts Company Limited	500,000.00	600,000.00	Distribute dividend
Shanghai Weixin Electrical and Machinery Company Limited	481,246.56		Distribute dividend
Tianjin Hongda Textile Machinery Company Limited	443,826.40	2,232,720.40	Distribute dividend
Zhengzhou Hongda New Textile Machinery Company Limited	304,898.23	584,675.40	Distribute dividend
Jingwei Textile Machinery Yuci Material Company Limited	93,394.56	33,592.30	Distribute dividend
Shanghai Chuangan Trading Company Limited	91,790.99	10,096.66	Distribute dividend
Wuxi Jingwei Textile Machinery Sales Service Company Limited	42,603.31		Distribute dividend
Beijing Jingwei Textile Machinery New Technology Company Limited.		46,000,000.00	No dividend distribution during this year
Yichang Jingwei Textile Machinery Company Limited		6,706,530.75	No dividend distribution during this year
Total	<u>126,204,320.31</u>	<u>88,389,823.12</u>	

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

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

5. Investment income (continued)

(3) Investment income under the equity method

Currency unit: yuan

Name of investee	2013	2012
Beijing Hang Tang Wealth Investment Management Company Limited	22,226,077.24	13,922,967.41
China Texmatech Company Limited	9,469,836.37	-2,754,593.73
Jingwei Mechanics (Group) Ltd. Company	3,248,743.37	2,842,875.83
Hongda Research Company Limited	-4,130,874.42	165,091.53
Xianyang Jingwei Machinery Manufacture Company Limited	-6,050,439.76	-1,052,388.32
Total	<u>24,763,342.80</u>	<u>13,123,952.72</u>

6. Supplementary information of the cash flow statement

Currency unit: yuan

Category	2013	2012
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	53,601,488.77	17,046,094.71
Add: Provision for impairment loss	5,918,371.88	46,195,089.54
Depreciation of fixed assets, depletion of oil and gas assets and productive biological assets	23,485,812.33	20,570,013.04
Amortization of intangible assets	8,432,238.30	5,271,259.93
Loss on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with“-”)	-1,067,739.21	-15,970,188.95
Loss on fair value change (gains expressed with“-”)		1,253.73
Finance cost (gains expressed with“-”)	124,372,713.70	125,989,275.56
Investment losses (gains expressed with“-”)	-159,322,228.84	-137,260,108.03
Decrease in inventories(gains expressed with“-”)	-87,320,090.72	106,629,857.83
Decrease in trade receivables (gains expressed with“-”)	-329,317,948.53	-255,174,067.83
Increase in trade payables (loss expressed with“-”)	374,609,305.28	107,632,496.04
Others	90,386.18	724.92
Net cash flow from operating activities	<u>13,482,309.14</u>	<u>20,931,700.49</u>
2. Investment and financing activities not involved with cash receipts and payments	-	-
3. Net increase in cash and cash equivalents	-	-
Closing balance of cash	536,826,287.23	1,040,410,788.66
Less: opening balance of cash	1,040,410,788.66	431,749,529.22
Net increase in cash and cash equivalents	<u>-503,584,501.43</u>	<u>608,661,259.44</u>

Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(XIII) SUPPLEMENTARY INFORMATION

1. Details of non-recurring profit or loss during the reporting period

Currency unit: yuan

Detail of non-recurring profit or loss items	Amount
Gains/losses from disposal of non-current assets, including written-off provision for impairment of assets that already extracted	37,125,510.86
Government grant which recorded into profit/loss of current year except that relevant to enterprise operation and in compliance with government policies	41,047,615.32
Gains from the excess of the enterprise share of the net fair value of identifiable net assets over the cost of acquisition of the subsidiary, jointly controlled entity and associate	1,591,982.01
Debt restructuring gains/losses	1,024,741.04
Investment income from disposal of held-for-trading financial assets, trading financial liabilities and available-for-sale financial assets and gains/losses from fair value change of held-for-trading financial assets, trading financial liabilities and available-for-sale financial assets except the hedging relevant to the principal business	7,340,125.99
Reversal of the provision for impairment of accounts receivable under the independent test	26,836,480.91
Other non-operating income and expense except above	13,123,983.55
Less: Effect on income tax	25,083,066.06
Effect on minority shareholders' profit or loss (after tax)	26,190,857.22
Total	<u>76,816,516.40</u>

2. The differences between financial statements prepared under domestic and foreign accounting standards

(1) Differences between net profits and net assets disclosure under foreign GAAP and P.R.C GAAP

Currency unit: yuan

	2013		2012	
	Net profits attributable to shareholders of quoted company		Net assets attributable to shareholders of quoted company	
	2013	2012	Ending balance	Beginning balance
Under P.R.C GAAP	591,778,324.35	430,242,760.54	5,114,068,305.18	4,699,708,487.69
Adjustments under foreign GAAP:	5,209,904.15	5,377,780.42		
Under foreign GAAP:	596,988,228.50	435,620,540.96	5,114,068,305.18	4,699,708,487.69

(2) Reasons of accounting data differences under foreign GAAP

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 fee since 2012.



Notes to the Financial Statements
For the year ended 31 December 2013
 (All amounts are stated in RMB unless otherwise stated)

(XIII) SUPPLEMENTARY INFORMATION (CONTINUED)**3. Rate of return on net assets and earnings per share***Currency unit: yuan*

Profits of the report period	Weighted average rate of return on net assets (%)	Earnings per share	
		Basic EPS Year 2013	Diluted EPS Year 2013
Net profit attributable to ordinary shareholders	12.06%	0.85	0.85
Net profit (excluding non-operating profit) attribute to ordinary shareholders	10.49%	0.73	0.73

4. Analysis on Changes of financial statements items

Item	31-DEC-2013	1-JAN-2013	Variance	Notes
Monetary Funds	9,486,457,524.83	6,548,740,008.05	44.86%	Note1
Dividend receivable	10,265,494.00	10,265,494.00	250.91%	Note2
Non-current asset due within one year	22,082,751.25	22,082,751.25	-80.52%	Note3
Other current asset	537,168.49	537,168.49	-38.61%	Note4
Available-for-sale financial assets	376,788,993.41	570,852,379.82	-34.00%	Note5
Construction in progress	149,669,840.40	268,578,405.91	-44.27%	Note6
Deferred tax assets	456,761,637.47	288,902,514.03	58.10%	Note7
Short-term borrowings	1,945,504,547.47	1,455,761,360.52	33.64%	Note8
Notes payable	612,660,270.01	379,795,024.10	61.31%	Note9
Employee benefits payables	1,629,884,230.60	1,106,647,580.96	47.28%	Note10
Tax payable	509,209,633.97	357,569,382.58	42.41%	Note11
Dividend payable	6,686,958.92	5,009,834.99	33.48%	Note12
Non-current liabilities due within one year	25,581,023.23	93,654,888.58	-72.69%	Note13
Long-term payable	55,711,220.00	84,947,999.93	-34.42%	Note14
Special reserve	10,587,684.57	5,377,780.42	96.88%	Note15
Provision for general risk	105,343,583.49	56,712,015.61	85.75%	Note16
Interest income	340,742,194.17	81,660,031.30	317.27%	Note17
Interest cost		826,777.68	-100.00%	Note18
Impairment loss of assets	25,135,069.23	58,448,212.25	-57.00%	Note19
Gains on fair value change	-11,122,873.20	43,783,411.62	-125.40%	Note20
Investment income	-7,033,581.82	73,128,120.12	-109.62%	Note21
Income tax expense	694,292,999.43	513,371,111.79	35.24%	Note22
Other comprehensive income	-110,670,320.51	-3,335,593.12	3217.86%	Note23

Notes to the Financial Statements
For the year ended 31 December 2013
(All amounts are stated in RMB unless otherwise stated)

(XIII) SUPPLEMENTARY INFORMATION (CONTINUED)

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

- Note 1: Monetary funds increased in 2013 compared with the beginning of the year as the subsidiaries obtained funds by absorption of minority interests. Meanwhile, the profitability of the Company was good in 2013.
- Note 2: Increase in dividend receivable mainly due to the dividend distribution of associates.
- Note 3: 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 4: Other current asset decreased compared with the beginning of the year mainly because less amount of corporate income tax was prepaid in 2013.
- Note 5: Available-for-sale financial assets decreased in 2013 compared with the beginning of the year as the change in fair value of available-for-sale equity instruments held in this period.
- Note 6: Construction in progress decreased compared with the beginning of the year since parts of the construction in progress were completed and available to be transferred into fixed assets.
- Note 7: Deferred tax assets increased in 2013 compared with the beginning of the year, the main reason was the increase of deductible temporary difference which correspondingly increased the deferred tax assets according to the Standard.
- Note 8: Short-term borrowings increased compared with the beginning of the year due to the increase of supplement liquidity borrowings.
- Note 9: Notes payable increased in 2013 as the increase of settlements by using notes.
- Note 10: Employee benefits payables increased in 2013 compared with the beginning of the year. It was mainly because of the accrued salaries during the period and the not yet paid salaries.
- Note 11: Tax payable increased in 2013 compared with the beginning of the year due to the increment in profit for the year which leads to the increase of corporate income tax.
- Note 12: Dividend payable increased in 2013 compared with the beginning of the year due to the not yet paid dividend of the subsidiaries.
- Note 13: Non-current liabilities due within one year decreased in 2013 mainly because of the decrement in financing lease funds due within one year.
- Note 14: Long-term payables decreased mainly due to the decrement of financing lease funds payable in 2013.
- Note 15: Special reserve increased compared with the beginning of the year as the special reserve accrued for the period had not been used.
- Note 16: Provision for general risk increased compared with the beginning of the year mainly because Zhongrong International Trust Company Limited, a subsidiary of the Company, increased its amount of provision for general risk.
- Note 17: Interest income increased in 2013 mainly due to the increment of monetary funds.
- Note 18: Income cost decreased compared with the prior period as there was no interest cost in borrowings from banks and other financial institutions of Zhongrong International Trust Company Limited, a subsidiary of the Company.
- Note 19: Impairment loss of assets decreased in 2013 compared with 2012, it is mainly because of the reversal of provision for bad debts that identified in the prior period.
- Note 20: Gains on fair value change decreased in 2013 compared with 2012, it is mainly because of the decline in fair value of trading financial assets held by the Company.
- Note 21: The decrease of investment income in 2013 compared with 2012 mainly due to the disposal of equity interests of subsidiaries during the prior period which led to an obtainment of profit.
- Note 22: Income tax expense increased compared with 2012. It is because of the increase of profits, which correspondingly increased the income tax expense.
- Note 23: Other comprehensive income decreased in 2013 compared with 2012. The main reason is the decline in fair value of available-for-sale financial assets held by the Company.

Chapter XII Independent Auditor's Report



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 180 to 254, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 2013 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, 24 March 2014

Lo Wing See
Practising certificate number P04607

Chapter XIII Accounts Prepared in Accordance with Hong Kong Financial Reporting Standards
**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2013**

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Turnover			
Cost of sales	5	10,479,372 (5,063,023)	8,632,148 (4,391,766)
Gross profit		5,416,349	4,240,382
Other income	7	160,650	290,426
(Loss)/gain on change in fair value of financial assets at fair value through profit or loss		(11,123)	43,783
Selling and distribution expenses		(186,507)	(192,468)
Administrative expenses		(2,781,574)	(2,328,011)
Finance costs	8	(153,604)	(149,920)
Share of results of associates	20	38,033	648
Profit before taxation	9	2,482,224	1,904,840
Income tax expense	10	(694,293)	(513,371)
Profit for the year		1,787,931	1,391,469
Other comprehensive loss	12		
<i>Item that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit obligations		1,980	(4,857)
Item that will not be reclassified to profit or loss		1,980	(4,857)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(206)	(76)
Change in fair value of available-for-sale financial assets		(150,016)	(2,697)
Share of other comprehensive income/(loss) of associates		68	(1,166)
Income tax relating to components of other comprehensive loss		37,504	674
Others		–	(71)
Items that may be reclassified subsequently to profit or loss		(112,650)	(3,336)
Other comprehensive loss for the year, net of income tax		(110,670)	(8,193)
Total comprehensive income for the year		1,677,261	1,383,276
Profit for the year attributable to:			
Owners of the Company		596,987	437,093
Non-controlling interests		1,190,944	954,376
		1,787,931	1,391,469
Total comprehensive income attributable to:			
Owners of the Company		556,532	430,556
Non-controlling interests		1,120,729	952,720
		1,677,261	1,383,276
Earnings per share	15		
– Basic and diluted		RMB0.85	RMB0.71

The notes on page 186 to 254 form part of these consolidated financial statements.

