



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

2014



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 2014 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.

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Definitions

Item	Definition
CSRC	China Securities Regulatory Commission
Shenzhen Stock Exchange, SSE	Shenzhen Stock Exchange
Company, the Company, JWTM	Jingwei Textile Machinery Co., Ltd.
CHG	China Hengtian Group Company Limited
CTMC	China Textile Machinery (Group) Company Limited
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
China Securities Depository and Clearing Corporation	China Securities Depository and Clearing Corporation Limited
Board	Board of Jingwei Textile Machinery Co., Ltd
Shareholders' Meeting	Shareholders' Meeting of Jingwei Textile Machinery Co., Ltd.
RMB, RMB'0000, RMB 100 million	Renminbi Yuan, Renminbi '0000, Renminbi 100 million
Zhongrong Trust	Zhongrong International Trust Co., Ltd.
CHTC Heavy Industry	CHTC Heavy Industry Co., Ltd.
KAMA	KAMA Co., Ltd.
Hi-Tech Swan	Hi-Tech Swan Company Limited
CHTC Helon	CHTC Helon Company Limited
CHTC Fong	CHTC Fong's Industries Company Limited

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 : jwzd@jwgf.com
 Stock representative :
 Telephone : 8610 84534078-8501
 E-mail address : jwzd@jwgf.com
 Correspondence address : Level 7, First Shanghai Centre,
 39 Liangmaqiao Road,
 Chaoyang District, Beijing, the PRC
 Postal Code : 100125
 Facsimile no. : 8610 84534135-8501

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 information disclosure in the PRC : Securities Times
 Websites on which the Company's annual report is posted : <http://www.cninfo.com.cn>
<http://www.hkex.com.hk>
<http://www.jwgf.com>
 Place where the annual report is available : Secretariat to the Board

6. Stock Exchanges on which shares of the Company are listed and stock codes
 A Shares
 Place of listing : Shenzhen Stock Exchange
 Stock abbreviation : Jingwei Textile
 Stock code : 000666
 H Shares
 Place of listing : The Stock Exchange of Hong Kong Limited
 ("Stock Exchange")
 Stock abbreviation : Jingwei Textile
 Stock code : 0350



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)
Building 12, Foreign Cultural and Creative Garden,
No. 19 Chegongzhuang
West Road, 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

	2014	2013		Increase/Decrease of current year over previous year (%)	2012	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating income (RMB)	5,117,652,993.82	5,675,484,043.48	5,675,484,043.48	-9.83%	5,061,930,443.44	5,061,930,443.44
Net profit attributable to shareholders of the listed company (RMB)	541,838,563.07	591,778,324.35	591,778,324.35	-8.44%	430,242,760.54	430,242,760.54
Net profit after extraordinary items attributable to shareholders of the listed company (RMB)	491,074,192.61	514,961,807.95	514,961,807.95	-4.64%	292,442,675.69	292,442,675.69
Net cash flow generated from operating activities (RMB)	2,477,067,865.94	2,376,469,041.44	2,376,469,041.44	4.23%	1,791,655,058.64	1,791,655,058.64
Basic earnings per share (RMB/share)	0.77	0.84	0.84	-8.33%	0.70	0.70
Diluted earnings per share (RMB/share)	0.77	0.84	0.84	-8.33%	0.70	0.70
Weighted average net assets income rate (%)	10.12%	12.06%	12.06%	Decrease of 1.94 percentage point	11.71%	11.71%

	End of 2014	End of 2013		Increase/Decrease of current year-end over previous year-end (%)	End of 2012	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total assets (RMB)	21,314,618,156.21	18,863,486,831.09	18,863,486,831.09	12.99%	15,553,487,258.76	15,553,487,258.76
Net assets attributable to shareholders of the listed company (RMB)	5,590,919,388.43	5,114,068,305.18	5,114,068,305.18	9.32%	4,702,154,830.44	4,699,708,487.69

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 international accounting standards and PRC GAAP

Applicable Not applicable

During the reporting period, the Company has no differences of net profit and net assets in the financial statements simultaneously disclosed pursuant to the international accounting standards and PRC GAAP.

2. 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 at the end of the period	Amount at the beginning of the period
According to PRC GAAP	541,838,563.07	591,778,324.35	5,590,919,388.43	5,114,068,305.18
Item and amount adjusted according to foreign accounting standards				
According to foreign accounting standards	546,455,442.87	596,988,228.50	5,590,919,388.43	5,114,068,305.18

3. 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 2014	Amount for 2013	Amount for 2012	Description
Gains/losses from disposal of non-current assets (including the write-off part for which asset impairment has been provided)	-2,004,955.52	37,125,510.86	110,103,555.33	
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	42,497,707.94	41,047,615.32	39,198,976.65	
Fund possession cost received from non-financial companies which are included in current profit and loss	15,021,888.63			
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	4,828,771.26	1,024,741.04	2,134,859.97	
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	-1,615,141.44	7,340,125.99	431,856.52	
Written back of the provision for impairment of accounts receivable under the independent test		26,836,480.91	1,646,005.86	
Other non-operating income and expense except above	11,667,989.31	13,123,983.55	25,730,585.09	
Less: Effect on taxation	13,902,377.77	25,083,066.06	29,353,448.72	
Effect on minority interest (after-tax)	5,729,511.95	26,190,857.22	12,092,305.85	
Total	<u>50,764,370.46</u>	<u>76,816,516.40</u>	<u>137,800,084.85</u>	—

Notes for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure by Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses and the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses which have been defined accordingly as its recurring gain or loss items

Applicable Not applicable

During the reporting period, the Company has no item that should be defined as item of extraordinary gain or loss according to the definition and illustration in the Explanatory Announcement on Information Disclosure by Companies Offering Their Securities to the Public No.1 – Extraordinary Gains or Losses.

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
For the year ended 31 December					
Turnover	<u>9,945,695</u>	<u>10,479,372</u>	<u>8,632,148</u>	<u>10,201,720</u>	<u>6,987,647</u>
Profit before taxation	2,796,336	2,484,224	1,904,840	1,544,816	533,325
Tax expense	<u>(787,588)</u>	<u>(694,293)</u>	<u>(513,371)</u>	<u>(377,839)</u>	<u>(124,192)</u>
Profit after tax for the year from continuing operations	2,008,748	1,787,931	1,391,469	1,166,977	409,133
Profit after tax for the year from discontinued operation			101,360		
Profit for the year	<u>2,008,748</u>	<u>1,787,931</u>	<u>1,391,469</u>	<u>1,166,977</u>	<u>510,493</u>
Profit attributable to:					
Owners of the Company	546,455	596,987	437,093	491,906	244,717
Non-controlling interests	<u>1,462,293</u>	<u>1,190,944</u>	<u>954,376</u>	<u>675,071</u>	<u>265,776</u>
	<u>2,008,748</u>	<u>1,787,931</u>	<u>1,391,469</u>	<u>1,166,977</u>	<u>510,493</u>
Earnings per share (RMB)	0.78	0.85	0.71	0.81	0.41
Net assets per share (RMB)	7.94	7.26	7.68	5.63	5.07
Return on net assets (%)	9.77	11.67	9.26	14.44	8.41

Assets and Liabilities

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
At 31 December					
Total Assets	21,314,617	18,863,485	15,553,487	12,969,829	11,340,460
Total Liabilities	<u>(9,295,127)</u>	<u>(8,663,218)</u>	<u>(7,487,432)</u>	<u>(7,238,674)</u>	<u>(7,021,944)</u>
Shareholders' Equity	<u>12,019,490</u>	<u>10,200,267</u>	<u>8,066,055</u>	<u>5,731,155</u>	<u>4,318,516</u>



Chapter III Directors' Report

I. Overview

Jingwei Textile Machinery is formerly known as Jingwei Textile Machinery Factory with over 60 years of history. Over the years, the Company has dedicated to the development of China's textile machinery industry, and built a complete system of product development, technique and technology, production and manufacturing, marketing and operation and management and is the flagship of the textile machinery manufacturing industry in China, with a great reputation at home and abroad. On top of strengthening its textile machinery business, the Company also actively expanded new business areas, including financial trust, to construct an operation pattern of mutual development of both the textile machinery and nontextile machinery businesses such as financial and equity investment.

For textile machinery business: the Company possesses production and manufacturing system with advanced craftsmanship and sophisticated manufacturing equipment, vast selling network and complete after-sales service system, and is dedicated to provide its clients with complete set of high quality textile machinery equipment and process at competitive price, mainly including 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, enjoying a high reputation in the textile and textile machinery industry both domestically and internationally.

For financial business: while it has further cultivated the traditional trust business, new areas were being explored with operation results growing steadily. Given 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, 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 as well as bringing satisfactory profits for investors.

For non-textile machinery business: with the advantages of years' experience in precision machining and lean management in the textile machinery manufacturing industry, non-textile machinery business centered on automobiles has been formed. The Company possesses the capability and qualification for vehicle production, and certain advantages in the market segments of special vehicle (such as heavy trucks) business, and grasps the core control technology of new energy vehicle is also in our grasp. The operation of non-textile machinery business achieved a relatively fast growth.

In 2014, the Company and its staff as a whole responded to market challenges proactively, and devoted their effort in all aspects including market expansion, standardized management and cost efficiency to ensure the smooth running of the operations and steady increase of the Company's market value, laying a solid foundation for addressing the intensifying competition in the market.

For the year ended 31 December 2014 and as stated in the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the Group's operating revenue amounted to RMB9,945,695,000 with profit attributable to shareholders of RMB546,455,000, representing a decrease of 5.09% and 8.46% respectively from those of last year. As at 31 December 2014, the Company's carrying bank deposit was RMB5,232,098,000, borrowings due within one year was RMB2,344,850,000, of which borrowings in U.S. dollars amounted to US\$22,144,000, (equivalent to RMB135,496,000), the remaining borrowings were in Renminbi. Amounted to the interest rates for these loans were in the range of 2.2% to 10.44% per annum. Long-term borrowings of RMB1,400,000,000. The interest rates of all the borrowings of the Group were in the range of 2.2% to 10.44% per annum. The gearing ratio (long-term borrowings divided by net asset value) was 11.65%.

As at 31 December 2014, the Group had no cash and bank balances for use as collateral for short term bank borrowings (2013: Nil).

As at 31 December 2014, the Group had no short term investments for use as collateral for bank borrowings (2013: Nil).

As at 31 December 2014, pledged loans of the Group amounted to RMB1,317,000,000 (2013: RMB1,309,805,000) and the book value of the pledged assets are set out in the below table:

Items	2014 RMB'000	2013 RMB'000
Property, plant and equipment	7,117	30,929
Land use right	239,742	105,726
Inventories	8,080	8,462
Bills receivable	–	13,905

I. Overview (continued)

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

On 12 December 2014, Zhongrong International Trust Co., Ltd. ("Zhongrong Trust") (中融國際信託有限公司), a subsidiary of the Company and 13 other companies entered into a joint venture agreement to form China Trust Insurance Funds Liability Company Limited (中國信託業保障基金有限責任公司) (the "JVC"). The JVC is established with the aim of preventing resolving and tackling the liquidity risks being faced by the trust assets and funds in China, maintain stability and procure a sustainable development of the trust industry. Pursuant to the Joint Venture Agreement, Zhongrong Trust will make a contribution of RMB1,500,000,000 in cash to be used as the registered capital of the JVC. Upon the establishment of the JVC, Zhongrong Trust will own 13.04% of the equity interest in the JVC. Such transaction was approved in the general meeting held on 11 March 2015. Saved as disclosed above, there was no major acquisition or disposal of subsidiaries and associates by the Company as at 31 December 2014.