Consolidated Statement of Financial Position
At 31 December 2013

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)	1 January 2012 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	16	1,994,379	1,959,820	1,925,234
Prepaid lease payments	17	482,633	444,021	482,390
Intangible assets	18	86,271	51,398	24,289
Goodwill	19	845,121	844,307	845,633
Interests in associates	20	171,960	151,876	114,839
Available-for-sale financial assets	21	444,117	636,980	655,418
Deferred tax assets	22	456,761	288,902	182,943
Other non-current assets	23	–	–	14,693
		<u>4,481,242</u>	<u>4,377,304</u>	<u>4,245,439</u>
Current assets				
Inventories	24	1,619,573	1,484,581	1,515,924
Trade and other receivables	25	2,682,188	2,595,563	2,718,958
Prepaid lease payments	17	11,832	10,817	11,470
Amount due from a holding company	26	64	64	64
Amounts due from fellow subsidiaries	26	72,822	108,404	30,433
Amounts due from associates	26	265,461	150,811	204,900
Current tax assets		330	537	1,225
Financial assets at fair value through profit or loss	27	243,516	276,666	253,226
Pledged bank deposits	28	172,364	68,981	180,339
Cash and cash equivalents	28	9,314,093	6,479,759	3,807,851
		<u>14,382,243</u>	<u>11,176,183</u>	<u>8,724,390</u>
Current liabilities				
Trade and other payables	29	4,802,214	4,065,991	4,328,922
Amounts due to holding companies	26	26,532	26,532	27,532
Amounts due to fellow subsidiaries	26	112,013	181,233	284,520
Amounts due to associates	26	66,449	89,100	36,559
Current tax liabilities		298,731	177,749	150,696
Borrowings – amount due within one year	30	1,945,505	1,515,761	1,984,022
Obligations under finance leases	31	23,891	32,021	31,347
		<u>7,275,335</u>	<u>6,088,387</u>	<u>6,843,598</u>
Net current assets		<u>7,106,908</u>	<u>5,087,796</u>	<u>1,880,792</u>
Total assets less current liabilities		<u>11,588,150</u>	<u>9,465,100</u>	<u>6,126,231</u>
Non-current liabilities				
Borrowings-amount due after one year	30	1,200,000	1,200,000	60,000
Obligations under finance leases	31	619	25,243	57,834
Other non-current liabilities	32	187,264	173,802	277,242
		<u>1,387,883</u>	<u>1,399,045</u>	<u>395,076</u>
		<u>10,200,267</u>	<u>8,066,055</u>	<u>5,731,155</u>
Capital and reserves				
Share capital	33	704,130	704,130	603,800
Reserves		4,409,938	3,995,579	2,795,196
Equity attributable to owners of the Company		<u>5,114,068</u>	<u>4,699,709</u>	<u>3,398,996</u>
Non-controlling interests		5,086,199	3,366,346	2,332,159
		<u>10,200,267</u>	<u>8,066,055</u>	<u>5,731,155</u>

The consolidated financial statements on pages 180 to 254 were approved by the Board of Directors on 24 March 2014 and are signed on its behalf by:

Ye Maoxin
Director

Yao Yuming
Director

The notes on page 186 to 254 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity For the year ended 31 December 2013

	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 (Restated)	603,800	1,196,619	492,374	178,908	26,513	-	(3,542)	(3,362)	907,686	3,398,996	2,332,159	5,731,155
Profit for the year	-	-	-	-	-	-	-	-	437,093	437,093	954,376	1,391,469
Other comprehensive loss for the year, net of income tax	-	-	-	-	-	-	(1,977)	(33)	(4,527)	(6,537)	(1,656)	(8,193)
Total comprehensive income for the year	-	-	-	-	-	-	(1,977)	(33)	432,566	430,556	952,720	1,383,276
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 (Restated)	<u>704,130</u>	<u>2,002,674</u>	<u>553,805</u>	<u>179,621</u>	<u>56,712</u>	<u>5,378</u>	<u>(5,519)</u>	<u>(3,395)</u>	<u>1,206,303</u>	<u>4,699,709</u>	<u>3,366,346</u>	<u>8,066,055</u>

The notes on page 186 to 254 form part of these consolidated financial statements.



Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2013

	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 2013 (Restated)	704,130	2,002,674	553,805	179,621	56,712	5,378	(5,519)	(3,395)	1,206,303	4,699,709	3,366,346	8,066,055
Profit for the year	-	-	-	-	-	-	-	-	596,987	596,987	1,190,944	1,787,931
Other comprehensive loss for the year, net of income tax	-	-	-	-	-	-	(42,091)	(328)	1,964	(40,455)	(70,215)	(110,670)
Total comprehensive income for the year	-	-	-	-	-	-	(42,091)	(328)	598,951	556,532	1,120,729	1,677,261
Appropriation to reserve	-	-	85,429	1,638	48,631	-	-	-	(135,698)	-	-	-
Provision for production safety fund surplus reserve	-	-	-	-	-	16,458	-	-	(16,458)	-	-	-
Utilisation for production safety fund surplus reserve	-	-	-	-	-	(11,248)	-	-	11,248	-	-	-
Non-controlling interests arising on business combination (note 37(a))	-	-	-	-	-	-	-	-	-	-	27,835	27,835
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	786,801	786,801
Changes in ownership interest in a subsidiary that do not result in a loss of control (note 37(b))	-	(71,760)	-	-	-	-	-	-	-	(71,760)	(51,915)	(123,675)
Payment of dividends approved in respect of previous year (note 14)	-	-	-	-	-	-	-	-	(70,413)	(70,413)	-	(70,413)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(163,597)	(163,597)
At 31 December 2013	704,130	1,930,914	639,234	181,259	105,343	10,588	(47,610)	(3,723)	1,593,933	5,114,068	5,086,199	10,200,267

The notes on page 186 to 254 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows For the year ended 31 December 2013

	Note	2013 RMB '000	2012 RMB '000 (Restated)
Operating activities			
Profit before taxation		2,482,224	1,904,840
Adjustments for:			
Depreciation of property, plant and equipment		172,256	157,707
Net gains on disposal of property, plant and equipment		(23,283)	(31,783)
Amortisation of intangible assets		17,053	9,928
Amortisation of prepaid lease payments		11,999	10,934
Interest income		(13,615)	(14,601)
Interest expenses		153,604	148,518
Fair value changes of contingent consideration liability for business combination		–	1,402
Gain on disposal of subsidiaries	38	(1,014)	(78,321)
Gain on disposal of an associate	7	–	(29)
Gain on bargain purchase	37(a)	(1,592)	–
Impairment losses for trade and other receivables, net		8,647	52,647
Share of results of associates		(38,033)	(648)
Dividend income from available-for-sale financial assets		(10,316)	(5,569)
Write-down of inventories		16,489	5,802
Net gain on disposal of available-for-sale financial assets		(12,339)	(35,024)
Net loss on disposal of financial assets at fair value through profit or loss		26,222	58,015
Net gains on disposal of prepaid lease payments		(570)	–
Waiver of trade and other payables		(12,531)	(14,662)
Unrealised exchange loss/(gain)		124	(270)
Operating cash flows before movements in working capital		2,775,325	2,168,886
(Increase)/decrease in inventories		(121,834)	63,204
(Increase)/decrease in trade and other receivables		(12,616)	94,354
Decrease/(increase) in amounts due from fellow subsidiaries		35,582	(77,971)
(Increase)/decrease in amounts due from associates		(88,893)	54,089
Decrease/(increase) in financial assets at fair value through profit or loss		6,928	(81,455)
Increase/(decrease) in trade and other payables		582,657	(56,610)
Decrease in amounts due to holding companies		–	(1,000)
Decrease in amounts due to fellow subsidiaries		(69,220)	(103,936)
(Decrease)/increase in amounts due to associates		(22,651)	52,541
Decrease in defined benefit obligations		(2,584)	(14,720)
Increase in deferred income and others		18,082	44,570
Cash generated from operations		3,100,776	2,141,952
The PRC Corporate Income Tax paid		(703,291)	(591,158)
Net cash generated from operating activities		2,397,485	1,550,794

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Investing activities			
Purchases of property, plant and equipment		(159,632)	(364,609)
Purchases of available-for-sale financial assets		(3,200)	(103,284)
(Increase)/decrease in pledged bank deposits		(103,383)	111,358
Decrease in other receivables		–	14,693
Additions of prepaid lease payments		(1,221)	(1,287)
Acquisition of associates		(13,940)	(15,000)
Purchases of intangible assets		(44,957)	(22,103)
Proceeds from disposal of property, plant and equipment		–	164,952
Proceeds from disposal of prepaid lease payments		335	–
Proceeds from disposal of intangible assets		7,512	–
Proceeds from disposal of available-for-sale financial assets		12,339	154,049
Interest received		13,615	14,601
Dividends received from an associate		5,000	–
Dividends received from available-for-sale financial assets		10,316	5,569
Net cash (outflow)/inflow on disposal of subsidiaries	38	(822)	82,247
Net cash outflow on acquisition of subsidiaries	37(a)	(5,543)	(2,255)
Proceeds from disposal of an associate	7(b)	–	1,600
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(283,581)	40,531
Financing activities			
New borrowings raised		2,429,363	2,345,539
Increase in borrowings related to discounted bills		13,905	53,564
Repayment of bank loans		(2,022,305)	(3,164,151)
Grants and allowances received from government		59,130	17,947
Interest paid		(153,828)	(145,348)
Capital injection from non-controlling interests		786,801	79,380
Dividends paid to non-controlling interests		(161,920)	(6,213)
Dividends paid		(70,413)	(35,579)
(Payments)/Proceeds arising from changes in ownership interests in subsidiaries that do not result in a loss of control		(123,675)	7,699
Capital element of finance lease rental paid		(33,259)	(32,333)
Interest element of finance lease rental paid		(2,160)	(3,170)
Proceeds from issue of medium term note	30	–	1,200,000
Proceeds from issue of shares		–	764,116
		<hr/>	<hr/>
Net cash generated from financing activities		721,639	1,081,451
Net increase in cash and cash equivalents		2,835,543	2,672,776
Cash and cash equivalents at the beginning of the reporting period		6,479,759	3,807,851
Effect of foreign exchange rate changes on cash and cash equivalents		(1,209)	(868)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the reporting period		<u>9,314,093</u>	<u>6,479,759</u>
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		<u>9,314,093</u>	<u>6,479,759</u>

The notes on page 186 to 254 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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% (2012: 31.13%) 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% (2012: 2.70%) of the equity interest in the Company. The remaining 66.17% (2012: 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 – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangement and Disclosures of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle

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.

HKFRS 10, Consolidated Financial Statements

As a result of HKFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. HKFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, HKFRS 10 requires the Group consolidated investees that it controls on the basis of de facto circumstances.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 as to whether the Group has control and the related guidance set out at HKFRS 10, and concluded that the adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

Revised HKAS 19, Employee Benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the “corridor method” under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

As a result of the adoption of revised HKAS 19, the Group has changed its accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, and the results for the year ended 31 December 2012 as follows:

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

Revised HKAS 19, Employee Benefits (continued)

	As previously reported RMB '000	Effect of adoption of revised HKAS 19 RMB '000	As restated RMB '000
Impact on profit or loss for the year ended 31 December 2012:			
Defined benefit plan credit	8,540	2,480	11,020
Profit for the year	1,388,989	2,480	1,391,469
Attributable to:			
Owners of the Company	435,621	1,472	437,093
Non-controlling interests	953,368	1,008	954,376
	<u>1,388,989</u>	<u>2,480</u>	<u>1,391,469</u>
Impact on other and total comprehensive income for the year ended 31 December 2012:			
Remeasurement of defined benefit obligations	–	(4,857)	(4,857)
Other comprehensive loss for the year	(3,336)	(4,857)	(8,193)
Total comprehensive income for the year	1,385,653	(2,377)	1,383,276
Attributable to:			
Owners of the Company	433,611	(3,055)	430,556
Non-controlling interests	952,042	678	952,720
	<u>1,385,653</u>	<u>(2,377)</u>	<u>1,383,276</u>
Consolidated statement of financial position as at 31 December 2012:			
Defined benefit obligations	28,817	2,527	31,344
Total non-current liabilities	1,396,518	2,527	1,399,045
Net assets/Total equity	8,068,582	(2,527)	8,066,055
Retained earnings	1,208,749	(2,446)	1,206,303
Non-controlling interests	3,366,427	(81)	3,366,346
	<u>3,366,427</u>	<u>(81)</u>	<u>3,366,346</u>
Consolidated statement of financial position as at 1 January 2012:			
Defined benefit obligations	41,058	150	41,208
Total non-current liabilities	394,926	150	395,076
Net assets/Total equity	5,731,305	(150)	5,731,155
Retained earnings	907,077	609	907,686
Non-controlling interests	2,332,918	(759)	2,332,159
	<u>2,332,918</u>	<u>(759)</u>	<u>2,332,159</u>

This change in accounting policy did not have a material impact on current or deferred taxation, and earnings per share.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 9 and HKFRS 7 Amendments to HKFRS 10, HKFRS 12 and HKAS 27 HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³ Investment Entities ¹
Amendments to HKAS 19 Amendments to HKAS 32 Amendments to HKAS 36 Amendments to HKAS 39 Amendments to HKFRSs Amendments to HKFRSs HKFRS 14 HK(IFRIC)-Interpretation 21	Financial Instruments ³ Defined Benefit Plans: Employee Contributions ² Presentation – Offsetting Financial Assets and Financial Liabilities ¹ Recoverable Amount Disclosures for Non-Financial Assets ¹ Novation of Derivatives and Continuation of Hedge Accounting ¹ Annual Improvements to HKFRSs 2010-2012 Cycle ² Annual Improvements to HKFRSs 2011-2013 Cycle ² Regulatory Deferral Accounts ⁴ Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 January 2016.