Save for the securities investment business engaged in by the Company's subsidiary Zhongrong Trust, the Group had no material investment. For the details about investment of the Company, please refer to VI Analysis on Investment set out in the Directors' Report.

Under the financial report prepared in accordance with the PRC Accounting Standards and Regulations, for the year ended 31 December 2014, operating revenue of the Group amounted to RMB10,013,392,000, representing a decrease of 5.16% from that of last year. Operating profit amounted to RMB2,733,111,000, representing an increase of 14.12% from that of last year. Net profit attributable to shareholders of the parent company amounted to RMB541,839,000, representing a decrease of 8.44% from that of last year.

Of which:

Operating revenue of the Company amounted to RMB2,672,517,000, representing a decrease of 28.43% from that of last year; operating profit was RMB-2,632,000, representing a decrease of 106.28%; net profit was RMB17,913,000, representing a decrease of 66.58% from that of last year.

II. Analysis of principal operations

1. Overview

Review of the development strategy disclosed before and the progress of the operating plan during the reporting period

(1) Improve quality through innovation, upgrade technical level steadily

Investment on textile machinery technology in 2014 accounted for 6.2% of main business the primary operating income of textile machinery, there are 99 authorized patents added in the year the automation, intelligence and informationization level of our textile machinery products increased constantly. The company has completed the construction of platform for standard, quality and process communication and carried out process information CAPP software upgrades and tests, both stability, and reliability of the main products have improved significantly and recognized by the users.

(2) Improve service by launching more projects, fully expand markets through more sources

During the reporting period, the Company established a stimulating strategy for major projects and strove to enhance the market competitiveness and influence of the products; organized marketing promotion for the smooth implementation of major projects of which was played an important role in the national cotton textile industry; at the same time, the company vigorously expected the overseas market which further consolidated the promising growth of the export sales.



II. Analysis of principal operations (continued)

1. Overview (continued)

- (3) Facilitate transformation by modifying structure, further enhance the operating vitality

The Company accelerated its pace of structural adjustment and transformation has actively expanded its development space. The Company initiated a general offer for the acquisition of Jingwei H shares to coordinate CHTC so as to create conditions for optimizing equity structure and realizing long-term development.

Zhongrong International Trust continued to optimize its corporate governance structure, registered capital has increased from RMB1.6 billion to RMB6 billion, and promoted business adjustment such as transformation of the investment bank business model and creation of the asset management business and private wealth management platforms. The company actively participated in the construction of an industry risk buffer mechanism and reformed the risk management system so as to realize the judgment in advance and control of a business risk overfulfilled its operation tasks and further consolidated its leading position in the trust industry.

The Company proactively explored a new profit model for the major textile machinery business by provision of technical services and integrated management solution for users and built a brand on its complete services. We also established Beijing Hi-Tech New Energy Automobile Company Limited and carried out the system construction of new energy vehicles.

- (4) Improve management and consolidate foundation, further improve the corporate governance level

The informationization of the Company has officially further extended from business system to the management level in 2014; Business intelligence (BI) project will be running online in the first quarter of 2015. The company launched a pilot project of lean management, improved the efficiency of enterprise operation and the field management level through reconstruction of the production process and implementation of 6S management. Rolling budget has standardized, and we realized beforehand control of budget management through information system, last year's controllable cost in textile machinery decreased obviously. Construction of the Company's internal control system has completed and the management process is more rational reasonable. Supply chain management constantly improved, centralized purchasing process and unified agreements signed separately, the platform for sharing procurement resources has been set up and the supplier quality certification system has been improved. Legal work was generally in the correct and pre-empt track, and the legal audit rate of economic contracts, rules and regulations, important decisions increased substantially.

- (5) Focus on efficiency and flexible mechanism, consolidate development foundation

Enlarged the effort on fostering the of young cadres through recruitment in the form of contest and communication, realized the communication between cadres across enterprises, regions and business sectors. During the reporting period, labor costs of the Company's textile machinery business decreased and at the same time had effectively solved the problem of the imbalance of the employees structure and low labor efficiency through control of the total quantity of labor, the innovation of the employment mechanism and reducing labor costs.

Reasons for the Company's actual operation results were lower or higher by more than 20% than the publicly disclosed profit forecast for the year

Applicable Not applicable

Change in principal business model

Applicable Not applicable

II. Analysis of principal operations (continued)

2. Revenue

During the reporting period, the Company's main business income reached RMB9.07244 billion, reduced by 6.96% compared to the same period of last year, among which the overseas sales income reached RMB1.3318 billion, increased 51.82% compared to the same period of the last year.

The Company has obtained about 40.89% market share in China's textile machinery market in 2014, increased 3.11% compared to the same period of last year. (Market share data source: China Textile Machinery Association and the company's sales data.)

By industry	Item	Unit	2014	2013	Year-on-year Increase/decrease (%)
Textile machinery	Sales	set	12,365	18,410	-32.84%
	Production output	set	12,081	18,250	-33.80%
	Inventories	set	1,345	1,629	-17.43%
Non-textile machinery	Sales	set	3,600	3,742	-3.79%
	Production output	set	3,587	3,820	-6.10%
	Inventories	set	295	308	-4.22%

Due to the overall decline in the demand experienced by the domestic textile market in 2014, textile machinery business orders decreased, at the same time, fixed assets investment and replacement carried out by textile enterprises were restricted by the bank's tightening lending conditions, the actual delivery quantity was reduced and thus the production and sales of the textile business of the Company reduced compared to that of the last year.

Material orders in hand of the Company

Applicable Not applicable

Significant changes in or adjustment of the products or services of the Company during the reporting period

Applicable Not applicable

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	1,519,530,720.42
Total sales to top 5 customers as a percentage of the total sales for the year (%)	29.69%

Information on top five customers of the Company

Serial No.	Name	Sales (RMB)	Proportion of annual sales (%)
1	Customer A	665,631,250.66	13.01%
2	Customer B	342,867,014.22	6.70%
3	Customer C	282,404,902.99	5.52%
4	Customer D	141,036,062.87	2.76%
5	Customer E	87,591,489.68	1.70%
Total	—	1,519,530,720.42	29.69%

II. Analysis of principal operations (continued)

3. Costs

Classification of sector

Unit: RMB

Classification of sector	Item	2014		2013		Year-on-year increase or decrease (%)
		Amount	Proportion of operating costs (%)	Amount	Proportion of operating costs (%)	
Textile machinery	operating costs	3,342,815,923.00	79.38%	4,239,632,953.65	88.05%	-21.15%
Non-textile machinery	operating costs	868,217,936.10	20.62%	575,488,210.35	11.95%	50.87%
Sub-total		4,211,033,859.10	100.00%	4,815,121,164.00	100.00%	-12.55%

Major suppliers of the Company

Unit: RMB

Total purchase amount from top five suppliers (RMB)	776,913,973.62
Proportion in total annual purchase amount for top five suppliers (%)	18.20%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion of total annual purchases for the year (%)
1	Supplier A	190,452,467.94	4.46%
2	Supplier B	186,153,173.32	4.36%
3	Supplier C	166,855,176.09	3.91%
4	Supplier D	142,098,976.31	3.33%
5	Supplier E	91,354,179.96	2.14%
Total	—	776,913,973.62	18.20%

4. Expenses

From January to December 2014, the Group incurred financial expenses of RMB207,042,100, representing an increase of 39.37% from that of last year, mainly due to increase in borrowings.

5. Research and development expenditure

Taking the opportunity of the state policy on encouraging the development of intelligent manufacturing equipment, and through the strategic cooperation with high-end users. The Company promoted the technological advancement means of improving the levels of efficiency, energy saving, intelligence, automation and informatization of products during the period. Jingwei E system has become a product with comprehensive function through 10 years cultivation and improvement, whose technology level ranked international leading position and is well received by domestic and foreign textile machinery major customers. At the present, the Company implements actively the “Jingwei intelligent system solutions” based on Jingwei E system, as to further create products in complete-set as unique competitive advantage by improving the labor production efficiency of users.

The Group’s expenditure on R&D in 2014 amounted to RMB191,745,900, which accounted for 1.60% of the audited net assets and 3.75% of the audited operating income.

II. Analysis of principal operations (continued)
6. Cash flow
Unit: RMB

Item	2014	2013	Increase/decrease y-o-y (%)
Subtotal of cash inflow from operating activities	10,398,212,127.98	9,087,649,283.42	14.42%
Subtotal of cash outflow from operating activities	7,921,144,262.04	6,711,180,241.98	18.03%
Net cash flow from operating activities	2,477,067,865.94	2,376,469,041.44	4.23%
Subtotal of cash inflow from investment activities	3,925,585,428.54	518,884,412.80	656.54%
Subtotal of cash outflow from investment activities	10,797,582,583.16	693,132,544.04	1,457.79%
Net cash flow from investment activities	-6,871,997,154.62	-174,248,131.24	-3,843.80%
Subtotal of cash inflow from financing activities	3,086,343,277.30	3,113,593,792.01	-0.88%
Subtotal of cash outflow from financing activities	3,012,317,768.12	2,457,205,958.96	22.59%
Net cash flow from financing activities	74,025,509.18	656,387,833.05	-88.72%
Net increased amount of cash and cash equivalents	-4,320,278,070.58	2,857,399,431.27	-251.20%

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

Cash inflow from investment activities increased 656.54% as compared to the same period of last year, the main reason was that during the reporting period, Zhongrong Trust and subsidiary redeemed RMB1.65 billion from Zhongrong Money Market Fund and recovered investment fund of RMB1.279 billion by disposal of bonds and trust plan.

Cash outflow from investment activities increased 1457.79% compared to the same period of the last year, the main reason was that during the reporting period, Zhongrong Trust and subsidiary subscribed units of RMB7.055 billion from Zhongrong Money Market Fund and invested totaled RMB1.828 billion in bonds, trust plan, fund and etc. and invested RMB750 million in China Trust Insurance Funds Co., LTD.

Cash and cash equivalents reduced 251.20% compared to that of last year, the main reason was that Zhongrong Trust subscribed units from Zhongrong Money Market Fund.

Reasons for the significant difference between cash flow from operating activities and net profit for the year during the reporting period

Applicable Not applicable



III. Composition of main business

Unit: RMB

	Principle operating income revenue	Principle operating cost	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross profit margin (%)
By industry						
Textile machinery	3,226,721,811.77	2,829,856,730.54	12.30%	-23.43%	-21.69%	-1.94%
Financial trust	4,895,738,617.09		100.00%	0.27%		
Non-textile machinery	949,976,021.91	844,907,405.73	11.06%	45.22%	47.20%	-1.20%
Sub-total	9,072,436,450.77	3,674,764,136.27	59.50%	-6.96%	-12.25%	2.44%
By geographical area						
Domestic revenue	7,740,636,425.04	2,492,135,797.73	67.80%	-12.77%	-26.59%	6.06%
Overseas revenue	1,331,800,025.73	1,182,628,338.54	11.20%	51.82%	49.18%	1.57%
Sub-total	9,072,436,450.77	3,674,764,136.27	59.50%	-6.96%	-12.25%	2.44%

IV. Analysis of assets and liabilities

1. Major changes in assets

Unit: RMB

	End of 2014		End of 2013		Increase/decrease of ratio (%)	Reasons for major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Monetary fund	5,232,098,235.32	24.55%	9,486,457,524.83	50.29%	-25.74%	Mainly due to subscription of Zhongrong money market fund by Zhongrong Trust
Accounts receivable	769,988,186.02	3.61%	778,564,374.89	4.13%	-0.52%	
Inventory	1,542,273,525.88	7.24%	1,619,573,041.58	8.59%	-1.35%	
Investment property		0.00%		0.00%	0.00%	
Long-term equity investment	337,778,358.20	1.58%	171,959,552.20	0.91%	0.67%	
Fixed assets	1,857,062,873.87	8.71%	1,816,944,619.20	9.63%	-0.92%	
Construction in progress	131,754,878.24	0.62%	149,669,840.40	0.79%	-0.17%	

2. Major changes in liabilities

Unit: RMB

	2014		2013		Increase/decrease of ratio (%)	Reasons for major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Short-term borrowings	2,344,849,420.62	11.00%	1,945,504,547.47	10.31%	0.69%	
Long-term borrowings	200,000,000.00	0.94%			0.94%	

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 for the period	Accumulative changes in fair value recognized in equity	Impairment provision in for the period	Amount purchased in for the period	Amount sold for the period	Amount at end of the period
Financial assets							
1. Financial assets measured at fair value through profit or loss (excluding derivative financial assets)	243,515,847.35	117,198,095.01					6,042,235,482.50
2. Available for sale financial assets	376,788,993.41		27,211,756.22				575,267,274.97
Subtotal of financial assets	620,304,840.76	117,198,095.01	27,211,756.22				6,614,502,757.47
Total	620,304,840.76	117,198,095.01	27,211,756.22				6,614,502,757.47
Financial liabilities	0.00						0.00

Whether there were any material changes in the measurement attributes of major assets of the Company during the reporting period

Yes No

4. Major overseas assets

Applicable Not applicable

V. Analysis of core competitiveness
1. Access to enterprise resources

As an A and H shares listed company and the owner of Zhongrong International Trust Co., Ltd., the Company has a strong financing capacity. The Company has established long term and stable relationship with commercial banks, customers, professionals and technology specialists, suppliers of special raw materials and commodities. The Company can access to all material resources such as customers, capital, talents and raw materials, with ability among the top of the industry.



V. Analysis on Core Competitiveness (continued)

2. Proprietary innovation capability

The Company has a two-tier product research and development system and two state-level enterprise technology centers, five provincial-level enterprise technology centers, and four municipal-level engineering technology research centers. The Company has established a postdoctoral workstation and Beijing textile machinery and machine vision engineering research center in Beijing. It possesses the core technology for complete set of cotton manufacturing equipment; insists on the R & D direction of digital intelligence, high speed and high efficiency, reduction of labor input and environmental protection; cultivates core technologies and high end products with proprietary intellectual property rights, leading the most advanced 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, all newly developed products are at the advanced level both in China and of the world, which have strongly supported the Company to keep its domestic leading position among textile machinery enterprises.

3. Manufacturing and marketing capabilities

Possessing a comprehensive production and management system, the Company has adequate manufacturing capacity in the production of equipment in complete set for production lines. In addition with its improved management level and efficiency by information technology, enjoying a good reputation both in the domestic and foreign markets. Our advanced complete sets of technology, completeness of the product category and reliability of the JINGWEI brand are recognized by a large number of customers, and our products are competitive in the market. The Company possesses complete marketing and technical service systems and a centralized logistics center of spare parts in China, with the after-sales services extended to routine maintenance and repair work for equipment in clients' workshop, securing the market share of our products.

4. Cost control capabilities

In recent years, the Company has put focus on cost control from many perspectives, which included standardizing cost management, research and development management, purchasing management and capital management. The cost control capabilities of the Company have been enhanced by a variety of means, such as optimizing the design process, increasing the scale of centralized purchasing, centralizing fund management, and adjusting the capital structure.

5. Trust business

With acute market responsive capability, the trust business team of the Company is able to make immediate strategic adjustment against changes in market and policy conditions, and possesses higher implementation efficiency and first mover advantage. Positioning our core management personnel as the "builders of the Company", we have an efficient corporate management system, with good sense of responsibility, risk awareness and employee loyalty through the market-oriented mechanism of shared benefits and risks. We have scientific performance management mechanism, which motivates employees' enthusiasm, motivation and creativity to the fullest extent, as well as promoting the Company to make use of its assets management capability to realize healthy and sustainable growth. We have a comprehensive risk management system, and 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. External equity investment

(1) External equity investment

External equity investment		
Investment for year of 2014 (RMB)	Investment for year of 2013 (RMB)	Changes (%)
868,579,433.45	256,529,243.40	238.59%
Invested company		
Name	Main business	Proportion of equity in invested company for listed company
Jingwei Ruanxin Technology (Wuxi) Co., Ltd.	Information technology development	51.02%
Beijing Hentian Xinneng New Energy Automotive Technology Co., Ltd.	Automobile manufacturing	40.00%
America Jingwei Textile Machinery LLC	Manufacture of textile machinery	60.00%
Zhongrong Changhe Capital Investment Management Co., Ltd.	Equity investment	100.00%
Beijing Zhongrong Huizhi Human Resources Co., Ltd.	HR consulting services	100.00%
Shenzhen Zhongrong Baosheng Asset Management Co., Ltd.	Asset management	100.00%
Shanghai Longshan Investment Management Co., Ltd.	Asset management	100.00%
Zhongrong International Holdings Limited (BVI)	Equity investment	100.00%
Zhongrong International Investment Management Co., Ltd.	Equity investment	100.00%
Shanghai Ruiyang Investment Management Co., Ltd.	Equity investment	100.00%
China Trust Insurance Funds Limited Liability Company	Trust	13.04%
Xianyang Jingwei Textile Machinery Company Limited	Manufacture of and sale textile machinery	40.00%
Lhasa Rongzheng Investment Management Consulting Co., Ltd.	Investment management	49.00%

(2) Description on shareholdings held in financial enterprises

 Applicable Not applicable

During the reporting period, the Company did not hold any shareholdings in financial enterprises.

VI. Investment analysis (continued)
1. External equity investment (continued)
(3) Securities investment

Type	Securities code	Securities short code	Initial investment amount (RMB)	Number of shares held at beginning of period (Share)	Percentage of shares held at beginning of period (%)	Number of shares held at end of period (Share)	Percentage of shares held at end of period (%)	Book value at end of period (RMB)	Profit and loss during the reporting period (RMB)	Accounting calculation subject	Source of share
Fund	000846	Zhongrong money market fund	5,452,384,604.21	5,452,384,604.21		5,452,384,604.21		5,452,384,604.21	47,384,604.21	Held-for-trading financial assets	Purchase
Fund	510300	Huatai 300ETF	320,324,229.18	91,200,000		91,200,000		325,948,800.00	5,624,570.82	Held-for-trading financial assets	Purchase
Bond	204001	Repo reverse of government debt	79,500,000.00	79,500,000		79,500,000		79,500,000.00	10,920.17	Held-for-trading financial assets	Purchase
Stock	000009	CBG	53,500,830.76	5,154,844	0.34%	5,154,844	0.34%	66,755,229.80	26,289,707.54	Held-for-trading financial assets	Purchase
Stock	600516	Fonda Carbon	41,066,662.67	3,489,563	0.20%	3,489,563	0.20%	34,093,030.51	7,711,934.23	Held-for-trading financial assets	Purchase
Stock	600585	Anhui Conch Cement	31,828,640.33	1,675,055	0.03%	1,675,055	0.03%	36,985,214.40	9,162,550.85	Held-for-trading financial assets	Purchase
Stock	000756	Xinhua Pharmaceutical	17,507,598.66	1,958,601	0.43%	1,958,601	0.43%	15,610,049.97	-1,897,548.69	Held-for-trading financial assets	Purchase
Stock	000425	XCMG	12,712,398.92	1,000,000	0.05%	1,000,000	0.05%	14,970,000.00	10,950,419.50	Held-for-trading financial assets	Purchase
Stock	002365	Yongan Pharmaceutical	11,628,107.85	778,309	0.42%	778,309	0.42%	9,386,406.54	-2,241,701.31	Held-for-trading financial assets	Purchase
Convertible bond	127002	Convertible bond of Xugong Construction Machinery	2,025,000.00	20,250	0.01%	20,250	0.01%	3,624,750.00	1,748,000.25	Held-for-trading financial assets	Purchase
Other securities investment held at end of period			5,232,844.18	36,006,000	-	36,006,000	-	2,977,397.07	-1,475,583.84	-	-
Total			6,027,710,916.76	5,673,167,226.21	-	5,673,167,226.21	-	6,042,235,482.50	103,267,873.73	-	-
Announcement date of the Board approving investment in securities											
Announcement date (if any) of the general meeting approving investment in securities											

(4) Description on 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 rest is securities investment business engaged by its subsidiary Zhongrong International Trust Co., Ltd., who made investment strictly in accordance with the internal control system and limits, thus effectively controlling the investment risks.

**VI. Investment analysis (continued)****1. External equity investment (continued)**

- (5) Description on 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	159,120,000.00	2,400,000.00
Hengyuan Coal Industry and Electricity Power	20,525,850.00	179,190,670.50	2,052,585.00

Description: As at the end of 2014, Zhongrong Trust held equity interests in Liuguo Chemical and Hengyuan Coal Industry and Electricity Power, respectively, which was reflected in "Available for sale financial assets". During the year, the Company did not conduct any sale or purchase of shares of the relevant companies. The Company received dividend income of RMB 2,400,000.00 from Liuguo Chemical and RMB 2,052,585.00 from Hengyuan Coal Industry and Electricity Power during the accounting period.

2. Entrusted wealth management, derivative investment and entrusted loans

- (1) Entrusted wealth management

 Applicable Not applicable

During the reporting period, the Company has no entrusted wealth management activity.

- (2) Derivative investment

 Applicable Not applicable

During the reporting period, the Company did not conduct derivative investment.

- (3) Entrusted loans

 Applicable Not applicable

During the reporting period, the Company did not have entrusted loans.

3. Use of funds raised Applicable Not applicable

During the reporting period, the Company did not have use of funds raised.