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.

The directors have already commenced the assessment of the impact to the Group and are not yet in a position to state whether those would have a significant impact on its results of operations and financial position.

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 (the “Listing Rules”) and the Hong Kong Companies Ordinance.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. 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 the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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.

When the Group loses control of a subsidiary, the gain 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (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 joint venture.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 reassessment, 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.

When the consideration transferred by the Group 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. 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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination (continued)

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.

(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 unit ("CGU") that are expected to benefit from the synergies of the combination.

A CGU 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 CGU 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 profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(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, interests in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the 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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Interests in associates (continued)

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 carrying amount of the associate at the date the equity method is discontinued, and the fair value of any retained interests and any proceeds from disposal of partial interests in associates 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's 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.

(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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 RMB 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".

(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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 profit or loss and other 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 profit or loss and other 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. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item of retirement benefits costs. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 profit or loss and other 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 2013

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 2013

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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) 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 CGU) 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 CGU) 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 2013

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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the specified categories, including financial assets at 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 or 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 2013

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-organization; 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 2013

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 securities and trust investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 FVTPL 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 2013

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 collateralised 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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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 For the year ended 31 December 2013

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 judgments that have 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 CGUs 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 CGU 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 2013, the carrying amount of goodwill is RMB845,121,000 (2012: RMB844,307,000). 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 2013, total provision for the employee retirement benefits is RMB26,780,000 (2012: RMB31,344,000).

(f) Deferred tax assets

As at 31 December 2013, deferred tax assets of RMB456,761,000 (2012: RMB288,902,000) 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 profit or loss and other comprehensive income in the period such a reversal takes place.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

(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:

	2013	2012
	<i>RMB '000</i>	<i>RMB '000</i>
Manufacture and sales of textile machinery and related material, parts and component	4,872,785	4,425,468
Provision of trust and fiduciary services	4,946,888	3,773,173
Manufacture and sales of other non-textile products	659,699	433,507
	<u>10,479,372</u>	<u>8,632,148</u>

6 SEGMENT INFORMATION

(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 organized 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 change in fair value of financial assets at FVTPL and share of results 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 AFS 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 2013**

6 SEGMENT INFORMATION (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 2013					
TURNOVER					
External sales	4,872,785	4,946,888	659,699	–	10,479,372
Inter-segment sales	57,784	–	806	(58,590)	–
Total	<u>4,930,569</u>	<u>4,946,888</u>	<u>660,505</u>	<u>(58,590)</u>	<u>10,479,372</u>
RESULT					
Segment results	<u>59,910</u>	<u>2,596,203</u>	<u>(40,951)</u>	–	2,615,162
Unallocated expenses					(6,244)
Finance costs					(153,604)
Loss on change in fair value of financial assets at fair value through profit or loss					(11,123)
Share of results of associates					38,033
Profit before taxation					2,482,224
Income tax expense					<u>(694,293)</u>
Profit for the year					<u>1,787,931</u>

Inter-segment sales are charged at prevailing market rates.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

6 SEGMENT INFORMATION (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 2013					
ASSETS					
Segment assets	8,441,286	9,265,262	913,751	(372,891)	18,247,408
Interests in associates					171,960
Available-for-sale financial assets					444,117
					<u>18,863,485</u>
Consolidated total assets					<u>18,863,485</u>
LIABILITIES					
Segment liabilities	6,391,546	2,042,022	600,960	(371,310)	8,663,218
					<u>8,663,218</u>
Consolidated total liabilities					<u>8,663,218</u>
Other information for the year ended 31 December 2013					
Additions to non-current assets	306,322	47,129	49,131	–	402,582
Depreciation of property, plant and equipment	130,134	29,302	12,820	–	172,256
Amortisation of intangible assets	9,785	4,034	3,234	–	17,053
Amortisation of prepaid lease payments	10,152	–	1,847	–	11,999
	<u>306,322</u>	<u>47,129</u>	<u>49,131</u>	<u>–</u>	<u>402,582</u>
Year ended 31 December 2012 (Restated)					
TURNOVER					
External sales	4,425,468	3,773,173	433,507	–	8,632,148
Inter-segment sales	45,970	–	895	(46,865)	–
	<u>4,471,438</u>	<u>3,773,173</u>	<u>434,402</u>	<u>(46,865)</u>	<u>8,632,148</u>
Total	<u>4,471,438</u>	<u>3,773,173</u>	<u>434,402</u>	<u>(46,865)</u>	<u>8,632,148</u>
RESULT					
Segment results	133,509	1,900,111	(37,921)	–	1,995,699
	<u>133,509</u>	<u>1,900,111</u>	<u>(37,921)</u>	<u>–</u>	<u>1,995,699</u>
Unallocated income					14,630
Finance costs					(149,920)
Gain on change in fair value of financial assets at fair value through profit or loss					43,783
Share of results of associates					648
					<u>1,904,840</u>
Profit before taxation					1,904,840
Income tax expense					(513,371)
					<u>1,391,469</u>
Profit for the year					<u>1,391,469</u>

Inter-segment sales are charged at prevailing market rates.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

6 SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

	Manufacture and sales of textile machinery and related material, parts and component <i>RMB '000</i>	Provision of trust and fiduciary services <i>RMB '000</i>	Manufacture and sales of other non- textile products <i>RMB '000</i>	Elimination <i>RMB '000</i>	Total <i>RMB '000</i>
Assets and liabilities as at 31 December 2012 (Restated)					
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					<u>15,553,487</u>
LIABILITIES					
Segment liabilities	5,675,428	1,382,795	676,187	(246,978)	7,487,432
Consolidated total liabilities					<u>7,487,432</u>
Other information for the 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	<u>8,926</u>	<u>–</u>	<u>2,008</u>	<u>–</u>	<u>10,934</u>

(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 2013 and 2012.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

7 OTHER INCOME

	2013 RMB'000	2012 RMB'000
Interest income from banks	13,067	11,654
Interest income from other receivables	548	2,947
Consultancy fee income	19,326	1,458
Government subsidies (note a)	41,048	46,800
Gain on disposal of subsidiaries (note 38)	1,014	78,321
Gain on disposal of an associate (note b)	–	29
Gain on bargain purchase (note 37(a))	1,592	–
Net gains on disposal of available-for-sale financial assets	12,339	35,024
Net gains on disposal of property, plant and equipment	23,283	31,783
Net gains on disposal of prepaid lease payments	570	–
Net foreign exchange gains	3,056	2,060
Rental income	8,170	6,910
Dividend incomes from available-for-sale financial assets	10,316	5,569
Dividend incomes from financial assets at fair value through profit or loss	3,533	3
Reversal of impairment losses of trade and other receivables	26,836	12,921
Available-for-sale financial assets carried at fair value:		
Reclassification from other comprehensive income (note 12(b))		
– Disposal	(46,047)	10,926
Waiver of trade and other payables	12,531	14,662
Others	29,468	29,359
	<u>160,650</u>	<u>290,426</u>

Note:

- (a) 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.
- (b) In June 2012, the Group disposed of its 29% equity interest in Shanghai Rongling Equity Investment Fund and Management Company Limited 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 profit or loss and other comprehensive income.

8 FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest expenses on borrowings wholly repayable within five years	153,604	148,518
Fair value changes of contingent consideration liability for business combinations (note)	–	1,402
	<u>153,604</u>	<u>149,920</u>

Note:

The Group has obtained profit guarantee from the vendors of Zhongrong International Trust Co., Ltd. (“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 was fully paid in 2012. The loss for the year 2012 relating to the change in fair value of the contingent consideration liability of RMB1,402,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income as “finance costs”.



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

9 PROFIT BEFORE TAXATION

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Profit before taxation has been arrived at after charging/(crediting):		
Salaries, wages and other benefits	1,978,669	1,398,681
Retirement benefits costs	190,711	154,722
Reversal of retirement and supplemental benefit obligation ¹		
– Interest costs	1,070	1,370
– Past service cost	(1,690)	(12,390)
	(620)	(11,020)
Total staff costs (including directors' remuneration)	2,168,760	1,542,383
Auditor's remuneration	3,960	3,847
Gain on bargain purchase ²	(1,592)	–
Amortisation:		
– intangible assets	17,053	9,928
– prepaid lease payments	11,999	10,934
Cost of inventories recognised as an expense	4,784,706	4,166,675
Depreciation of property, plant and equipment	172,256	157,707
Impairment losses for trade and other receivables	35,483	65,568
Reversal of impairment losses of trade and other receivables ²	(26,836)	(12,921)
Net gains on disposal of available-for-sale financial assets ²	(12,339)	(35,024)
Net loss on disposal of financial assets at fair value through profit or loss ¹	26,222	58,015
Net gains on disposal of property, plant and equipment ²	(23,283)	(31,783)
Net gains on disposal of prepaid lease payments ²	(570)	–
Minimum lease payments paid under operating lease in respect of land and buildings	90,166	79,392
Net foreign exchange gains ²	(3,056)	(2,060)
Research and development costs ³	219,753	155,428
Waiver of trade and other payables ²	(12,531)	(14,662)
Write-down of inventories	16,489	5,802

¹ Included in administrative expenses

² Included in other income

³ Research and development costs included RMB90,932,000 (2012: RMB63,995,000) 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.

10 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Current tax		
– The PRC Corporate Income Tax	824,241	617,240
– Underprovision in prior years	407	1,416
	824,648	618,656
Deferred tax credit for the year (note 22)	(130,355)	(105,285)
	694,293	513,371

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

10 INCOME TAX EXPENSE (CONTINUED)

Provision for Hong Kong Profits Tax has not been made as the Group has no taxable profits in Hong Kong for the year (2012: RMB Nil). The Company and its subsidiaries incorporated in the PRC are subject to the 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.

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.

In 2013, the Company's PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2012: 25%), except for certain subsidiaries which are regarded as high and new technology enterprises and thus enjoy a preferential tax rate of 15% (2012: 15%).

The charge for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Profit before taxation	<u>2,482,224</u>	<u>1,904,840</u>
Tax at the PRC Corporate Income Tax rate of 15% (2012: 15%) (note a)	372,334	285,726
Tax effect of share of results of associates	(5,705)	(97)
Tax effect of other temporary differences not recognised	4,976	(3,512)
Tax effect of non-taxable income	(4,280)	(2,312)
Tax effect of tax losses not recognised	46,843	18,078
Tax effect on non-deductible expenses	16,551	19,260
Tax effect on utilisation of tax losses not previously recognised	(778)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	276,895	205,105
Reduction of tax in respect of tax benefits (note b)	(12,950)	(10,293)
Under-provision in prior years	<u>407</u>	<u>1,416</u>
Income tax expense	<u>694,293</u>	<u>513,371</u>

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 loss for the year

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Deferred tax		
Arising from income and expense recognised in other comprehensive loss:		
Change in fair value of available-for-sale financial assets	<u>37,504</u>	<u>674</u>

11 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of the Company of RMB47,508,000 (2012: RMB19,261,000) which has been dealt with in the financial statements of the Company.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

12 OTHER COMPREHENSIVE LOSS

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

	2013			2012		
	Before-tax amount <i>RMB'000</i>	Income tax expense <i>RMB'000</i>	Net-of-tax amount <i>RMB'000</i>	Before-tax amount <i>RMB'000</i> (Restated)	Income tax expense <i>RMB'000</i> (Restated)	Net-of-tax amount <i>RMB'000</i> (Restated)
Remeasurement of defined benefit obligations	1,980	–	1,980	(4,857)	–	(4,857)
Exchange difference on translation of foreign operations	(206)	–	(206)	(76)	–	(76)
Change in fair value of available-for-sale financial assets (note (b))	(150,016)	37,504	(112,512)	(2,697)	674	(2,023)
Share of other comprehensive income/ (loss) of associates	68	–	68	(1,166)	–	(1,166)
Others	–	–	–	(71)	–	(71)
	<u>(148,174)</u>	<u>37,504</u>	<u>(110,670)</u>	<u>(8,867)</u>	<u>674</u>	<u>(8,193)</u>

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Available-for-sale financial assets:		
Change in fair value recognised during the year	(196,063)	8,229
Reclassification adjustments for amounts transferred to profit or loss:		
– Disposal	46,047	(10,926)
	<u>46,047</u>	<u>(10,926)</u>
Net movement in the investment revaluation reserve during the year recognised in other comprehensive loss	<u>(150,016)</u>	<u>(2,697)</u>