VI. Investment analysis (continued)

4. Analysis of 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	6,000,000,000.00	12,200,312,129.03	9,805,385,074.37	305,057,051.74	3,213,361,599.69	2,432,793,937.70
Qingdao Hongda Textile Machinery Company Limited	Subsidiary	Manufacturing of textile machinery	Blowing-carding, winding machine	114,000,000.00	957,808,978.49	217,798,887.60	630,200,298.07	-43,079,268.62	-38,842,724.60
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	230,809,349.24	44,250,968.09	121,803,017.37	6,846,531.42	7,090,693.16
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	280,501,515.32	96,705,262.87	258,218,036.26	21,307,612.06	20,641,950.60
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	395,802,746.97	157,231,022.69	172,847,047.87	7,085,639.89	8,095,108.25
China Texmatech Co., Ltd	Investee	Trading	Sale of textile machinery	120,000,000.00	1,240,797,313.37	337,446,379.16	3,601,427,950.33	60,295,489.47	46,975,050.45
Beijing Hang Tang Wealth Investment Management Company Limited	Investee	Financial service	Financial service	50,000,000.00	512,164,348.91	251,444,208.62	1,011,154,791.32	190,310,980.00	160,095,773.40

VI. Investment analysis (continued)
4. Analysis of major subsidiaries and investees (continued)
Particulars of subsidiaries acquired or disposed during the reporting period

Company name	Purpose of acquiring or disposing of the subsidiary during the reporting period	Method of acquiring or disposing of the subsidiary during the reporting period	Effect on the general production and results
Shanghai Ruiyang Investment Management Co., Ltd.	To carry out the asset management business	Acquisition	Enlarge the scale of subsidiary's financial business
Jingwei Ruanxin Technology (Wuxi) Co., Ltd.	To build Jingwei E system brand	Establishment	Improve the brand influence
Beijing Hentian Xinneng New Energy Automotive Technology Co., Ltd.	To carry out new energy automobile businesses	Establishment	Enlarge the scale of subsidiary's financial business
America Jingwei Textile Machinery LLC	To expand textile machinery business in the USA	Establishment	Drive the export sales of textile machinery products of subsidiary
Zhongrong Changhe Capital Investment Management Co., Ltd.	To carry out real estate acquisition and merger fund business	Establishment	Enlarge the scale of subsidiary's financial business
Beijing Zhongrong Huizhi Human Resources Co., Ltd.	To carry out HR services business	Establishment	Enlarge the scale of subsidiary's business
Shenzhen Zhongrong Baosheng Asset Management Co., Ltd.	To carry out overseas investment businesses in foreign investment market	Establishment	Enlarge the scale of subsidiary's financial business
Shanghai Longshan Investment Management Co., Ltd.	To carry out overseas asset management business	Establishment	Enlarge the scale of subsidiary's financial business
Zhongrong International Holdings Limited(BVI)	To carry out overseas asset management business	Establishment	Enlarge the scale of subsidiary's financial business
Zhongrong International Investment Management Co., Ltd.	To carry out overseas asset management business	Establishment	To carry out overseas asset management business
Beijing Jingpeng Investment Management Company Limited	Introduction of strategic investors	Capital injection	Expand the business scope of Beijing Jingpeng
Beijing Jinwei Huaqing Medical Technology Co., Ltd	Disposal of assets with low efficiency	Wind up	Nil

VI. Investment analysis (continued)

5. Highlights of major investments not financed by fund-raising

Applicable Not applicable

The Company had no major investments which was financed by fund-raising during the reporting period.

VII. Result Forecast for January to March 2015

Warning and explanation on potential loss or substantial changes as compared with the same period of last year on the expected accumulated net profit from the beginning of this year to the end of next reporting period:

Applicable Not applicable

VIII. Conditions of special purpose entities controlled by the Company

Applicable Not applicable

IX. Prospects for the future development of the Company

(I) Industry competition layout and development trend

In 2015 and the coming few years, China will deepen its reform comprehensively and push forward the ruling of the state in accordance with the law, the economic development will enter into a state of “New Normal”, the international environment will be complex and changing, the domestic economic growth pace will continue to slow down.

1. The overall scale of the domestic textile machinery market shows a downward trend, the advantages in terms of quality-price ratio of the post-localized overseas competitors are remarkable, technology level of domestic products continues to raise. Competition in the textile machinery market has been changing from the traditional pricing and quantity expansion to the competition in technology, quality, service and efficiency.
2. In the era of New Normal, the trust sector is facing with the slowing down growth rate of the sector, while traditional businesses are facing a development bottleneck, and the competition in the asset management market is intensifying keener. The trust sector is heading towards a new round of adjustment cycle; the traditional financing trust business will change to asset management business, investment bank business, and personal wealth management business.
3. The heavy truck industry will maintain a stable and low speed development, the New Normal of “minor growth”. The new energy vehicles is a new industry with great support from the state, it is the future development direction of the automobile industry.

(II) Development strategies of the Company

Strategic objectives: With the strategic development objective of becoming a world class textile machinery company, the Company will construct a new operation pattern through the coordinated development of the product manufacturing business and provision of service business.

Textile machinery business: The Company will continue to build the brand for its textile machinery complete set products, enhance the quality as its cornerstone, with Jingwei e-system as its core, with the aid of financial services launch promotion, implement the “Jingwei intelligent system solution”, realize the change from sale of “products” to sale of “products + services”, enabling the Chinese textile industry to start the new era of “Made in China 2025”.

Trust business: As a result of the new situation in the trust sector, the Company will maintain the positive development of the traditional trust business, and increase investment in and support of innovative businesses, so that the innovative businesses will form as a fixed profit model as soon as possible, accelerate the transformation from a simple “asset provider” to a “comprehensive asset manager”.

Non-textile machinery business: the Company will further adjust the product mix and business model of the automobile business, continue to streamline the management relationship, strengthen the team content, and push forward the new energy vehicle business. It will strive for a global leading position in segment market of the heavy truck business in the market segment; build the competitive power of the new energy vehicles in the market operation platform, common technique platform and key parts assembly areas.

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

(III) Business plan

In 2015, with the key objective of improving its economic efficiency, the Company will liberalize ideas and explore new ways to seek innovation, benefits. By focusing on reform and innovation, to enhance quality and raise efficiency, improve scientific management, enlarge efforts in technology R & D, enhance market competitiveness and international operation capabilities, so as to speed up changes of development transformation and enable the Company to realize high quality and high efficiency, sustainable development, and achieve the target of growth of operating revenue when compared with the same period last year when the market conditions improve.

(IV) Capital needs for maintaining the current business and completing the project companies under construction

The Company will continue to identify new investment projects based on market conditions and its own strategic development requirements, to form new economic growth through acquiring external related resources or introduction of technologies, the amount of capital needs will depend on the potential projects. The sources of funds will be raised according to the requirements of ordinary operation and the potential projects, the routine working capital and funds for specific projects will be mainly raised in the form of existing funds from own sources, bank loans, different types of bonds. The Company will safeguard its capital needs for the production operation and strategic adjustment development by continuing to innovate the financing methods.

(V) Risk management

As always, the Company highly value the work of risk management. The Company has a sound anti-risk system in the form of process control and accountability mechanism of regulation violation, of which, effectively strengthen the risk prevention and control of the exposures in the highly risky business areas, forming a complete risk management system with high risk prevention awareness of all staff.

1. Industry risk

Since the international textile market has not recovered effectively, the main textile machinery business may face the risk of a decline in the scale of the industry. In this regard, the Company will proactively adjust its marketing and sales control and management models, adequately motivate the initiative of regional staff, strengthen the follow up and control and management of major projects, ensure the stable increase of market share; strengthen the strategic layout of digitalized complete set of weaving plant in the major regions in China; actively explore emerging markets, speed up the international deployment and localization of the international trade; seek the innovation of marketing and sale models, take advantage of financial methods to support sales in the market; meet the in-depth requirements of clients with derivative services, thus achieve win-win situation in terms of service income and client satisfaction.

2. Market competition risk

Facing the pressure from both the domestic and international competitors, the Company persistently believes that scientific and technological progress is the key for the change of the development mode, increase of economic benefits and enhancement of the core advantages. As such, the Company will continue to invest in the “Technological Innovation Fund” to enhance the soft strengths of competition; seek overseas acquisition projects of textile machinery, enhance the technical level of the textile machine products, enrich the product chain. Given with the opportunities presented by the comprehensive inspection task of the intelligent manufacturing project of the state, the Company will set up a trial and demo plant of automated, intelligent and informatized operation of a complete set of cotton weaving equipment. The focus will be on the standardization of the design, installation and services of the complete set of equipments, and thus create the unique competitive advantages of complete set products.

Besides, the Company will continue to speed up the adjustment of labour structure, increase the value added ability per employee; cut costs and expenditure by means of technological innovation, process modification budget control, repair of old machine and utilization of waste materials etc; devote great efforts to control the use of funds, strengthen the coordination between the production and sales, raise the inventory turnover ratio, strictly impose the approve procedures of credit sales and prepayment of account payables; innovate the model of purchasing methods so as to curb costs, actively promote design for cost saving; improve the functions and operation mechanism of the cotton textile machinery segment, strengthen the management of the cotton textile machinery enterprises, quickly improve the market competitiveness of its cotton weaving equipment.

IX. Prospects for the future development of the Company (continued)
(V) Risk management (continued)
3. Investment risks

During the business structure adjustment and transformation and upgrade process, the Company will continue to raise the decision making level and investment benefits, effectively lower investment risks. First, the major persons-in-charge of projects will participate in projects by paying a project security deposit; second, perfect the post-completion assessment system, so as to make remedies timely after the assessment, and use the post-completion assessment results as an important reference basis for plan preparation, approval decision, project management.

4. Risk of repayment

Following the rapid development of the trust industry in the recent few years, some project risks have emerged, the Company will continue to change the ideas of risk management, and reform the risk management system, push forward project's review and approval process to an earlier stage, emphasize the prevention of upfront risk during its embryonic stage.

X. The Board and the Supervisory Committee's explanation on the qualified opinion issued by the accounting firm during the reporting period

Applicable Not applicable

XI. Explanation on changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the previous year
1) Changes of accounting policies

According to "Notice Regarding the Publishing of Amendments to the Accounting Standards for Business Enterprises – Basic Standard" (Cai Kuai [2014] No.23), the Group implemented "Accounting Standards for Business Enterprises – Basic Standard" 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. 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. The effect of such changes on the beginning amounts of the financial statements of the Group is as follows:

Items in the statement	Before restatement	Amount affected	After restatement
Long-term payables	55,711,220.00	-25,090,000.00	30,621,220.00
Long-term payroll payable		25,090,000.00	25,090,000.00
Deferred income		112,068,913.25	112,068,913.25
Other non-current liabilities	112,068,913.25	-112,068,913.25	
Capital reserve	1,883,304,144.37	47,539,336.07	1,930,843,480.44
Other comprehensive income	-3,721,933.80	-48,419,336.07	-52,141,269.87
Unappropriated profit	1,593,931,859.21	880,000.00	1,594,811,859.21

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.

XI. Explanation on changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the previous year (continued)
1) Changes of accounting policies (continued)

According to “Notice Regarding the Publishing of the Amendment to the Accounting Standards for Business Enterprises No. 41 –Disclosure of Interests in other Entities” (Cai Kuai [2014] No.16), the Group implemented “Accounting Standards for Business Enterprises No. 41 –Disclosure of Interests in other Entities” 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 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”. 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.

According to “Notice Regarding the Publishing the Accounting Standards for Business Enterprises No. 2 –Long-term Equity Investment” (Cai Kuai [2014] No. 14) and Notice Regarding the Publishing the Accounting Standards for Business Enterprises No. 37 –Presentation of Financial Instruments” (Cai Kuai [2014] No. 23), the Group implemented Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment” and Accounting Standards for Business Enterprises No. 37 –Presentation of Financial Instruments. There were significant changes in accounting policies, which are mainly related to adjustment of equity investment without control, with joint control and significant influence to financial assets for accounting.

The effect of such changes on the beginning amounts of the financial statements of the Group is as follows:

Items in the statement	Before restatement	Amount affected	After restatement
Available-for-sale financial assets	376,788,993.41	67,327,810.63	444,116,804.04
Long-term equity investments	239,287,362.83	-67,327,810.63	171,959,552.20

2) Changes of accounting estimates

During the reporting period, the Group had no material changes of accounting estimates.

XII. Description of retrospective restatement of major accounting errors in the reporting period

Applicable Not applicable

The Company had no retrospective restatement of major accounting errors in the reporting period.

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

Please refer to Note VIII – Changes of Consolidation Scope set out in Section 11 Financial Statements.

XIV. Profit and dividend distribution

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 fulfill 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

XIV. 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)

The net profit of the Company of year 2014 is RMB17,912,619.01, in accordance with the Articles of Association, the Company will appropriate 10% of net profit, i.e., RMB1,791,261.90, as statutory surplus reserve. The Company's distributable profit of year is RMB16,121,357.11 and the total realizable distributable profit to shareholders is RMB99,717,953.73. In view of the profit condition of the Company in 2014 and taking into full consideration of shareholders' interest and the long term development of the Company, the proposed profit distribution plan for 2014 is as follows: distribute 2014 final dividend of RMB0.05 per share (tax inclusive), totaling RMB35,206,500. The undistributed profit of RMB64,511,453.73 will be carried forward to next year.

In 2013, the Company realised a net profit of RMB53,601,488.77, 10% (i.e. RMB5,360,148.88) out of the net profit was 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 into full consideration of shareholders' interest and the long term development of the Company, the proposed profit distribution plan for 2013 was as follows: distribute 2013 final dividend of RMB0.1 per share (tax inclusive), totaling RMB70,413,000. The undistributed profit of RMB79,567,760.57 of the Company was carried forward for use in subsequent years.

In 2012, the Company realised a net profit of RMB17,046,094.71, 10% (i.e. RMB1,704,609.47) out of the net profit was 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 into full consideration of shareholders' interest and the long term development of the Company, the proposed profit distribution plan for 2012 was 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 was 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 (%)	Cash for share repurchase offer under cash dividend	Ratio of cash for share repurchase offer under cash dividend
2014	35,206,500.00	541,838,563.07	6.50%	0.00	0.00%
2013	70,413,000.00	591,778,324.35	11.90%	0.00	0.00%
2012	70,413,000.00	430,242,760.54	16.37%	0.00	0.00%

XV. 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)	0.50
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)	35,206,500.00
Distributable profits (RMB)	99,717,953.73
Percentage of cash dividend to total profit distribution (%)	100.00%
Cash dividend policy:	
The Company is in a mature development stage without significant cash outlay arrangements, the minimum proportion of cash dividend in profit distribution shall be upto 80%.	
Particulars of profit distribution and conversion of capital reserves into share capital	



XVI. 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 has attended the Annual Meeting of China Textile and Garment Industry Social Responsibility and joint press of publication of China Textile and Garment Industry Social Responsibility Report and issued the social responsibility report for six consecutive years from 2008, and full text of the report are available at <http://www.jwgf.com>.

Are the Company and its subsidiaries within the heavily-polluted industry as specified by the national environmental protection authority?

Yes No N/A

Do the Company and its subsidiaries have other significant social security issues?

Yes No N/A

Any administrative penalties during the reporting period?

Yes No N/A

XVII. Registration report on reception of research investigations, communications and interviews during the reporting period

Date of reception	Place of reception	Manner of reception	Class of parties accommodated	Parties accommodated	Main topics of discussion and information provided
22 April 2014	The Company's conference room	On-site research investigation	Institution	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2013 annual report and general condition about Zhongrong Trust
Number of reception					1
Number of institutions received					1
Number of individuals received					0
Number of other entities received					0
Disclosure, leakage or divulgence of undisclosed significant information					No



XVIII. 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 26 January 2015, the Audit Committee and the independent non-executive directors held 2014 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 2014 annual financial auditing work on 27 March 2015, 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 2014 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 2015.

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

On 24 March 2014, 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 2014 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.

XIX. 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.

XIX. Other reporting items (continued)**3. Specific explanation and independent opinions by the Independent Non-executive Directors regarding the use of funds by controlling shareholders and other related parties and the external guarantees of the Company**

Pursuant to the provisions of the “Notice regarding the Regulations of Certain Issues on the Movements of Funds Between Listed Companies and Related Parties and External Guarantees of Listed Companies” (CSRC [2003] No. 56) (“Notice”) and “Notice regarding the Regulation of Certain Issues on External Guarantees of Listed Companies” (CSRC [2005] No. 120), etc. issued by the CSRC, we, as Independent Non-executive Directors of the Company, being 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 2014, 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 2014 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 2014: 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.

6. Purchase, Sale or Redemption of Shares

For the year ended 31 December 2014, 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. Connected transactions

Details of connected transactions are set out in Chapter V “Significant Events” of this report.

10. 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.

11. Reserves

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



Chapter IV Supervisors' Report

1. Meetings and Resolutions of the Supervisory Committee

During the reporting period, the Supervisory Committee held 5 meetings. The details are as follows:

Meeting	Summary of matters resolved	Date of meeting	Newspapers on which the resolutions were published	Date of announcement
The Fourth Meeting of the Seventh Supervisory Committee	The resolution on election of Mr. Qiao Yu as chairman of the Seventh Supervisory Committee.	4 March 2014	The website of CNINF and the Stock Exchange Securities Times, and the website of the Company	5 March 2014
The Fifth Meeting of the Seventh Supervisory Committee	<ol style="list-style-type: none"> The 2013 Supervisors' Report of the Company was considered and approved; The 2013 Financial Report of the Company was considered and approved; The 2013 Annual Report of the Company and its Summary were considered and approved; Report on Self-evaluation of Internal Control System for the Year 2013 of the Company was considered and approved; Specific report on deposit and use of proceeds raised in 2013 was considered and approved; The resolution on changes of accounting policies of the Company was considered and approved. 	24 March 2014	The website of CNINF and the Stock Exchange Securities Times, and the website of the Company	25 March 2014
The Sixth Meeting of the Seventh Supervisory Committee	The 2014 First Quarterly Report of the Company was considered and passed.	28 April 2014		
The Seventh Meeting of the Seventh Supervisory Committee	The 2014 Interim Report of the Company and its summary were considered and passed.	25 August 2014		
The Eighth Meeting of the Seventh Supervisory Committee	The 2014 Third Quarterly Report and its summary of the Company were considered and passed.	14 October 2014		

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 2014 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 2014 prepared by the domestic and international auditors with unqualified audit opinion.

The Supervisory Committee considers that the auditors' report of the Company for 2014 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

During the reporting period, there was no event concerning proceeds raised.

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 2014" of the Company issued by the Supervisory Committee

In accordance with the relevant regulations of the "Guidelines for Internal Control of Listed Companies" and Basic Internal Control Norms for Enterprises, the Supervisory Committee of the Company issued the following opinions with respect to the "2014 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 "2014 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. The "2014 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 "2014 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. Material Litigation and Arbitration

Applicable Not applicable

The Company has no material litigation and arbitration during the reporting period.

II. Matters questioned by media

Applicable Not applicable

The Company did not have matters questioned by media during the reporting period.

III. Appropriation of funds of the Company by the controlling shareholder and its related parties for non-operating purposes

Applicable Not applicable

There was no appropriation of funds of the Company by the controlling shareholder and its related parties for non-operating purposes during the reporting period.

IV. Bankruptcy and restructuring related matter

Applicable Not applicable

The Company did not have bankruptcy and restructuring related matter during the reporting period.

V. Assets transaction

1. Acquisition of assets

Applicable Not applicable

The Company did not acquire any asset during the reporting period.

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
Zhongzhi Capital Management Co., Ltd., Jiangyin Fengmingjiutian Investment Management Company Limited	55% equity interest in Beijing Jingpeng Investment Management Company Limited	31 August 2014	5,496.6	-459	Effect on the net profit amounting to RMB70,000	0.00%	Appraised value	No		Yes	Yes		N/A

3. Business combinations

Applicable Not applicable

The Company did not have business combinations during the reporting period.

VI. Implementation of stock option incentive and its effect

Applicable Not applicable

The Company did not have matters related to stock option incentive plan and its implementation during the reporting period.

VII. 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 25 October 2013, 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 2014 to 31 December 2016, which include: (i) the supply of finished products, raw materials, components and parts, and the provision of processing, final processing and maintenance services; (ii) provision of public and social services; and (iii) leasing of properties. The Composite Services Agreement was approved by the Independent Shareholders on 30 December 2013. The 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.

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 transaction	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 finished products, components and parts	Sales of finished products, components and parts	Agreement	Agreed in the agreement	69,380.08	18.20%	Agreed in the agreement			
Total				-	-	69,380.08	-	-	-	-	-

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.

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

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 2014 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. Connected transactions arising from acquisition and disposal of assets

Applicable Not applicable

The Company did not have connected transactions arising from acquisition and disposal of assets during the reporting period.

3. Connected transactions arising from joint external investment

Applicable Not applicable

The Company did not have connected transactions arising from joint external investment during the reporting period.

4. Related creditor's right and debt transactions

Applicable Not applicable

The Company did not have other significant connected transactions during the reporting period.

5. Other significant connected transactions

Applicable Not applicable

The Company did not have other significant connected transactions during the reporting period.

VIII. Material contracts and execution**1. Trust, contracting and lease****(1) Trust**

Applicable Not applicable

There was no trust related matter for the Company during reporting period.

(2) Contracting

Applicable Not applicable

There was no contracting related matter for the Company during the reporting period.

VIII. Material contracts and execution (continued)

1. Trust, contracting and lease (continued)

(3) Lease

Applicable Not applicable

The Company had no matters related to lease during the reporting period.

2. Guarantees

Unit: RMB'0000

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 Huailian 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)				Total actual external guaranteed amount during the reporting period (A2)				
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)
Changde Textile Machinery Company Limited	27/2/2014	3,000	1/3/2014	3,000	Joint liability	1/3/2014 – 28/2/2015	No	No
Changde Textile Machinery Company Limited	27/2/2014	5,000	26/2/2014	5,000	Joint liability	26/2/2014 – 25/2/2015	No	No
Total approved amount guaranteed to subsidiaries during the reporting period (B1)			8,000	Total actual guaranteed amount to subsidiaries during the reporting period (B2)				8,000
Balance of total approved amount guaranteed to subsidiaries at the end of the reporting period (B3)			8,000	Balance of total actual guaranteed amount to subsidiaries at the end of the reporting period (B4)				8,000
Total guarantee provided by the Company (The total of the above two parts)								
Total guaranteed amount approved during the reporting period (A1+B1)			8,000	Total actual guaranteed amount during the reporting period (A2+B2)				8,000
Total guaranteed amount approved at the end of the reporting period (A3+B3)			23,000	Balance of total actual guaranteed amount at the end of the reporting period (A4+B4)				23,000
Ratio of total actual guaranteed amount (A4 + B4) to the net asset of the Company								4.11%
of which:								
Amount of guarantees provided for shareholders, ultimate controlling owner and its connected parties (C)								
Amount of debt guarantees provided directly or indirectly for companies with gearing ratio of over 70%(D)								
Total amount of guarantees in excess of 50% of net assets (E)								
Sum of the above three guaranteed items (C+D+E)								
Description on outstanding guarantees for which may bear several and joint liability(if any)								
Description on provision of external guarantees in violation of established procedure (if any)								



VIII. Material contracts and execution (continued)

2. Guarantees (continued)

(1) Provision of external guarantees in violation of procedures

Applicable Not applicable

The Company had no provision of external guarantees in violation of procedures during the reporting period.

3. Other material contracts

Applicable Not applicable

During the reporting period, there was no other material contract for the Company.