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Details of directors' and supervisors' remuneration of the Group for the year, disclosed pursuant to the Listing Rules and section 161 of the Hong Kong Companies Ordinance, are as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Fees	200	160
Other emoluments:		
– Salaries, allowances and other benefits	500	396
– Discretionary bonus	1,381	1,735
– Retirement benefit costs	44	39
	<u>44</u>	<u>39</u>
	<u>2,125</u>	<u>2,330</u>

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' and supervisors' emoluments

The compensation paid to the Group's directors and supervisors has been disclosed as follows:

Year ended 31 December 2013

	Note	Fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement benefit costs RMB'000	Total RMB'000
Executive directors:						
Ye Maoxin		–	–	–	–	–
Li Xiaohong	(i)	–	–	–	–	–
Yan Fuquan		–	–	–	–	–
Shi Tinghong		–	–	–	–	–
Yao Yuming		–	204	664	14	882
Wang Jiangan	(vi)	–	–	–	–	–
		–	204	664	14	882
Independent non-executive directors:						
Liu Huangsong	(iii)	32	–	–	–	32
Xu Wenyong	(i)	56	–	–	–	56
Au Guozun		56	–	–	–	56
Li Min		56	–	–	–	56
Chen Jinrong	(vi)	–	–	–	–	–
		200	–	–	–	200
		200	204	664	14	1,082
Supervisors:						
Tu Kelin	(i)	–	–	–	–	–
Peng Zeqing	(ii)	–	–	–	–	–
Hu Guangfei		–	70	218	9	297
An Yongzhi	(iii)	–	82	140	9	231
Liu Hong		–	–	–	–	–
Cheng Nuo	(iv)	–	37	46	4	87
Ding Yufei	(v)	–	107	313	8	428
Qiao Yu	(vi)	–	–	–	–	–
		–	296	717	30	1,043
		200	500	1,381	44	2,125

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

Year ended 31 December 2012

Note	Fees RMB'000	Salaries allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement benefit costs RMB'000	Total RMB'000
Executive directors:					
Ye Maoxin	–	–	–	–	–
Li Xiaohong (i)	–	–	–	–	–
Yan Fuquan	–	–	–	–	–
Shi Tinghong	–	–	–	–	–
Yao Yuming	–	207	1,138	12	1,357
	–	207	1,138	12	1,357
Independent non-executive directors:					
Liu Huangsong (iii)	50	–	–	–	50
Xu Wenyong (i)	50	–	–	–	50
Au Guozun	50	–	–	–	50
Li Min	10	–	–	–	10
	160	–	–	–	160
	160	207	1,138	12	1,517
Supervisors:					
Tu Kelin (i)	–	–	–	–	–
Peng Zeqing (ii)	–	10	258	6	274
Hu Guangfei	–	56	153	8	217
An Yongzhi (iii)	–	123	186	13	322
Liu Hong	–	–	–	–	–
	–	189	597	27	813
	160	396	1,735	39	2,330

Note:

- (i) Resigned on 4 March 2014
- (ii) Resigned on 21 May 2013
- (iii) Resigned on 15 August 2013
- (iv) Appointed on 15 August 2013
- (v) Appointed on 21 May 2013
- (vi) Appointed on 4 March 2014

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.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

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 (2012: none) or supervisor (2012: none) of the Company. The emoluments of the remaining five (2012: five) individuals are as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Salaries, allowances and other benefits	8,557	6,811
Discretionary bonus	28,941	25,922
Retirement benefit costs	142	298
	<u>37,640</u>	<u>33,031</u>

The emoluments of the remaining five (2012: five) individuals with the highest emoluments are within the following bands:

	2013 Number of Individuals	2012 Number of Individuals
In Hong Kong dollars ("HKD")		
HKD5,500,001 to HKD6,000,000	–	1
HKD6,000,001 to HKD6,500,000	–	1
HKD7,000,001 to HKD7,500,000	2	1
HKD8,000,001 to HKD8,500,000	1	–
HKD10,000,001 to HKD10,500,000	–	1
HKD11,000,001 to HKD11,500,000	–	1
HKD12,000,001 to HKD12,500,000	1	–
HKD12,500,001 to HKD13,000,000	1	–
	<u>1</u>	<u>–</u>

14 DIVIDENDS

Dividends recognised as distributions during the year:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Final dividend paid for 2012, RMB10 cents (2012: Final dividend paid for 2011, RMB6 cents) per share:		
A shares		
– Restricted	29,630	11,740
– Others	22,703	13,640
H shares	18,080	10,848
	<u>70,413</u>	<u>36,228</u>

Subsequent to the end of the reporting period, final dividend of RMB10 cents per share in respect of the year ended 31 December 2013 (2012: RMB10 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 RMB596,987,000 (2012: RMB437,093,000) and the weighted average number of shares of 704,130,000 (2012: 612,547,000) in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share for the years presented are the same as the basic earnings per share as there are no dilutive ordinary shares for both years.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost					
At 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 and 1 January 2013	1,376,224	1,577,239	143,283	268,578	3,365,324
Additions	16,231	78,805	9,375	200,397	304,808
Acquired on acquisition of subsidiaries (note 37(a))	617	446	1,338	–	2,401
Disposals and other reductions	(47,648)	(120,866)	(37,986)	(42,677)	(249,177)
Derecognised on disposal of a subsidiary (note 38)	(5,907)	(3,120)	(753)	–	(9,780)
Assigned assets after construction	189,755	86,815	58	(276,628)	–
At 31 December 2013	1,529,272	1,619,319	115,315	149,670	3,413,576
Accumulated depreciation and impairment					
At 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 and 1 January 2013	362,981	967,380	75,143	–	1,405,504
Charge for the year	54,930	104,195	13,131	–	172,256
Acquired on acquisition of subsidiaries (note 37(a))	–	256	373	–	629
Eliminated on disposals	(28,739)	(98,654)	(26,536)	–	(153,929)
Eliminated on disposal of a subsidiary (note 38)	(2,397)	(2,169)	(697)	–	(5,263)
At 31 December 2013	386,775	971,008	61,414	–	1,419,197
Carrying value					
At 31 December 2013	1,142,497	648,311	53,901	149,670	1,994,379
At 31 December 2012	1,013,243	609,859	68,140	268,578	1,959,820

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 2013, the certificates of ownership of certain buildings of the Group at carrying value of RMB523,446,000 (2012: RMB253,168,000) situated in the PRC, have not been passed to the Group.

At 31 December 2013, the Group's bank loans were secured by certain of the Group's buildings with aggregate net carrying amount of RMB30,929,000 (2012: RMB5,005,000). (note 30)

During the year, the cost of addition of property, plant and equipment held by the Group under finance leases amounted to RMB1,122,000 (2012: RMB416,000).

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

	2013 RMB'000	2012 RMB'000
Cost – capitalised finance leases	121,757	246,053
Accumulated depreciation	(85,079)	(156,159)
	<hr/>	<hr/>
Carrying value	<u>36,678</u>	<u>89,894</u>

17 PREPAID LEASE PAYMENTS

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

	2013 RMB'000	2012 RMB'000
Analysed for reporting purposes as:		
Current asset	11,832	10,817
Non-current asset	482,633	444,021
	<hr/>	<hr/>
	<u>494,465</u>	<u>454,838</u>

At 31 December 2013, the Group's bank loans were secured by certain of the Group's land use rights with an aggregate net carrying amount of RMB105,726,000 (2012: RMB175,527,000). (note 30)

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

18 INTANGIBLE ASSETS

	Development cost RMB '000	Patents and licences RMB '000	Software RMB '000	Total RMB '000
Cost				
At 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 and 1 January 2013	–	43,962	41,606	85,568
Additions	–	6,800	38,157	44,957
Acquired on acquisition of subsidiaries (note 37(a))	14,222	–	259	14,481
Disposals	–	(139)	(7,414)	(7,553)
At 31 December 2013	<u>14,222</u>	<u>50,623</u>	<u>72,608</u>	<u>137,453</u>
Accumulated amortisation and impairment				
At 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 and 1 January 2013	–	18,513	15,657	34,170
Charge for the year	–	6,506	10,547	17,053
Acquired on acquisition of subsidiaries (note 37(a))	–	–	–	–
Eliminated on disposals	–	(33)	(8)	(41)
At 31 December 2013	–	<u>24,986</u>	<u>26,196</u>	<u>51,182</u>
Carrying value				
At 31 December 2013	<u>14,222</u>	<u>25,637</u>	<u>46,412</u>	<u>86,271</u>
At 31 December 2012	–	<u>25,449</u>	<u>25,949</u>	<u>51,398</u>

Development costs, which are acquired arising from acquisition of subsidiary, are internally generated and development of medical technology of a project is still in progress.

Patents and licences mainly represent licensing of technology for manufacturing of textile machinery.

Except for certain patents and licenses with carrying amount of RMB5,000,000 which have indefinite useful lives, other 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 profit or loss and other comprehensive income.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

19 GOODWILL

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Cost and carrying value		
At 1 January	844,307	845,633
Arising from acquisition of subsidiaries (note 37(a))	814	557
Derecognised on disposal of subsidiaries (note 38)	—	(1,883)
	845,121	844,307
At 31 December	845,121	844,307

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs, according to business segment as below:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Multiple units without significant goodwill	11,732	10,918
Provision of trust and fiduciary services	833,389	833,389
	845,121	844,307
	845,121	844,307

During the year, the management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amount of the CGU for provision of trust and fiduciary services and its major underlying assumptions is summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2012: 3-year period), and discount rate of 17% (2012: 17%). This unit's cash flows beyond the 5-year period (2012: 3-year period) are extrapolated using a steady 3% (2012: 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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Cost of investment, unlisted	141,793	127,853
Share of post-acquisition profits and other comprehensive income, net of dividends received	30,167	24,023
	171,960	151,876
	171,960	151,876



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

20. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates as at 31 December 2013 and 2012 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
			2013	2012	2013	2012	
			%	%	%	%	
Hongda Research Company Limited	the PRC	RMB50,000,000	40.00	40.00	40.00	40.00	Sale and development of textile machinery
China Textile Machinery and Technology Import and Export Corporation	the PRC	RMB120,000,000	25.00	25.00	25.00	25.00	Import and export of textile machinery
Anhui Huamao Jingwei New Type Textile Company Limited	the PRC	RMB50,000,000	25.00	25.00	25.00	25.00	Production, processing and sale of various kinds of yarn and textile products
Jingwei Machinery (Group) Company Limited ("Jingwei Machinery")(note(c))	the PRC	RMB40,000,000	18.83	18.83	40.00	40.00	Manufacturing and sale of textile machinery
Beijing Hengtian Wealth Management Company Limited	the PRC	RMB50,000,000	20.00	20.00	20.00	20.00	Provision of trust and fiduciary services
Shenzhen Huarong Equity Investment Fund and Management Company Limited	the PRC	RMB10,000,000	49.00	49.00	40.00	40.00	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	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 (b))	the PRC	RMB65,000,000	23.08	23.08	23.08	23.08	Investment holding, provision of asset management and business advisory services
Ruiyuan Baoxin Assets Management Company Limited (note (d))	the PRC	RMB4,000,000	49.00	–	49.00	–	Provision of trust and fiduciary services
Zhongrong Kang Jian Capital Management (Beijing) Company Limited (note (d))	the PRC	RMB2,000,000	49.00	–	49.00	–	Provision of trust and fiduciary services
Jinzhong Jingwei Yuxin Machinery Company Limited ("Jinzhong Yuxin")(note (d))	the PRC	RMB5,000,000	20.00	–	20.00	–	Design, manufacture and sales of textile machinery
Suizhou Jinafu Engineering and Machinery Services Company Limited (note (d))	the PRC	RMB15,000,000	40.00	–	40.00	–	Provision for logistics and construction services
Shanghai Rongou Equity Investment and Fund Management Company Limited (note (d))	the PRC	RMB10,000,000	40.00	–	40.00	–	Investment holding, provision for asset and investment management and business advisory services

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

20 INTERESTS IN ASSOCIATES (CONTINUED)

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 from 99.33% to 24.33%. 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 September 2012, the Group acquired 23.08% equity interest in Xihu Wealth at a consideration of RMB15,000,000.
- (c) In December 2012, the Group disposed of 1.17% equity interest in Jingwei Machinery so that the Group decreased its equity interest in Jingwei Machinery from 20% to 18.33%. 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.
- (d) These companies were incorporated during the year.

The summarised financial information in respect of the Group's unlisted associates that are not individually material is set out below:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Current assets	2,237,589	1,869,060
Non-current assets	983,797	906,451
Current liabilities	(2,251,030)	(1,920,440)
Non-current liabilities	(329,250)	(303,377)
Net assets	<u>641,106</u>	<u>551,694</u>
Revenue	<u>6,593,440</u>	<u>5,278,827</u>
Profit for the year	<u>166,151</u>	<u>79,004</u>
Other comprehensive income/(loss) for the year	<u>369</u>	<u>(3,832)</u>
Total comprehensive income for the year	<u>166,520</u>	<u>75,172</u>
Dividend received from associates for the year	<u>30,757</u>	<u>7,385</u>
The Group's share of post-tax profit	<u>38,033</u>	<u>648</u>
The Group's share of other comprehensive income/(loss)	<u>68</u>	<u>(1,166)</u>
The Group's share of total comprehensive income/(loss)	<u>38,101</u>	<u>(518)</u>
Aggregate carrying amount of the Group's interests in associates	<u>171,960</u>	<u>151,876</u>

The directors are of the view that there is no associate considered to be material to the Group.



**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Listed securities		
– Debenture – the PRC (note a)	28,547	29,605
– Equity securities – the PRC (note b)	302,349	484,693
	<u>330,896</u>	<u>514,298</u>
Unlisted securities		
– Equity securities – the PRC (note c)		
Cost	87,522	90,700
Accumulated impairment losses	(20,194)	(24,572)
	<u>67,328</u>	<u>66,128</u>
– Trust investments-the PRC (note d)	45,893	56,554
	<u>113,221</u>	<u>122,682</u>
	<u><u>444,117</u></u>	<u><u>636,980</u></u>

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) Listed investments in equity securities are stated at fair value using quoted prices in active markets. There has been no significant decline in their value below cost and adverse changes in the market value of the listed equity investments during the year. The directors of the Company consider that no impairment indication was noted on the listed equity investments.
- (c) 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 there are no quoted market prices for these investments. In addition, the variability in the range of reasonable fair value estimates is significant and the probabilities of the value estimates cannot be reasonably assessed. Accordingly, the directors are of opinion that a reasonable estimate of the fair value cannot be made.

In the current year, the Group disposed of certain unlisted equity securities with cost of RMB4,378,000 (2012: RMB725,000), which had been carried at cost before the disposal. Gain on disposal of the unlisted equity securities of RMB12,339,000 (2012: RMB Nil) had been recognised in profit or loss for the current year.

- (d) Unlisted trust investments are stated at fair value using valuation techniques in which all significant inputs are directly or indirectly based on observable market data and nature of products.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 <i>RMB'000</i>	Revaluation of available- for-sale financial assets <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2012	3,146	6,001	–	173,796	182,943
Credited to consolidated statement of profit or loss and other 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 and 1 January 2013	3,571	6,675	–	278,656	288,902
Credited to consolidated statement of profit or loss and other comprehensive income for the year (note 10)	829	–	4,527	124,999	130,355
Credited to investment revaluation reserve (note 12(a))	–	37,504	–	–	37,504
At 31 December 2013	<u>4,400</u>	<u>44,179</u>	<u>4,527</u>	<u>403,655</u>	<u>456,761</u>

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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Tax losses	699,427	462,736
Other temporary differences	287,192	254,017
	<u>986,619</u>	<u>716,753</u>

At 31 December 2013, the Group has unused tax losses of approximately RMB729,607,000 (2012: RMB462,736,000) available for offset against future profits. Deferred tax assets have been recognised in respect of approximately RMB30,180,000 (2012: RMBNil) of such losses. No deferred tax asset has recognised for the remaining balance of approximately RMB699,427,000 (2012: RMB462,736,000) due to unpredictability of future profit streams.

The unrecognised tax losses will expire in the following years ending 31 December:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
2013	–	107,303
2014	47,600	52,788
2015	67,014	67,014
2016	75,722	75,722
2017	182,975	159,075
2018	312,287	–
No expiry date	13,829	834
	<u>699,427</u>	<u>462,736</u>



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

23 OTHER NON-CURRENT ASSETS

	2013 RMB'000	2012 RMB'000
Trade receivables in respect of sales of textile and medical products from independent third parties (note)	4,301	22,083
Less: Amount due for settlement within 1 year and shown under current assets (note 25)	<u>(4,301)</u>	<u>(22,083)</u>
	<u><u>—</u></u>	<u><u>—</u></u>

Note:

The amount represented trade receivables from certain customers which are agreed to be settled by instalments. Pursuant to the sales contracts, all the remaining balances are repayable in 2013. During the year, both of the Group and customers agreed the remaining balances are repayable in 2014. At 31 December 2013, carrying amounts of RMB4,301,000, after net of impairment loss of RMB22,912,000, had been included in trade and other receivables.

24 INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	405,312	443,603
Work in progress	571,742	521,225
Finished goods	<u>642,519</u>	<u>519,753</u>
	<u><u>1,619,573</u></u>	<u><u>1,484,581</u></u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2013 RMB'000	2012 RMB'000
Carrying amount of inventories sold	4,784,706	4,166,675
Write down of inventories	<u>16,489</u>	<u>5,802</u>
	<u><u>4,801,195</u></u>	<u><u>4,172,477</u></u>

At 31 December 2013, the Group's bank loans were secured by certain of the Group's inventories with an aggregate carrying amount of RMB8,462,000 (2012: RMB10,030,000) (note 30).

25 TRADE AND OTHER RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	669,380	639,541
Less: Allowance for doubtful debts	<u>(38,910)</u>	<u>(35,061)</u>
	630,470	604,480
Bills receivable (note)	1,495,876	1,348,266
Deposits and other receivables	232,168	212,474
Prepayments	319,373	408,260
Non-current assets (due within 1 year) (note 23)	<u>4,301</u>	<u>22,083</u>
	<u><u>2,682,188</u></u>	<u><u>2,595,563</u></u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

25 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

At the end of the reporting period, the carrying amount of outstanding bills receivable of RMB660,196,000 (2012: RMB557,428,000) and RMB13,905,000 (2012: RMB59,214,000) has been endorsed to certain creditors and discounted to the banks respectively. 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 2013, the carrying values of bills receivable that have been transferred but have not been derecognised amounted to RMB674,101,000 (2012: RMB616,642,000) and the carrying amount of the associated liability is RMB674,101,000 (2012: RMB616,642,000). The carrying values approximate their fair values.

At 31 December 2013, the Group has pledged bills receivable with a carrying amount of RMB32,928,000 (2012: RMB122,400,000) to secure issuing certain bills payable for settlement of suppliers. (see note 29)

Receipts of customer's payments in advance, as deposits of sale contracts, are recognised in the other payables and accrued charges. After receiving the 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):

	2013 <i>RMB '000</i>	2012 <i>RMB '000</i>
Within 1 year	2,288,085	2,044,484
Over 1 year but less than 2 years	32,212	26,144
Over 2 years but less than 3 years	6,758	4,741
	<u>2,327,055</u>	<u>2,075,369</u>

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:

	2013 <i>RMB '000</i>	2012 <i>RMB '000</i>
Over 1 year but less than 2 years	32,212	26,144
Over 2 years but less than 3 years	6,758	4,741
	<u>38,970</u>	<u>30,885</u>

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):

	2013 <i>RMB '000</i>	2012 <i>RMB '000</i>
At 1 January	35,061	78,084
Impairment losses recognised	12,773	9,328
Acquired on acquisition of subsidiaries	–	415
Impairment losses reversed	(3,753)	(5,076)
Derecognised on disposal of subsidiaries	(278)	–
Amounts written off as uncollectible	(4,893)	(47,690)
	<u>38,910</u>	<u>35,061</u>
At 31 December	<u>38,910</u>	<u>35,061</u>



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

25 TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB38,910,000 (2012: RMB35,061,000). 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 2013, the trade and other receivables included an aggregate amount of RMB3,706,000 (2012: RMB58,992,000), 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 (2012: 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 RMB13,638,000 (2012: RMB9,449,000).

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 RMB187,007,000 (2012: RMB113,110,000).

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 RMB131,317,000 (2012: RMB206,927,000).

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Listed securities – held for trading:		
– Equity securities – the PRC	239,098	276,666
– Equity securities – Indonesia	4,418	–
	243,516	276,666
Market value of listed securities	243,516	276,666

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 3.08% (2012: 3.09%).

At the end of the reporting period, cash and cash equivalents comprised mainly short-term deposits which carry interests at prevailing market rates.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

29 TRADE AND OTHER PAYABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade payables	1,624,209	1,524,236
Bills payable	612,660	379,335
Advances from customers	394,147	552,322
Other payables and accrued charges	2,171,198	1,610,098
	<u>4,802,214</u>	<u>4,065,991</u>

At 31 December 2013, the Group has endorsed bank acceptance bills to certain creditors amounting to RMB660,196,000 (2012: RMB557,428,000). The settlement of trade payables by such bills will only be derecognised when the relevant bills mature.

At 31 December 2013, trade and other payables included an aggregate carrying amount of RMB121,368,000 (2012: RMB89,988,000), 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.

At 31 December 2013, certain of the Group's bills payable were secured by certain of the Group's bills receivable with aggregate net carrying amount of RMB32,928,000 (2012: RMB 122,400,000).

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Within 1 year	2,296,242	1,969,689
Over 1 year but less than 2 years	39,844	87,450
Over 2 years but less than 3 years	9,553	31,539
Over 3 years	22,547	21,820
	<u>2,368,186</u>	<u>2,110,498</u>

30 BORROWINGS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Medium term note ("MTN")	1,200,000	1,200,000
Discounted bills	13,905	59,214
Variable-rate bank loans	1,253,600	883,702
Fixed-rate bank loans	678,000	572,845
	<u>3,145,505</u>	<u>2,715,761</u>
Secured	1,309,805	1,314,614
Unsecured	1,835,700	1,401,147
	<u>3,145,505</u>	<u>2,715,761</u>

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
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The borrowings are repayable as follows:

On demand or within 1 year	1,945,505	1,515,761
More than 1 year, but not exceeding 5 years	1,200,000	1,200,000
	<u>3,145,505</u>	<u>2,715,761</u>
Less: Amount due within 1 year and shown under current liabilities	(1,945,505)	(1,515,761)
	<u>1,200,000</u>	<u>1,200,000</u>



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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. Interest on the MTN is payable annually in arrears.

Discounted bills carry interests at market rates ranging from 5.40% to 8.40% (2012: 3.18% to 10.80%) per annum.

Variable-rate bank loans that are denominated in foreign currencies of RMB135,700,000 (2012: RMB90,802,000) bear interests from 1.57% to 4.77% (2012: 2.30% to 6.80%) per annum. None of variable-rate bank loans (2012: RMB50,000,000) bear interests at the prime rate offered by the People's Bank of China (the "PBOC"). The remaining variable-rate bank loans of RMB1,117,900,000 (2012: RMB742,900,000) bear interests from 90% to 125% of the rate offered by the PBOC (2012: 87% to 120% of the rate offered by the PBOC). All these variable interest rates are repriced from every one month to every six months (2012: from every three months to every twelve months).

Fixed-rate bank loans bear interests from 5.60% to 10.44% (2012: 3.40% to 10.44%) per annum.

The ranges of effective interest rates of the borrowings are also equal to contracted interest rates.

At 31 December 2013, the Group, has undrawn borrowing facilities amounting to approximately RMB5,033,809,000 (2012: RMB4,373,355,000).

At the end of the reporting period, the borrowings are secured by certain of the Group's assets:

	2013 <i>RMB '000</i>	2012 <i>RMB '000</i>
Property, plant and equipment (note 16)	30,929	5,005
Land use rights (note 17)	105,726	175,527
Inventories (note 24)	8,462	10,030
Bills receivable (note 25)	13,905	59,214

At 31 December 2013, certain of the Group's bank loans to the extent of RMB4,900,000 (2012: RMB4,900,000) are guaranteed by third party.

31 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013 <i>RMB '000</i>	2012 <i>RMB '000</i>	2013 <i>RMB '000</i>	2012 <i>RMB '000</i>
Amounts payable under finance leases				
Within 1 year	24,606	34,211	23,891	32,021
More than 1 year and not more than 5 years	684	25,910	619	25,243
	25,290	60,121	24,510	57,264
Less: future finance charges	(780)	(2,857)	—	—
Present value of lease obligations	24,510	57,264	24,510	57,264
Less: Amount due for settlement within 1 year (shown under current liabilities)			(23,891)	(32,021)
Amount due for settlement after 1 year			619	25,243

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

32 OTHER NON-CURRENT LIABILITIES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Deferred income (note a)	132,180	114,098
Retirement benefit obligations (note b)	26,780	31,344
Others	29,994	29,994
	<hr/>	<hr/>
	188,954	175,436
Less: Current portion included in trade and other payables	(1,690)	(1,634)
	<hr/>	<hr/>
	<u>187,264</u>	<u>173,802</u>

Notes:

- (a) The amount comprises (i) government subsidies received in relation to lease payment of land of RMB9,211,000 (2012: RMB9,418,000) and acquisition of qualifying assets of RMB60,773,000 (2012: RMB43,595,000) which are recognised in the consolidated statement of profit or loss and other 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 RMB19,175,000 (2012: RMB14,476,000) which will be recognised in the same period as those expenses are charged in the consolidated statement of profit or loss and other comprehensive income and are reported separately as other income, and (iii) government subsidies for the compulsory relocation of certain properties of RMB43,021,000 (2012: RMB46,609,000) which will be recognised in the consolidated statement of profit or loss and other comprehensive income on a systematic basis.
- (b) Included in the balance is an amount of RMB26,780,000 (2012: RMB31,344,000) representing the Group's obligations on retirement and supplementary benefits to the qualifying retired employees which was mainly determined based on actuarial valuations performed by an independent firm of valuers (see note 42).