4. Other material transactions

Applicable Not applicable

During the reporting period, there were no other material transactions for the Company.

IX. 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	8 August 2011	Completed
Undertaking made in offering documents or shareholding alternation documents					
Undertaking made during asset reconstruction					



IX. 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
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	Under normal performance

IX. 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	Under normal performance
	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	Under normal performance



IX. 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 ("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	Under normal performance

IX. 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 textile machinery products between JWTM and CHTC Heavy Industry Company Limited (hereinafter referred to as “CHTC Heavy Industry”), CHG undertakes that: before 31 December 2014, CHG will, through the board of directors and the general meeting of CHTC Heavy Industry, procure CHTC Heavy Industry to transfer the textile machinery business in competition or potential competition in the industry with JWTM and the relevant assets at fair value to JWTM or independent third parties other than CHG and enterprises under its control. During the process of the transfer and acquisition of the above business and relevant assets, CHG undertakes not to harm the interest of JWTM and other medium and minority shareholders. Before completely resolving the existing or potential competition in the industry on specific textile machinery products, CHG will enhance the internal division of labour and management within the textile machinery business, urge CHTC Heavy Industry not to sell textile machinery products that may constitute competition in the same industry with JWTM to third parties other than JWTM. 2). In respect of the competition or potential competition in the industry existing at this stage on the commercial vehicle business between JWTM, CHTC Heavy Industry and Kama Co., Ltd. (hereinafter referred to as “Kama”), CHG undertakes that: before 16 August 2015, if CHG cannot resolve the existing competition or potential competition in the industry in the commercial vehicle business through asset restructuring or business integration, CHG will propose, through the board of directors and general meeting of JWTM, JWTM to dispose of all the equity interests of Hubei Xinchufeng Automobile Co., Ltd (“Xinchufeng”) at fair value. The specific transferee (s) of equity interests includes but is not limited to Kama and/or CHG; at the same time, CHG will propose, through the board of directors and general meeting of Kama, Kama to acquire all the equity interests of Xinchufeng held by JWTM at fair value. If Kama does not possess the ability for acquisition for the time being, CHG will acquire the abovementioned equity interests first. During the process of the abovementioned equity interests disposal and acquisition, CHG undertakes not to harm the interest of JWTM and other medium and minority shareholders. Before completely resolving the existing competition or potential competition in the industry in the commercial vehicle business mentioned above, CHG will enhance the internal division of labour and management within the vehicle business, urge the abovementioned subsidiaries to develop their business with their respective major products, so as to avoid material product competition. 3). If CHG and other enterprises under its control obtain business development opportunities falling within the existing business scope of JWTM in the future, JWTM has the priority to choose to carry out the development according to its needs, and CHG and other enterprises under its control will provide necessary support and assistance</p>	8 October 2011	16 August 2015	The commitments concerning individual textile machinery product are under performance, which is expected to be completed in the first half year; the commitments concerning commercial automobile are under performance.

IX. 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.	8 October 2011	14 December 2015	Under normal performance
	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	Under normal performance
Other undertakings made to minority shareholders of the Company					
Perform timely or not	Yes				

2. As there is profit forecast for assets and items of the Company, and reporting period is still within the profit forecast period, description on Company's assets and items in meeting original profit forecast and its explanation
 Applicable Not applicable

X. 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)	270
Continuous term of auditing service for domestic accounting firm	6 years
Name of domestic CPA	Wen Wuxing Yuan Gang
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)	6 years
Name of certified public accountants of the overseas accounting firm (if any)	Lo Wing See (羅詠思)

Whether to appoint another accounting firm during the period
 Yes No

Particulars on recruitment of accounting firms, financial consultants or sponsors for internal control and auditing purposes
 Applicable Not applicable



XI. Opinions of the Supervisory Committee and Independent Shareholders (if applicable) regarding the “modified auditor’s report” for the reporting period issued by the accounting firm

Applicable Not applicable

XII. Punishment and rectification

Applicable Not applicable

There was no punishment and rectification of the Company during the reporting period.

XIII. Suspension in trading or delisting upon publication of annual report

Applicable Not applicable

XIV. Other matters of significance

Applicable Not applicable

There was no other matter of significance which is required to be explained by the Company during the reporting period.

XV. Significant matters of the subsidiaries of the Company

Applicable Not applicable

XVI. Issuance of corporate bonds by the Company

Applicable Not applicable

XVII. Voluntary General Offer of CHTC

Reference is made to the announcements of the Company dated 20 March 2014, 17 April 2014, 16 May 2014, 16 June 2014, 16 July 2014, 15 August 2014, 15 September 2014, 15 October 2014, 15 November 2014, 15 December 2014, 15 January 2015, 14 February 2015, 13 March 2015 and 13 April 2015 respectively. The Company is now the subject of the Possible Offer made by CHTC. Discussions as to the feasibility of pursuing the Possible Offer are still ongoing and no decision had been made as to whether to proceed with the Possible Offer as at the date of this report.

Chapter VI Movements in Share Capital and Information on Shareholders

I. Changes in Shares

1. 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 (%)
A. Restricted floating shares subject to terms of lock up	229,871,234	32.65%	0	0	0	-30,000	-30,000	229,841,234	32.64%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	229,591,931	32.61%	0	0	0	0	0	229,591,931	32.61%
3. Other domestic shares	279,303	0.04%	0	0	0	-30,000	-30,000	249,303	0.03%
Including: Shares held by domestic legal person	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural person	279,303	0.04%	0	0	0	-30,000	-30,000	249,303	0.03%
4. Shares held by foreign capital	0	0.00%	0	0	0	0	0	0	0.00%
Including: Shares held by overseas legal person	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas natural person	0	0.00%	0	0	0	0	0	0	0.00%
B. Unrestricted floating shares not subject to terms of lock up	474,258,766	67.35%	0	0	0	30,000	30,000	474,288,766	67.36%
1. Domestically listed ordinary shares	293,458,766	41.68%	0	0	0	30,000	30,000	293,488,766	41.68%
2. Domestically listed foreign capital shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Overseas listed foreign capital shares	180,800,000	25.68%	0	0	0	0	0	180,800,000	25.68%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
C. Total shares	704,130,000	100.00%	0	0	0	0	0	704,130,000	100.00%

Reasons for changes in shares

The former chief economist of the Company resigned in 2013, 30,000 shares of the Company held by him was not subject to lock-up from July 2014 and transferred to unrestricted floating shares not subject to terms of lock up.

Approval of changes in shareholding

Applicable Not applicable

Transfer of shares arising from changes in shareholding

Applicable Not applicable



I. Changes in Shares (continued)

1. Changes in Shares (continued)

The effects of changes in shareholding on financial indicators such as basic earnings per share, diluted earnings per share and net assets per share attributable to shareholders of ordinary shares of the Company for the latest year and the latest period

Applicable Not applicable

Other information considered necessary by the Company or required by the securities regulatory authorities to be disclosed

Applicable Not applicable

2. Changes of shares subject to terms of lock up

Applicable Not applicable

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						
Non-public issuance of A shares	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						
Nil						
Warrants						
Nil						

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.

3. Existing staff shares

Applicable Not applicable

III. Shareholders and beneficial controllers

1. Total number of shareholders and shareholdings

Unit: share(s)

Total number of shareholders of ordinary shares as at the end of the reporting period	24,018	Total number of shareholders of ordinary shares as at the end of the fifth trading day before the publication date of this annual report	30,614	Total number of shareholders of preference shares with restored voting right as at the end of the reporting period (if any)(see note 8)	0			
Shareholdings of shareholders interested in more than 5% of the shares of the Company or Top 10 shareholders								
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Number of restricted shares held	Number of non-restrict shares held	Share pledged or locked-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	under pledge	4,339,420
							Lock-up	214,855,248
HKSCC Nominees Limited	Other	25.54%	179,821,598		0	179,821,598		
China Hengtian Group Limited	State-owned legal person	2.70%	19,012,505		19,012,505	0		
Fu Jianping	Domestic natural person	1.85%	13,000,000		0	13,000,000		
China Merchants Securities Co., Ltd.	Other	0.80%	5,666,085		0	5,666,085		
The Industrial and Commercial Bank of China – Rongtong Motivation Pioneer Stock Securities Investment Fund	Other	0.43%	3,049,549		0	3,049,549		
Wang Qi	Domestic natural person	0.42%	2,961,000		0	2,961,000		
Chen Yufeng	Domestic natural person	0.32%	2,230,738		0	2,230,738		
Zhao Xu	Domestic natural person	0.31%	2,170,000		0	2,170,000		
Minmetals International Trust Co., Ltd. – Minmetals Trust – New Age Hengxi Joint Stock Investment and Capital Trust Scheme (新時代恒禧證券投資集合資金信託計劃)	Other	0.31%	2,162,378		0	2,162,378		
Strategic investors or general legal persons who have become one of the top ten shareholders as a results of the placing of new shares (if any) (see note 3)	Nil							
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. For details please refer to the “Chart illustrating the relationship between the Company and the Beneficial Controller”							

III. Shareholders and beneficial controller (continued)

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

Shareholdings of the top ten shareholders of shares 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	179,821,598	Overseas listed foreign shares	179,821,598
Fu Jianping	13,000,000	Ordinary shares denominated in RMB	13,000,000
China Textile Machinery (Group) Company Limited	8,615,248	Ordinary shares denominated in RMB	8,615,248
China Merchants Securities Co., Ltd.	5,666,085	Ordinary shares denominated in RMB	5,666,085
The Industrial and Commercial Bank of China – Rongtong Motivation Pioneer Stock Securities Investment Fund	3,049,549	Ordinary shares denominated in RMB	3,049,549
Wang Qi	2,961,000	Ordinary shares denominated in RMB	2,961,000
Chen Yufeng	2,230,738	Ordinary shares denominated in RMB	2,230,738
Zhao Xu	2,170,000	Ordinary shares denominated in RMB	2,170,000
Minmetals International Trust Co., Ltd. – Minmetals Trust – New Age Hengxi Joint Stock Investment and Capital Trust Scheme(新時代恒禧證券投資集合資金信託計劃)	2,162,378	Ordinary shares denominated in RMB	2,162,378
Chen Youling	2,015,000	Ordinary shares denominated in RMB	2,015,000
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	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 top ten holders of tradable shares, 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 ordinary shareholders involved in the margin trading business (if any)(see note 4)	Nil		

Whether an agreed repurchase transaction was entered into during the reporting period by the top 10 ordinary shareholders and top 10 shareholders of non-restricted shares of the Company

Yes No

The top 10 ordinary shareholders and top 10 shareholders of non-restricted shares of the Company did not enter any agreed repurchase transaction during the reporting period.



III. Shareholders and beneficial controller (continued)

2. Controlling shareholder of the Company

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.
Future development strategy	In 2006, China Textile Machinery (Group) Company Limited has conducted management integration with China Hengtian Group Company Limited, the development strategy of which will be implemented in line with those of China Hengtian. Please refer to development strategies of China Hengtian for details.				
Operating results, financial condition and cash flows	As at 31 December 2014: 1. Operating results: it recorded total operating revenue of RMB10.589 billion and total operating profit of RMB2.609 billion and net profit of RMB1.827 billion. 2. Assets condition: at end of 2014, the total assets amounted to RMB23.978 billion, total liabilities amounted to RMB11.724 billion, and the total owner's equity amounted to RMB12.254 billion. 3. Cash flows: in 2014, the net cash flow generated from operating activities amounted to RMB2.428 billion, the net cash flow generated from investment activities amounted to -RMB6.909 billion and the net cash flow generated from financing activities amounted to RMB156 million.				
Shareholdings of controlling shareholders who have control or hold shares in other overseas listed companies during the reporting period	N/A				

The change of controlling shareholders during the reporting period

Applicable Not applicable

There was no change of controlling shareholders of the Company during the reporting period.