33 SHARE CAPITAL
2013

	1 January 2013	Increase/(decrease) (Note)	31 December 2013
Number of shares			
Registered, issued and fully paid			
– restricted	295,991,404	(66,120,170)	229,871,234
– others	227,338,596	66,120,170	293,458,766
H shares, RMB1.00 each	180,800,000	–	180,800,000
	<hr/>	<hr/>	<hr/>
	<u>704,130,000</u>	<u>–</u>	<u>704,130,000</u>
RMB'000			
Registered, issued and fully paid			
– restricted	295,991	(66,120)	229,871
– others	227,339	66,120	293,459
H shares, RMB1.00 each	180,800	–	180,800
	<hr/>	<hr/>	<hr/>
	<u>704,130</u>	<u>–</u>	<u>704,130</u>



**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

33 SHARE CAPITAL (CONTINUED)

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
	<u>603,800,000</u>	<u>100,330,000</u>	<u>704,130,000</u>
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
	<u>603,800</u>	<u>100,330</u>	<u>704,130</u>

Note: For the year, new additions of 351,000 restricted A shares were transferred from other A shares which were attributable to 8 senior management personnel of the Group.

In addition, according to register of shareholders provided by China Securities Regulatory Commission (“CSRC”) (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 93,101 shares held by 9 senior management personnel of the Group were unlocked during the reporting period and changed to unlimited trading A shares.

In 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 RMB903,650,000 were used for (i) future capital injection to Zhongrong Trust and (ii) as general working capital of the Group.

Pursuant to the approval documents of CSRC, 100,330,000 A shares issued to certain parties in 2012 were restricted to sell to others, of which 66,378,069 A shares were unlocked in 2013 and remaining 33,951,931 A shares would be unlocked in 2015.

The A shares and H shares have a par value of RMB1.00 each and rank pari passu in all respects, except for certain conditions on restricted A shares as stated above, while H shares can only be owned and traded by overseas investors and A shares can only be owned and traded by PRC investors.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 <i>RMB'000</i> (note 33)	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i> (note 34(b))	Discretionary surplus reserve <i>RMB'000</i> (note 34(c))	Production safety fund surplus reserve <i>RMB'000</i> (note 34(e))	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At 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 and 1 January 2013	<u>704,130</u>	<u>2,048,032</u>	<u>231,448</u>	<u>150,000</u>	<u>1</u>	<u>227,241</u>	<u>3,360,852</u>
Profit and total comprehensive income for the year	–	–	–	–	–	47,508	47,508
Appropriation to reserve	–	–	5,360	–	–	(5,360)	–
Provision for production safety fund surplus reserve	–	–	–	–	2,898	(2,898)	–
Utilisation for production safety fund surplus reserve	–	–	–	–	(2,808)	2,808	–
Payment of dividends approved in respect of previous year (note 14)	–	–	–	–	–	(70,413)	(70,413)
At 31 December 2013	<u><u>704,130</u></u>	<u><u>2,048,032</u></u>	<u><u>236,808</u></u>	<u><u>150,000</u></u>	<u><u>91</u></u>	<u><u>198,886</u></u>	<u><u>3,337,947</u></u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 Generally 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 PAT of the Company for the purpose of dividend distribution is deemed to be the lesser of (i) the net profit determined in accordance with the 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 PAT 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 the PRC statutory financial statements which are prepared in accordance with the PRC GAAP. These profits differ from those reflected in the consolidated financial statements which are prepared in accordance with HKFRSs.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 shareholders 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 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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Total debts	8,207,217	7,165,875
Cash and cash equivalents	<u>(9,314,093)</u>	<u>(6,479,759)</u>
Net (cash)/debt	(1,106,876)	686,116
Equity	<u>5,114,068</u>	<u>4,699,709</u>
Net debt to equity ratio	<u>N/A</u>	<u>15%</u>

36 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Financial assets		
Financial assets at fair value through profit or loss	243,516	276,666
Loans and receivables (including cash and cash equivalents)	12,187,619	8,995,322
Available-for-sale financial assets	444,117	636,980
Financial liabilities		
Other financial liabilities	<u>(7,783,076)</u>	<u>(6,583,559)</u>



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

36 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include AFS financial assets, financial assets at FVTPL, 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) Foreign 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. Foreign currencies, including United States dollars ("USD"), European dollars ("EUR"), HKD and Swiss Franc ("CHF"), are mainly used to purchases of raw materials of textile and motors from suppliers. 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	2013 RMB'000	2012 RMB'000
Cash and cash equivalents	USD	52,297	19,339
	Euros	44,283	1,866
	HKD	130,352	654
	CHF	–	915
	Others	32	38
Trade and other receivables	USD	10,091	11,550
	Euros	22,262	68,789
	HKD	–	6,488
	CHF	668	20,501
Trade and other payables	USD	(35,432)	(6,859)
	Euros	(14,550)	(63,686)
	HKD	–	(16)
Borrowings	USD	(135,700)	(90,802)
Total	USD	(108,744)	(66,772)
	Euros	51,995	6,969
	HKD	130,352	7,126
	CHF	668	21,416
	Others	32	38

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

36 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Foreign currency risk (continued)

The following table details the Group's sensitivity to a 5% increase in the functional currency of group entities against the relevant foreign currencies. 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	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit after taxation	4,622	2,838	(2,210)	(296)	(5,540)	(303)	(28)	(910)

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:

	2013	2012
	100 basis points	100 basis points
	2013	2012
	RMB'000	RMB'000
Reasonably possible change in interest rate	100 basis points	100 basis points
Increase/(decrease) in profit after taxation		
– as a result of increase in interest rate	(10,656)	(7,511)
– as a result of decrease in interest rate	10,656	7,511

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 RMB268,457,000 (2012: RMB205,482,000) 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 RMB119,383,000 (2012: RMB113,110,000) due from associates. 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 2013, the Group has available unutilised borrowing facilities of approximately RMB5,033,809,000 (2012: RMB4,373,355,000). Details of which are set out in note 30.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

36 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

	Weighted average effective interest rate %	Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	More than 3 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
2013							
Non-derivative financial liabilities							
Trade and other payables (excluding advances from customers)		4,408,067	–	–	–	4,408,067	4,408,067
Amounts due to holding companies		26,532	–	–	–	26,532	26,532
Amounts due to fellow subsidiaries		112,013	–	–	–	112,013	112,013
Amounts due to associates		66,449	–	–	–	66,449	66,449
Obligations under finance leases	5.23	24,606	254	179	251	25,290	24,510
Borrowings							
Fixed rate	5.70	759,189	67,800	67,800	1,221,362	2,116,151	1,878,000
Variable rate *	4.95	1,287,288	–	–	–	1,287,288	1,253,600
Discounted bills		13,905	–	–	–	13,905	13,905
		<u>6,698,049</u>	<u>68,054</u>	<u>67,979</u>	<u>1,221,613</u>	<u>8,055,695</u>	<u>7,783,076</u>
	Weighted average effective interest rate %	Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	More than 3 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
2012							
Non-derivative financial liabilities							
Trade and other payables (excluding advances from customers)		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
		<u>5,453,416</u>	<u>93,636</u>	<u>67,874</u>	<u>1,289,347</u>	<u>6,904,273</u>	<u>6,583,559</u>

* The interest rates applied to projected undiscounted cash flows of variable rate bank loans are the interest rates at the end of the reporting period.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

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 the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Indonesia 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 (2012: 15% higher/lower), PAT for the year ended 31 December 2013 would increase/decrease by RMB27,452,000 (2012: increase/decrease by RMB31,125,000). This is mainly due to the changes in fair value of financial assets at FVTPL.

(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 13, Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

36 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(vi) Fair values (continued)

(a) Financial instruments carried at fair value (continued)

2013

	Level 1 <i>RMB '000</i>	Level 2 <i>RMB '000</i>	Total <i>RMB '000</i>
Financial assets at fair value through profit or loss			
– listed securities	243,516	–	243,516
Available-for-sale financial assets			
– listed securities	330,896	–	330,896
– unlisted securities – trust investments	–	45,893	45,893
	<u>574,412</u>	<u>45,893</u>	<u>620,305</u>

2012

	Level 1 <i>RMB '000</i>	Level 2 <i>RMB '000</i>	Total <i>RMB '000</i>
Financial assets at fair value through profit or loss			
– listed securities	276,666	–	276,666
Available-for-sale financial assets			
– listed securities	514,298	–	514,298
– unlisted securities – trust investments	–	56,554	56,554
	<u>790,964</u>	<u>56,554</u>	<u>847,518</u>

During the year ended 31 December 2013 and 2012, 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 2013 and 2012.

(c) The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

37 BUSINESS COMBINATIONS

(a) Acquisitions of subsidiaries

On 16 September 2013, the Group acquired 48.46% controlling interests in Fuzhou Gallant Joint Medical Technology Ltd. (“Fuzhou Gallant”) through the Group’s non-wholly-owned subsidiary, Shanghai Huayuan Hyperthermia Technology Co., Ltd. (“Shanghai Huayuan”), at a consideration of HKD18,805,000 (Equivalent to RMB15,000,000), so as to enlarge the Group’s business scope. Upon the completion of the acquisition, the effective shareholding the Group has in Fuzhou Gallant was 24.70%. Fuzhou Gallant is principally engaged in development and design of medical machinery and provision for advisory services. (Please refer to note 44 for details)

On 10 May 2013, the Group acquired 51.00% controlling interests in DURABUS, Proizvodnja Vozil, d.o.o. (“DURABUS, d.o.o.”) through the Group’s non-wholly-owned subsidiary, Hubei Hubei Xinchufeng Automobile Co., Ltd. (“Hubei Xinchufeng”), at a consideration of Euro1,326,000 (Equivalent to RMB11,676,000), so as to enlarge the Group’s business scope. Upon the completion of the acquisition, the effective shareholding the Group has in DURABUS, d.o.o. was 40.94%. DURABUS, d.o.o. is principally engaged in manufacture and sales of automobiles and related components. (Please refer to note 44 for details)

On 23 July 2012, the Group acquired 51.00% 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 100.00% controlling interests in Hi-Tech Huanyu (International) Limited (“Hi-Tech Huanyu”) and its subsidiaries through the Group’s non-wholly-owned subsidiary, Hubei Xinchufeng, at a cash consideration of RMB3,122,000, so as to enlarge the Group’s business scope. Upon the completion of the acquisition, the effective shareholding the Group has in Hi-Tech Huanyu was 75.00%. Hi-Tech Huanyu is principally engaged in investment holding, manufacture and sales of heavy and medium commercial automobiles. Subsequently to year ended 31 December 2012, Hi-Tech Huanyu changed the name to China Hi-Tech New Energy Auto Company Limited (“China Hi-Tech”).

(i) Assets acquired and liabilities recognised as at the date of acquisition were as follows:

	2013			2012
	Fuzhou Gallant RMB'000	DURABUS, d.o.o. RMB'000	Total RMB'000	Total RMB'000
Non-current assets				
Property, plant and equipment	1,042	730	1,772	4,064
Intangible assets	14,222	259	14,481	14,934
Current assets				
Inventories	–	31,714	31,714	34,825
Trade and other receivables	218	4,271	4,489	17,492
Cash and cash equivalents	15,003	6,130	21,133	4,147
Current liabilities				
Trade and other payables	(1,212)	(16,594)	(17,806)	(42,739)
Current tax liabilities	–	–	–	(107)
Borrowings-amount due within one year	–	–	–	(375)
Obligations under finance lease	–	(87)	(87)	–
Non-current liabilities				
Borrowings – amount after one year	–	–	–	(22,311)
Obligations under finance lease	–	(407)	(407)	–
Fair value of net identifiable assets acquired				
	29,273	26,016	55,289	9,930
Non-controlling interests	(15,087)	(12,748)	(27,835)	(3,336)
Net identifiable assets attributable to the equity interest acquired by the Group				
	<u>14,186</u>	<u>13,268</u>	<u>27,454</u>	<u>6,594</u>

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

37 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

(ii) Goodwill/(gain on bargain purchase) arising from acquisition

	2013		2012
	Fuzhou Gallant RMB '000	DURABUS, d.o.o. RMB '000	Total RMB '000
Consideration transferred			
Cash paid	15,000	11,676	6,402
Write-off of receivables	-	-	749
	15,000	11,676	7,151
Net identifiable assets attributable to the equity interest acquired by the Group	(14,186)	(13,268)	(6,594)
Goodwill/(gain on bargain purchase)	<u>814</u>	<u>(1,592)</u>	<u>557</u>

Goodwill arose from 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 from these acquisitions is expected to be deductible for tax purposes.

Gain from a bargain purchase of RMB1,592,000 was recognised upon completion of the acquisition of DURABUS, d.o.o.. The main reason was the acquired company experienced great losses in several years, leading to a depressed market value of business. All the gain from bargain purchase was recognised in other income. (note 7)

(iii) Acquisition-related costs

Acquisition-related costs amounting to RMB456,000 (2012: RMB228,000) for the year have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

(iv) Net cash outflow on acquisition of subsidiaries

	2013 RMB '000	2012 RMB '000
Consideration paid	(26,676)	(6,402)
Cash and cash equivalents of the subsidiary acquired	21,133	4,147
Cash outflow on acquisition	<u>(5,543)</u>	<u>(2,255)</u>

(v) Impact of acquisitions on the results of the Group in year 2013

Included in the Group's profit for the year is losses of RMB18,500,000 attributable to the additional business generated by Fuzhou Gallant and DURABUS, d.o.o.. Group's revenue for the year includes RMB21,591,000 in respect of Fuzhou Gallant and DURABUS, d.o.o..

Had these business combinations been effected at 1 January 2013, the revenue of the Group would have been RMB10,479,643,000, and the profit for the year would have been RMB1,779,231,000. 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 2013**

37 BUSINESS COMBINATIONS (CONTINUED)

(b) Transactions with non-controlling interests

During the year ended 31 December 2013, the Group acquired additional interests in a number of subsidiaries which does not result in change of controls:

Held by the Company	Date of acquisition	Changes in equity interest
Shanxi Jingwei Heli Machinery Manufacturing Company, Limited (“Shanxi Heli”)	28 July 2013	Acquired further 9.83%
Zhongrong Trust	25 January 2013	Acquired further 0.87%
Shanghai Chuangan Trading Company Limited (“Shanghai Chuangan”)(note)	20 March 2013	Acquired further 60.94%
Hubei Xinchufeng	19 September 2013	Acquired further 5.28%

Note: During the year, the Group acquired further 60.94%, equity interests in Shanghai Chuangan from non-controlling interests, of which 60.00% equity interests were acquired from the associate of the Group, Jingwei Machinery, at a consideration of RMB10,770,000.

During the year ended 31 December 2012, the Group acquired additional/disposal partial 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 interest
Jinzhong Jingwei Chemical Fiber Machinery Company Limited (“Jinzhong Fiber”)	13 January 2012	Acquired further 14.48%
Shanghai Chuangan	5 August 2012	Disposed 54.00%
Xianyang Jingwei Textile Machinery Company Limited (“Xianyang Textile”)	17 December 2012	Acquired further 0.03%

The details of the change in the ownership interests in these subsidiaries are summarised as follows:

	2013 RMB'000	2012 RMB'000
Carrying amounts of non-controlling interests acquired/(disposed)	51,915	(4,964)
Net consideration (paid to)/received from non-controlling interest	(123,675)	7,699
Net effect in parent's equity	<u>(71,760)</u>	<u>2,735</u>

As a result of the above transactions, a total amount of RMB51,915,000 (2012: RMB4,964,000), being the carrying amount of non-controlling interest acquired/disposed, has been transferred from/to non-controlling interest.

The net consideration paid to/received from non-controlling interest over the carrying amount of non-controlling interests acquired/disposed of RMB71,760,000 (2012: RMB2,735,000) has been charged/credited to equity attributable to the owners of the Company.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

38 DISPOSAL OF SUBSIDIARIES

In October 2013, the Group disposed all equity interests in Jinzhong Jingwei Heli Electronic Equipment Company Limited, Jinzhong Jingwei Heli General Machinery Company Limited and Jinzhong Jingwei Heli Supplementary Machinery Company Limited to an associate, Jinzhong Yuxin, at a consideration of RMB35,636,000. These companies were wholly owned subsidiaries of Shanxi Heli before disposal.

In March 2012, the Group disposed 75% equity interest in Xianyang Manufacturing at a consideration of RMB82,360,000 (see note 20(a)).

Assets and liabilities as at the date of disposal were as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Non-current assets		
Property, plant and equipment	4,517	43,627
Prepaid lease payments	–	28,696
Current assets		
Inventories	3,267	–
Trade and other receivables	54,327	522
Prepaid lease payments	–	679
Current tax assets	4	136
Cash and cash equivalents	822	113
Current liabilities		
Trade and other payables	(28,143)	(44,164)
Current tax liabilities	(172)	–
Net assets disposed of	34,622	29,609

Gain on disposal of subsidiaries:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Consideration receivable	35,636	–
Cash consideration received	–	82,360
Fair value of interest retained	–	27,453
Net assets disposed of	(34,622)	(29,609)
Goodwill	–	(1,883)
	1,014	78,321

Net cash (outflow)/inflow on disposal of subsidiaries:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Consideration received in cash	–	82,360
Less: cash and cash equivalents of the subsidiaries disposed	(822)	(113)
	(822)	82,247



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

39 COMMITMENTS

(a) Capital commitments

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– Authorised but not contracted for	89,012	151,631
– Contracted but not provided for	209,081	141,361
	298,093	292,992
	298,093	292,992

(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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Land and buildings		
Within one year	51,509	49,050
In the second to fifth year inclusive	27,090	40,845
	78,599	89,895
	78,599	89,895

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 1 to 5 years and rentals are fixed for an average of 2 years.

40 CONTINGENT LIABILITIES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Guarantees for bank loans of third party	150,000	150,000
	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:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trusted assets	478,534,904	299,486,321
	478,534,904	299,486,321

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

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% (2012: 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 profit or loss and other comprehensive income of RMB112,410,000 (2012: RMB104,049,000) represents contributions payable to these plans by the Group at rates specified in the rules of plans.

At 31 December 2013, contributions totalling RMB27,414,000 (2012: RMB20,811,000) were payable to the retirement schemes and were included in other payables and accrued charges. No forfeited contributions were utilised during the year or available at 31 December 2013 to reduce future contributions (2012: RMB Nil).

(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 included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit plans as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Present value of unfunded defined benefit obligations and liabilities arising from these obligations	26,780	31,344

Movements in the present value of the retirement and supplemental benefit obligations during the year are as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
At the beginning of the reporting period (Restated)	31,344	41,208
Interest costs	1,070	1,370
Past service cost	(1,690)	(12,390)
Remeasurement for the year	(1,980)	4,857
Benefits paid	(1,964)	(3,701)
At the end of the reporting period	26,780	31,344

The above obligations were mainly 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.



**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

42 RETIREMENT BENEFIT PLANS (CONTINUED)

(b) Retirement and supplemental benefit obligations (continued)

Amounts recognised in total comprehensive income in respect of defined benefit plans are as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Past service cost	(1,690)	(12,390)
Interest costs	1,070	1,370
Components of defined benefit costs recognised in profit or loss	<u>(620)</u>	<u>(11,020)</u>
Remeasurement on the defined benefit obligations:		
– Actuarial (gain)/loss recognised	(1,980)	4,857
Component of defined benefit costs recognised in other comprehensive loss	<u>(1,980)</u>	<u>4,857</u>
Total	<u><u>(2,600)</u></u>	<u><u>(6,163)</u></u>

Past service costs and interest costs for the year are included in the staff costs in profit or loss.

The remeasurement of the defined benefit obligations is included in other comprehensive loss.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2013 %	2012 %
Discount rate	4.5	3.75
Medical cost trend (Civil Retirees/Retirees)	8.00/6.00	8.00/6.00
Cost of living adjustment for beneficiaries (note)	Not applicable	4.50
Mortality rate	China Life Annuity Mortality Table 2000-03 up 2 years	

Note: This assumption is not applicable as the plan of paying for beneficiaries has been expired.

An increase of one percentage point in the assumed medical cost trend rates:

- (i) would result in an increase of RMB126,000 (2012: RMB156,000) 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 RMB2,824,000 (2012: RMB3,349,000) on the accumulated post-employment benefit obligation for medical costs for the year.

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

43 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 Disclosures, 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 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

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	43,269	22,984
Sale of materials, parts and components	3,031	4,811
Other supporting services income	280	308
Rental income	2,726	3,016
Purchases of goods and services		
Purchase of finished goods	402,659	291,721
Purchase of materials, parts and components	4,643	2,948
Purchase of energy	28	–
Processing fee expenses	43	48
Transportation services expenses	3,242	2,855
Repairs and maintenance services expenses	188	2,516
Other supporting services expenses	4,220	4,225
Rental expenses	351	429

(a) (ii) Transactions with associates

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	786,365	472,743
Sale of materials, parts and components	58,034	6,180
Processing fee income	327	588
Other supporting services income	1,971	2,000
Purchases of goods and services		
Purchase of materials, parts and components	134,995	88,498
Processing fee expenses	9	806
Repairs and maintenance service expenses	4,134	7,473
Other supporting services expenses	610	752
Transportation services expenses	–	56

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (iii) **Transactions with companies in which certain key management personnel of the Group have influence in:**

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	1,082	755
Sale of materials, parts and components	10,063	4,129
Rental income	<u>1,836</u>	<u>—</u>
Purchases of goods and services		
Purchase of finished goods	37,714	47,738
Purchase of materials, parts and components	281,507	253,211
Purchase of energy	—	1,279
Processing fee expenses	15,337	1,977
Other supporting services expenses	2,085	2,342
Rental expenses	<u>5,280</u>	<u>7,415</u>

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 2013 and 2012, the Group's significant transactions with other state-owned entities (excluding China Hengtian and its subsidiaries) are as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	159,896	50,145
Sale of materials, parts and components	27,301	20,387
Processing fee income	47	—
Other supporting services income	9	75
Interest income	<u>26,462</u>	<u>18,768</u>
Purchases of goods and services		
Purchase of materials, parts and components	14,139	6,327
Purchase of energy	65,649	61,732
Purchase of property, plant and equipment	—	86
Delivery fee expenses	—	48
Borrowings raised from state-owned banks	1,147,604	654,565
Other supporting services expenses	3,355	4,676
Interest expenses	41,723	98,009
Rental expenses	<u>196</u>	<u>117</u>

In addition, substantially all restricted deposits, time deposits, cash and cash equivalents and borrowings as of 31 December 2013 and 2012 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**

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Salaries and other short-term employee benefits	21,274	23,133
Post-employment benefits	<u>494</u>	<u>440</u>
	<u>21,768</u>	<u>23,573</u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

44 SUBSIDIARIES

The following table lists the subsidiaries of the Group at 31 December 2013 and 2012 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	2013		2012		Principal activities
			Attributable equity interest of the Group		Attributable equity interest of the Group		
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Jingwei Textile Machinery Yuci Material Company Limited	the PRC 9 July 1996	RMB5,000,000	0.72	99.20	0.72	99.20	Trading of furnace materials, metals, textile machinery component and charcoal
Taiyuan Jingwei Electrical Company Limited	the PRC 18 March 1997	RMB5,000,000	–	100.00	2.00	98.00	Manufacture and sales of transformers and electrical components
Qingdao Hongda Textile Machinery Company Limited	the PRC 16 August 1999	RMB114,000,000	–	97.66	–	97.66	Manufacture, sales and leasing of textile machinery and related components
Tianjin Hongda Textile Machinery Company Limited	the PRC 17 August 1999	RMB96,084,000	2.00	98.00	2.00	98.00	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	–	98.00	–	98.00	Development and manufacture of textile machinery and related components
Shenyang Hongda Textile Machinery Company Limited	the PRC 16 August 1999	RMB81,994,300	–	98.00	–	98.00	Development, manufacture and processing of textile machinery and related components
Changde Textile Machinery Company Limited	the PRC 5 January 2002	RMB42,349,900	25.00	70.00	25.00	70.00	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	1.34	98.60	1.34	98.60	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	9.99	90.00	9.99	90.00	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	3.94	96.00	3.94	96.00	Investment management, sales of electronic and chemical products
Shanghai Chuangan (note 37(b))	the PRC 29 September 2001	RMB5,000,000	0.94	96.00	–	36.00	Trading of textile, electronic products and chemical products
Shanghai Jingwei Protti Textile Machinery Company Limited (Formerly known as "Shanghai Jingwei Dongxing Blowing Carding Machinery Company Limited")	the PRC 5 September 2001	RMB50,000,000	21.99	78.00	21.99	78.00	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	33.43	66.55	33.43	66.55	Manufacture and sales of textile products; research and development of technology relating to textile machinery and equipments