III. Shareholders and beneficial controller (continued)

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).
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.				
Operating results, financial position and cash flows	As at 31 December 2013: 1. Operating results: it recorded total operating revenue of RMB46.390 billion and total profit of RMB2.925 billion and net profit of RMB81.974 billion. 2. Assets condition: at end of 2014, the total assets amounted to RMB59.833 billion, total liabilities amounted to RMB41.551 billion, and the total owner's equity amounted to RMB18.282 billion. 3. Cash flows: in 2014, the net cash flow generated from operating activities amounted to RMB2.140 billion, the net cash flow generated from investment activities amounted to -RMB6.03 billion and the net cash flow generated from financing activities amounted to -RMB1.043 billion.				
Shareholding of beneficial controller who has control or holds shares in other overseas listed companies during the reporting period	1. Holding 190,926,500 shares of Kaima with a shareholding proportion of 29.83%; 2. Holding 138,354,000 shares of Swan Fiber with a shareholding proportion of 18.27%; 3. Holding 307,704,000 shares of CHTC Fong with a shareholding proportion of 55.80%; 4. Holding 257,178,900 shares of CHTC Helon with a shareholding proportion of 29.77%.				

Change of beneficial controller during the reporting period

Applicable Not applicable

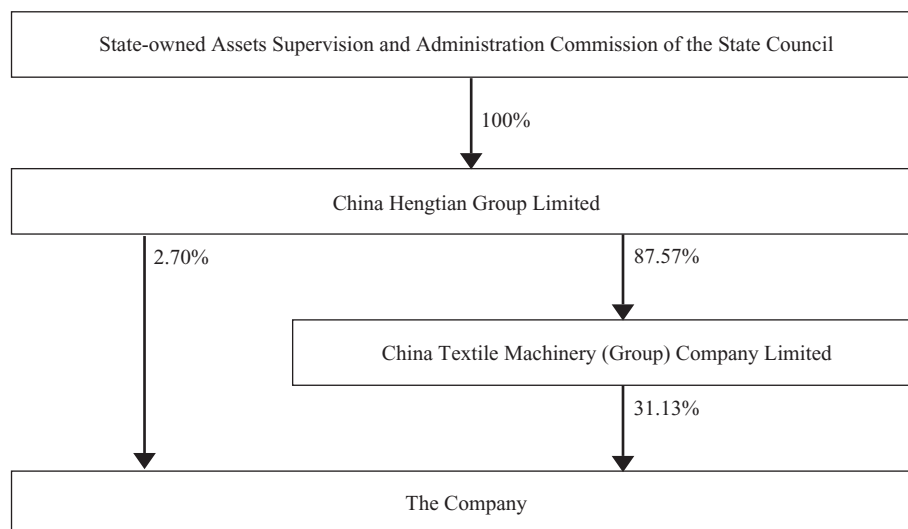
There was no change in the beneficial controller of the Company during the reporting period.

III. Shareholders and beneficial controller (continued)

3. Beneficial controller (continued)

Legal person (continued)

Chart illustrating the relationship between the Company and the beneficial controller



Beneficial owner controlling the Company through trust or other asset management method

Applicable Not applicable

4. Other legal person shareholders interested in over 10% of the shares of the Company

Applicable Not applicable

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

Applicable Not applicable

As far as the Company is aware, there was no plan on increase of shareholding proposed or implemented by shareholders of the Company and their persons acting in concert during the reporting period.

**V. Other explanations**

As at 31 December 2014, 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 (Note1)	1.45
Deutsche Bank Aktiengesellschaft	Beneficial Owner/Person Having a Security Interest in Shares	19,423,726	10.74 (Note2)	2.76
UBS AG	Beneficial Owner/Person Having a Security Interest in Shares	10,584,000	5.85 (Note3)	1.50
UBS Group AG	Person Having a Security Interest in Shares/Interest of corporation controlled by substantial shareholder	10,584,000	5.85 (Note3)	1.50

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	40,000	0.02 (Note2)	0.006
UBS AG	Beneficial Owner	228,000	0.13 (Note3)	0.032
UBS Group AG	Interest of corporation controlled by substantial shareholder	228,000	0.13 (Note3)	0.032

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 2014. 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 2014.
- (2) Such information is extracted from the corporate substantial shareholder notice of Deutsche Bank Aktiengesellschaft filed on 12 December 2014 as shown on the website of the Stock Exchange.
- (3) Such information is extracted from the corporate substantial shareholder notice of UBS AG and UBS Group AG filed on 31 December 2014.

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 2014.

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	52	15 August 2013	15 August 2016	8,580	0	0	8,580
Yao Yuming	Director, General Manager	In office	Male	53	15 August 2013	15 August 2016	81,304	0	0	81,304
Lin Jianwang	Standing Deputy General Manager	In office	Male	59	15 August 2013	15 August 2016	40,000	0	0	40,000
Shi Jianping	Deputy General Manager	In office	Male	52	15 August 2013	15 August 2016	40,000	0	0	40,000
Liu Xianming	Deputy General Manager	In office	Male	52	15 August 2013	15 August 2016	42,520	0	0	42,520
Mao Faqing	Financial Controller	In office	Male	45	15 August 2013	15 August 2016	40,000	0	0	40,000
Ye Xuehua	Deputy General Manager, Board Secretary	In office	Male	50	15 August 2013	15 August 2016	40,000	0	0	40,000
Ding Yufei	Deputy Secretary of the Party Committee and Secretary of the Disciplinary Committee	In office	Female	51	21 May 2013	15 August 2016	40,000	0	0	40,000
Total	–	–	–	–	–	–	332,404	0	0	332,404

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 2014, 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 contacts 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 Maixin, aged 52, post-graduate, Senior Engineer and 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, and was Chairman of Hubei Xinchufeng Automobile Co., Ltd. and Hi-Tech Truck Co, Ltd. and Chief Supervisor of China Texmatech Company Limited. He has been Chairman of the Company since August 2010. Mr. Ye currently also holds various positions, including the Vice Chairman of the equity holding company Anhui Huamao Jingwei New Type Textile Company Limited, 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, aged 51, postgraduate and vice chairman of the Company. Since September 2002, Mr. Wang has been an assistant to the president, Director and member of the Party Committee of Anhui Jianghuai Automobile Group Co., Ltd., and chairman of Anhui Ankai Automobile Co., Ltd. From March 2014 till now, he served as executive director and vice chairman of the Company. Mr. Wang is now the assistant to the president of China Hengtian Group Limited, chairman of Hubei Xinchufeng Automobile Co., Ltd. and Hi-Tech Truck Co, Ltd, chairman and general manager of Beijing Hentian Xinneng New Energy Automotive Technology Co., Ltd. and Chief Supervisor of DURABUS D.O.O.

Mr. Yan Fuquan, aged 51, post-graduate, PhD student and Senior Accountant and 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, director of Hi-Tech Heavy Industry Company Limited and China Textile Machinery (Group) Company Limited. He has been the Director of the Company since April 2006. Mr. Yan currently also serves as Chief Supervisor, Chief Accountant of China Textile Machinery (Group) Company Limited, Chief Accountant of China Hengtian Group Company Limited and chairman of the board of Hentian Investment Management Co, Ltd.

Mr. Shi Tinghong, aged 52, post-graduate, Engineer, Senior Economist and Senior Information Manager and 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, the assistant to general manager and secretary to the board of China Textile Machinery (Group) Company Limited and secretary to the board of China Hi-Tech Group Corporation. He has been Director of the Company since June 2005. Mr. Shi currently also serves as Chief Supervisor of Shenyang Zhongheng New Materials Co., Ltd., director of the CHTC Power Co., Ltd and chairman of board of HTC Fong's Industries Company Limited.

Mr. Yao Yuming, aged 53, Bachelor degree with a post-graduate and Senior Accountant and the Executive Director, General Manager and secretary of the party committee of the Company. 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, Qingdao Hongda Textile Machinery Company Limited, and vice chairman of Zhongrong International Trust Co., Ltd., director of Hubei Xinchufeng Automobile Co., Ltd, Beijing Hentian Xinneng New Energy Automotive Technology Co., Ltd, USA Jingwei Textile Machinery Co., Ltd, Chairman and General Manager of Hong Kong Huaming Company Limited, and director of Beijing Hang Tang Wealth Investment Management Company Limited, a equity holding company of the Company.

III. Career details (continued)

Independent Non-Executive Directors

Ms. An Guojun, aged 41, PhD in economics, post-doctoral studies in finance, senior economist, deputy researcher, accountant and independent non-executive 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.

Ms. Chen Jinrong, aged 55, holder of master degree in Business Administration, accountant in the People's Republic of China, Associate Professor (Finance and Economics) and independent non-executive director of the Company. 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, financial consultant of China National Garments Group Corporation and Yunnan Province Energy Investment Group Co., Ltd., independent director of Hebei Bosun Tools Co., Ltd (002282), Zhongxing Shenyang Commercial Building Group Company Limited (000715), Zhejiang Xianju Pharmaceutical Co., Ltd.(002332) and Shandong Zhongji Electrician Equipment Co., Ltd. (300308). Ms. Chen now also teaches at Peking University, Fudan University, Zhejiang University and Shandong University, and served as independent non-executive director of the Company since March 2014. 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).

Mr. Niu Hongjun, aged 42, certified accountant, holder of Bachelor's degree in economics in Shijiazhuang Tiedao University Economic Management School, Master degree in Graduate School of the Finance Science Institute of the MOF, PhD in accounting of the business school in Renmin University of China and independent non-executive director of the Company. Mr. Niu has been teaching at business school of Beijing Technology and Business University since 2008, engaging in professional teaching of accounting and research; and is appointed as the financial consultant of Ministry of Commerce of the PRC since 2009. He has been an independent non-executive director of the Company since 11 March 2015.

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, aged 48, holder of EMBA, chairman of the supervisory committee of the Company. Since 1986, Mr. Qiao has served as Officer of the Welfare and Production Office of Yanqing County, Beijing, Executive Officer and assistant to general manager of Badaling Technology Research and Experiment Centre of China Niu Huang Technology Development Company, Director of the Office and Secretary of Party Committee of Beijing Badaling Special Zone Administration, General Manager of Badaling Tourism Company, Executive Director of (Hong Kong) Beijing Enterprises Holdings Limited, Chairman of Beijing Badaling Tourism Development Company, 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 and Chairman of China Garments Co., Ltd.. He has been a supervisor and chairman of the supervisory committee of the Company from March 2014.

Ms. Ding Yufei, aged 51, university graduate, holder of EMBA, senior economist, and vice chairman of the supervisory committee of the Company. Ms. Ding joined the Company in July 2011. From March 2003 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), supervisor of China Garments Co., Ltd. and the Officer of the Party Community Working Division of China Hengtian Group Limited* (中國恒天集團有限公司) and China Textile Machinery (Group) Company Limited, Chairman of the Trade Union of the Company. She has been vice chairman of the supervisory committee of the Company since May 2013. Ms. Ding currently serves as Deputy Secretary of the Party Committee and the Secretary of the Disciplinary Committee of the Company.