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

44 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2013		2012		Principal activities
			Attributable equity interest of the Group		Attributable equity interest of the Group		
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Tianjin Jingwei New Type Textile Machinery Company Limited	the PRC 16 August 2005	RMB16,000,000	25.00	75.00	25.00	75.00	Development and processing textile machinery and related components
Shenyang Hongda Huaming Textile Machinery Company Limited	the PRC 13 July 2005	RMB40,000,000	98.50	–	98.50	–	Development and processing of textile machinery and related components
Wuxi Jingwei Textile Technology Sales Company Limited	the PRC 31 December 2005	RMB1,000,000	2.00	98.00	2.00	98.00	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	25.00	10.00	25.00	10.00	Manufacture of textile machinery and related components, general machinery and component, advanced textile machinery
Yichang Jingwei Textile Machinery Company Limited	the PRC 22 December 2006	RMB20,000,000	25.00	75.00	25.00	75.00	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 (c))	Hong Kong 31 December 2000	USD7,700,000	–	100.00	–	100.00	Export and import trading of textile machinery
Shanxi Heli (note 37(b) and note (a))	the PRC 26 February 2003	RMB100,000,000	–	39.83	–	30.00	Design and manufacture of various electromechanical products and mining products
Shanghai WSP Mould and Injection Plastic Company Limited (“Shanghai WSP”) (note (d))	the PRC 14 May 2005	RMB5,256,800	50.00	–	50.00	–	Development, manufacture and trading machinery and related machinery, automobile component, mould and general machinery
Shangxi Jingwei Precision Machinery Manufacturing Company Limited (Formerly known as “Jinzhong Jingwei Foundry Company Limited”)	the PRC 6 August 2009	RMB25,000,000	–	68.80	–	68.80	Development and processing of textile machinery and related components
Huangshi Jingwei Textile Machinery Company Limited (“Huangshi Jingwei”) (note (a))	the PRC 24 December 2008	RMB32,000,000	–	45.00	–	45.00	Development and processing of textile machinery and related component
Hubei Xinchufeng (note 37(b))	the PRC 22 March 2007	RMB311,420,000	–	80.28	–	75.00	Manufacture and sales of heavy and medium commercial automobiles
Zhongrong Trust (note 37(b) and note (a))	the PRC 30 June 1987	RMB1,600,000,000	–	37.47	–	36.60	Provision of trust and fiduciary services

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

44 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2013		2012		Principal activities
			Attributable equity interest of the Group		Attributable equity interest of the Group		
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Anshan Jingwei Haihong Agricultural Machinery Company Limited ("Anshan Jingwei") (note (b))	the PRC 3 November 2008	RMB40,000,000	–	51.00	–	51.00	Manufacture and sales of agricultural machinery and equipment
Shanghai Huayuan (note (b))	the PRC 1 November 2004	RMB20,000,000	50.97	–	50.97	–	Manufacture and sales of hyperthermia products
Xianyang Textile (note 37(b))	the PRC 22 October 2010	RMB50,000,000	–	97.36	–	97.36	Manufacture of weaving machines and equipment, and provision of relevant consulting service
Jinzhong Fiber (note 37(b))	the PRC 8 October 2002	RMB31,000,000	–	65.48	–	65.48	Manufacturing of textile machinery components
Hengtian Motor Vehicles Co., Limited [†]	the PRC 5 May 2011	RMB50,000,000	76.27	–	71.25	–	Manufacture and sales of heavy and medium commercial automobiles
Beijing Zhongrong Dingxin Investment Management Company Limited ^{†‡} ("Zhongrong Dingxin")	the PRC 13 December 2011	RMB100,000,000	37.47	–	36.60	–	Investment holding, provision of asset management and business advisory services
China Hi-Tech [†] (note 37(a) and note (c))	Hong Kong 24 March 2011	HKD4,974,976	80.28	–	75.00	–	Investment holding, manufacture and sales of heavy and medium commercial automobiles
Hubei Hengtian Motor Co., Ltd ^{†‡}	the PRC 7 February 2012	RMB43,550,000	48.17	–	45.00	–	Manufacture and sales of heavy and medium commercial automobiles
Jinzhong Hengxin (note 37(a) and note (b))	the PRC 25 June 2009	RMB7,900,000	–	51.00	–	51.00	Manufacturing of textile machinery components
Shanghai Shenxin Medical Machinery Technology Co., Ltd [†]	the PRC 6 April 2012	RMB2,000,000	50.97	–	50.97	–	Manufacture and sales of medical products
Beijing Jinwei Huaqing Medical Technology Co., Ltd [†]	the PRC 9 September 2012	RMB1,000,000	50.97	–	50.97	–	Manufacture and sales of medical products
Yichang Jingwei Machinery Company Limited	the PRC 8 March 2012	RMB78,927,593	–	100.00	–	100.00	Development and processing of textile machinery and related components
Jingwei Tsudakoma Textile Machinery (Xianyang) Co., Ltd. ("Jingwei Tsudakoma") (note (b))	the PRC 31 October 2012	RMB126,000,000	–	51.00	–	51.00	Manufacture of textile machinery and related components



Notes to the Consolidated Financial Statements For the year ended 31 December 2013

44 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2013		2012		Principal activities
			Attributable equity interest of the Group		Attributable equity interest of the Group		
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
JW-PROTTI MACCHINE TESSIL I.S.R (note (c) and (e))	Italy 21 December 2012	Euro 1,000,000	-	94.05	-	-	Development, manufacture, sales of textile machinery and related components
SSGA Fund Management Co., Ltd * ("SSGA Fund") (note (b) and note (e))	the PRC 31 May 2013	RMB300,000,000	19.11	-	-	-	Provision of asset management services and sales of funds
SSGA Assets Management Co., Ltd * ("SSGA Assets") (note (e))	the PRC 26 September 2013	RMB50,000,000	19.11	-	-	-	Provision of asset management services
Huangshi Heng Tian Jingwei Textile Machinery Company Limited * ("Huangshi Heng Tian") (note (e))	the PRC 21 October 2013	RMB10,000,000	42.75	-	-	-	Manufacture and sales of textile, chemical, petroleum and environmental equipment
Fuzhou Gallant * (note 37(a) and note (b))	the PRC 5 September 2007	HKD38,805,000	24.70	-	-	-	Development and design of medical machinery and provision of advisory services
DURABUS, d.o.o. * (note 37(a) and note (b) and (c))	Slovenia 16 June 2011	Euro 2,600,000	40.94	-	-	-	Manufacture and sales of automobiles and related components

* These companies are controlled by the non-wholly-owned subsidiaries of the Company and accordingly, they are accounted for as subsidiaries by virtue of the Group's control over them.

These companies are the subsidiaries of Hubei Xinchufeng. The Group's equity interests in these companies have changed for the year ended 31 December 2013 arising from further acquisition of the non-wholly-owned subsidiary held by the Group, Hubei Xinchufeng. All the net effects in parent's equity have been taken into accounts. (Please refer to note 37(b) for details)

& Zhongrong Dingxin is the subsidiary of Zhongrong Trust. The Group's equity interest in Zhongrong Dingxin has changed for the year ended 31 December 2013 arising from the further acquisition of non-wholly-owned subsidiary held by the Group, Zhongrong Trust. All the net effects in parent's equity have been taken into accounts. (Please refer to note 37(b) for details)

Notes to the Consolidated Financial Statements For the year ended 31 December 2013

44 SUBSIDIARIES (CONTINUED)

Notes:

- (a) The shareholdings and voting rights that the Group has in Wuxi Special Parts, Shanxi Heli, Huangshi Jingwei, and Zhongrong Trust are less than 51%. However, the Group has control over these subsidiaries by virtue of agreements with their other shareholders of each subsidiary, pursuant to which the Group secured more than 50% of the voting rights eligible to be casted in the shareholders' meeting of these subsidiaries and the relevant activities of these subsidiaries are finalised and concluded based on simple majority votes. Therefore, the directors of the Company concluded that the Group has control over these subsidiaries.
- (b) The shareholdings and voting rights that the Group has in Anshan Jingwei, Jinzhong Hengxin, Jingwei Tsudakoma, Shanghai Huayuan, Fuzhou Gallant, DURABUS, d.o.o. and SSGA Fund directly or through other non-wholly-owned subsidiaries are equal to or less than 51%. Despite of that, pursuant to the contractual agreements signed between the Group and their other shareholders of each subsidiary, the Group has the power to appoint and remove the majority of Board of Directors of each subsidiary. The relevant activities of each subsidiary are determined by the Board of Directors based on simple majority votes. Therefore, the directors of the Company concluded that the Group has control over these subsidiaries.
- (c) Except for JW-PROTTI MACCHINE TESSIL I.S.R., DURABUS, d.o.o., Hongkong Huaming and China Hi-Tech 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.
- (d) The shareholding that the Group has in Shanghai WSP via its subsidiaries is less than 51% in which there are only two shareholders. In year 2011, the Group had obtained the voting trust from another shareholder, 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.
- (e) These subsidiaries were incorporated during the year. SSGA Fund and SSGA Assets are the subsidiaries under Zhongrong Trust, of which SSGA Assets was wholly owned by SSGA Fund and 51% equity interest in SSGA Fund was held by Zhongrong Trust; 95% equity interest in Huangshi Heng Tian was held by Huangshi Jingwei; 48.46% equity interest in Fuzhou Gallant was held by Shanghai Huayuan; 51% equity interest in DURABUS, d.o.o. was indirectly held by Hubei Xinchufeng.

Details of a non-wholly-owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	2013	2012	2013	2012
				RMB'000	RMB'000	RMB'000	RMB'000
Zhongrong Trust	The PRC	62.53%	63.40%	1,237,472	959,434	4,726,189	3,061,758
Individually immaterial subsidiaries with non-controlling interests						360,010	304,588
Total						5,086,199	3,366,346



Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

44 SUBSIDIARIES (CONTINUED)

Summarised financial information on a subsidiary with material non-controlling interests

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Zhongrong Trust

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Current assets	<u>8,375,504</u>	<u>5,143,046</u>
Non-current assets	<u>1,207,506</u>	<u>1,065,556</u>
Current liabilities	<u>(2,024,735)</u>	<u>(1,379,331)</u>
Equity attributable to owners of the Company	<u>2,832,086</u>	<u>1,767,513</u>
Non-controlling interests	<u>4,726,189</u>	<u>3,061,758</u>
Revenue	<u>4,942,602</u>	<u>3,718,907</u>
Expenses	<u>(2,119,632)</u>	<u>(1,745,934)</u>
Profit for the year	<u>2,091,516</u>	<u>1,515,326</u>
Profit attributable to owners of the Company	783,691	554,609
Profit attributable to the non-controlling interests	<u>1,307,825</u>	<u>960,717</u>
Profit for the year	<u>2,091,516</u>	<u>1,515,326</u>
Other comprehensive loss attributable to owners of the Company	(42,159)	(740)
Other comprehensive loss attributable to the non-controlling interests	<u>(70,353)</u>	<u>(1,283)</u>
Other comprehensive loss for the year	<u>(112,512)</u>	<u>(2,023)</u>
Total comprehensive income attributable to owners of the Company	741,532	553,869
Total comprehensive income attributable to the non-controlling interests	<u>1,237,472</u>	<u>959,434</u>
Total comprehensive income for the year	<u>1,979,004</u>	<u>1,513,303</u>
Dividends paid to non-controlling interests	<u>156,325</u>	<u>–</u>
Net cash inflow from operating activities	<u>2,696,861</u>	<u>1,888,763</u>
Net cash outflow from investing activities	<u>(166,358)</u>	<u>(35,238)</u>
Net cash inflow from financing activities	<u>750,000</u>	<u>–</u>
Net cash inflow	<u>3,280,503</u>	<u>1,853,525</u>

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2013**

45 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries	3,562,083	2,960,022
Investments in associates	95,453	95,453
Amounts due from subsidiaries	1,678,018	1,337,676
Amounts due from fellow subsidiaries	1,490	107,955
Amounts due from associates	5,753	102,128
Other assets	3,028,914	3,212,772
	<hr/>	<hr/>
Total assets	8,371,711	7,816,006
	<hr/>	<hr/>
Amounts due to subsidiaries	422,394	147,695
Amounts due to holding companies	–	26,532
Amounts due to fellow subsidiaries	10,550	76,620
Amounts due to associates	96,246	75,220
Other liabilities	4,504,574	4,129,087
	<hr/>	<hr/>
Total liabilities	5,033,764	4,455,154
	<hr/>	<hr/>
NET ASSETS	3,337,947	3,360,852
	<hr/>	<hr/>
Capital and reserves		
Share capital	704,130	704,130
Reserves (note 34(a))	2,633,817	2,656,722
	<hr/>	<hr/>
	3,337,947	3,360,852
	<hr/> <hr/>	<hr/> <hr/>

46 EVENT AFTER THE END OF THE REPORTING PERIOD

Further to the notice dated 10 December 2013 and 20 February 2014 received by the Board of Directors of the Company from the Company's ultimate holding company, China Hengtian, which has been considering the feasibility of acquiring all the issued H shares of the Company through its offshore subsidiary (the "Possible Offer"). If China Hengtian does decide to proceed with the Possible Offer, it would include as a condition of the Possible Offer that the voluntary withdrawal of listing of the H Shares is approved by the holders of H shares of the Company in accordance with the Listing Rules. Up to the date of approving these consolidated financial statements, the Possible Offer is still in progress and there is no impact on the consolidated financial statements for the year ended 31 December 2013.

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. 2013 annual report (both English and Chinese versions).



中国恒天
CHTC

Friend of Worldwide Textile Industry
Pride of China Manufacturing Industry

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

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