III. Career details (continued)

Supervisors (continued)

Mr. Liu Hong, aged 44, holder of 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 Deputy General Manager of textile machinery business department of China Hengtian Group Company Limited, Chief Financial Officer of Hi-Tech Holdings Company Limited and chairman of the supervisory committee of China Textile Science and Technology Co., Ltd.

Mr. Hu Guangfei, aged 51, holder of college degree and EMBA, 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, and Secretary of the Disciplinary Inspection Commission, chairman of the trade union and Deputy Secretary of party committee, etc. of the Yuci Branch of the Company since December 2004. He has been the staff representative supervisor of the Company since October 2011. Mr. Hu currently serves as vice general manager and Deputy Secretary of party committee of the Yuci Branch of the Company.

Ms. Cheng Na, aged 32, post-graduate, 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 Deputy Director of Legal Affairs Department and staff representative supervisor of the Company since August 2013. Ms. Cheng currently serves as Director of Legal Affairs Department of the Company.

Senior Management

Mr. Lin Jianwang, aged 59, university graduate and holder of EMBA, Professor Grade Senior Engineer and Standing Deputy General Manager of the Company. From July 1986, 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, Chief Engineer 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 subsidiaries, namely Shanghai WSP Mould and Injection Plastic Company Limited and jw-protti Textile Machinery Company Limited, director of Qingdao Hongda Textile Machinery Company Limited, Director and General Manager of Shanghai Weixin Electrical & Machinery Co., Ltd. and Beijing Jingwei Textile Machinery New Technology Company Limited.

Mr. Shi Jianping, aged 52, university graduate and holder of EMBA, Senior Engineer and Deputy General Manager of the Company. From March 1995, 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 and Assistant to General Manager of the Company. He has been a Deputy General Manager of the Company since April 2005. Mr. Shi is currently Chairman of the Company's subsidiary, Zhengzhou Hongda New Textile Machinery Company Limited, and Director of Qingdao Hongda Textile Machinery Company Limited, Yichang Jingwei Textile Machinery Company Limited, Yichang Jingwei Machinery Company Limited, Beijing Jingwei Textile Machinery New Technology Company Limited and Wuxi Jingwei Textile Technology Testing Company Limited. He is also a supervisor of China Texmatech Company Limited, an equity holding company of the Company.

Mr. Liu Xianming, aged 52, post-graduate, master degree holder in Economics, Senior Engineer and Deputy General Manager of the Company. From June 1995, 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 April 2005. He is currently vice Chairman of the Company's subsidiaries, namely Hubei Xinchufeng Automobile Co., Ltd. and Hi-Tech Truck Co., Ltd., director of Hubei Hengtian Motor Co., Ltd, Shanghai Huayuan Hyperthermia Technology Company Limited, Anshan Jingwei Haihong Agricultural Machinery Company Limited and Beijing Hentian Xinneng New Energy Automotive Technology Co., Ltd, supervisor of DURABUSD.O.O and GINA Trucks Nederland B.V.

III. Career details (continued)

Senior Management (continued)

Mr. Mao Faqing, aged 45, post-graduate, Ph.D in Economics, Senior Accountant, PRC registered accountant, PRC registered tax advisor, and the Financial Controller of the Company. From September 1995, 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 Shanghai Huayuan Hyperthermia Technology Company Limited, Beijing Jingpeng Investment Management Company Limited and Hong Kong Huaming Company Limited, and supervisor of Zhongrong International Trust Co., Ltd and DURABUSD.O.O and GINAFTrucksNederlandB.V. He is also a supervisor of Beijing Hang Tang Wealth Investment Management Company Limited, an equity holding company of the Company.

Mr. Ye Xuehua, aged 50, university graduate, holder of master degree 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 a supervisor of the Company's subsidiary, Shanghai Weixin Electrical and Machinery Company Limited, and a director of Hentian Asset Management Company Limited, an equity holding company of the Company.

Mr. Wu Xudong, aged 51, university graduate, holder of EMBA, senior economist, a senior professional manager and a deputy general manager of the Company. From September 1992, 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, Tianjin Hongda Textile Machinery Company Limited, Tianjin Jingwei New Textile Machinery Company Limited, Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Wuxi Jingwei Textile Technology Testing Company Limited and Wuxi Jingwei Anjie Energy-saving Tech. Co., Ltd and director of Zhengzhou Hongda New Textile Machinery Company Limited, Chairman of Jingwei Machinery (Group) Company Limited, vice chairman of Anhui Huamao Jingwei New Textile Company Limited and director of China Texmatech Company Limited, all being equity holding companies of the Company.

Mr. Yang Huaming, aged 52, university graduate, holder of MBA, senior economist and Deputy General Manager of the Company. From January 1996, Mr. Yang assumed offices of factory director of motor branch of Yichang Textile Machinery Factory, factory director of Yichang Textile Machinery Factory, general manager and secretary of the party committee of Yichang Textile Machinery Co., Ltd, general manager and secretary of the party committee of Jingwei Textile Machinery Company Limited, Yichang Branch, general manager and secretary of the party committee of Yichang Jingwei Textile Machinery Company Limited and assistant to general Manager of the Company. He has been Deputy General Manager of the Company from January 2014. Mr. Yang is currently chairman of Yichang Jingwei Textile Machinery Company Limited, Yichang Jingwei Machinery Company Limited, Xianyang Jingwei Textile Machinery Company Limited, Jingwei Tsudakoma Textile Machinery (Xianyang) Company Limited, Changde Textile Machinery Company Limited, Huangshi Jingwei Textile Machinery Company Limited and USA Jingwei Textile Machinery Co., Ltd. and director of Beijing Jingwei Textile Machinery New Technology Company Limited and Hong Kong Huaming Co. Ltd, all being subsidiaries of the Company.

Mr. Chen Zhongmin, aged 46, university graduate, senior economist, chief economist, general counsel and chairman of the trade union of the Company. From August 1995, 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, and acted as general counsel and chairman of the trade union of the Company from January and September 2014 respectively. 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, Shenyang Hongda Textile Machinery Company Limited, Shenyang Hongda Huaming Textile Machinery Company Limited, Jingwei Textile Machinery Co., Ltd. Yuci Branch, Tianjin Hongda Textile Machinery Company Limited and Tianjin Jingwei New Textile Machinery Company Limited, chief supervisor of Xianyang Jingwei Textile Machinery Company Limited and supervisor of Qingdao Hongda Textile 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
Ye Maoxin	China Hengtian Group Company Limited	Vice president	1 September 2011		Yes
Yan Fuquan	China Textile Machinery (Group) Company Limited	Chief Accountant	1 March 2005		No
Yan Fuquan	China Textile Machinery (Group) Company Limited	Chief supervisor	1 August 2014		No
Yan Fuquan	China Hengtian Group Company Limited	Chief Accountant	1 August 2009		Yes
Wang Jiangan	China Hengtian Group Company Limited	Assistant to president	1 December 2013		Yes
Liu Hong	China Hengtian Group Company Limited	Deputy General Manager of textile machinery business department	1 January 2010		Yes
Description of position in shareholder's unit	China Textile Machinery (Group) Company Limited is the largest shareholder of the Company				

III. Career details (continued)
Positions in other 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 Hi-Tech Holdings Company Limited	Chairman	1 April 2011		No
Yan Fuquan	CHTC Investment Management Co., Ltd.	Chairman	1 May 2012		No
Shi Tinghong	CHTC Fong's Industries Company Limited	Chairman	1 March 2014		Yes
Shi Tinghong	CHTC Power Co., Ltd.	Director	1 April 2011		No
Shi Tinghong	Shenyang Zhongheng New Materials Co., Ltd	Chief Supervisor	1 June 2010		No
Liu Hong	China 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
An Guojun	Central University of Finance and Economics	Visiting professor	1 July 2013		No
An Guojun	Renmin University of China	Associate researcher	1 September 2014	1 September 2016	No
Chen Jinrong	Tsinghua University School of Economics and Management	Associate professor	1 January 2000		Yes
Chen Jinrong	Synutra International, Inc.	Independent director	1 January 2007		Yes
Chen Jinrong	Zhaojin Mining Industry Company Limited	Independent director	1 January 2007		Yes
Chen Jinrong	Meihua Holdings Group Co., Ltd.	Independent director	1 January 2009		Yes
Description of position in other units	China Hengtian Group Company Limited is the beneficial controller of the Company.				



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 2014, the Company has not implemented any share incentive scheme.

Remuneration for directors, supervisors and senior management in reporting period

Unit: RMB'0000

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
Ye Maoxin	Chairman	Male	52	In office	0	64.77	64.77
Wang Jiangan	Vice Chairman	Male	51	In office	0	27.98	27.98
Yan Fuquan	Director	Male	51	In office	0	64.77	64.77
Shi Tinghong	Director	Male	52	In office	0	38.71	38.71
Yao Yuming	Director, General Manager	Male	53	In office	99.34	0	99.34
Zuo Yanan	Independent Non-executive Director	Male	65	Resigned	3.2	0	3.2
Chen Jinrong	Independent Non-executive Director	Female	55	In office	6.6	0	6.6
An Guojun	Independent Non-executive Director	Female	41	In office	8	0	8
Li Min	Independent Non-executive Director	Male	48	Resigned	4.2	0	4.2
Qiao Yu	Chairman of Supervisory Committee	Male	48	In office	37.99	0	37.99
Ding Yufei	Vice Chairman of Supervisory Committee	Female	51	In office	80.16	0	80.16
Liu Hong	Supervisor	Male	44	In office	0	40.58	40.58
Hu Guangfei	Supervisor	Male	51	In office	25.39	0	25.39
Cheng Na	Supervisor	Female	32	In office	26.94	0	26.94
Lin Jianwang	Standing Deputy General Manager	Male	59	In office	96.21	0	96.21
Shi Jianping	Deputy General Manager	Male	52	In office	80.31	0	80.31
Liu Xianming	Deputy General Manager	Male	52	In office	80.62	0	80.62
Mao Faqing	Financial Controller	Male	45	In office	86.51	0	86.51
Ye Xuehua	Deputy General Manager, Secretary to the Board	Male	50	In office	81.4	0	81.4
Wu Xudong	Deputy General Manager	Male	51	In office	78.24	0	78.24
Yang Huaming	Deputy General Manager	Male	52	In office	76.26	0	76.26
Chen Zhongmin	Chief Economist	Male	46	In office	52.38	0	52.38
Total	—	—	—	—	923.75	236.81	1,160.56

Directors, Supervisors and Senior Management of the Company granted share options as incentives during the reporting period

Applicable Not applicable

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

Name	Position	Type	Date	Reason
Wang Jiangan	Director, Vice Chairman	Elected	4 March 2014	
Li Xiaohong	Director, Vice Chairman	Resigned	17 December 2013	Change of work
Chen Jinrong	Director	Elected	4 March 2014	
Zuo Yan An	Director	Resigned	11 December 2014	Resigned
Xu Wenying	Director	Resigned	15 January 2014	Resigned
Li Min	Director	Resigned	10 June 2014	Resigned
Qiao Yu	Supervisor and Chairman of the Supervisory Committee	Elected	4 March 2014	
Tu Kelin	Supervisor and Chairman of the Supervisory Committee	Resigned	15 January 2014	Resigned
Yang Huaming	Deputy General Manager	Appointed	17 January 2014	

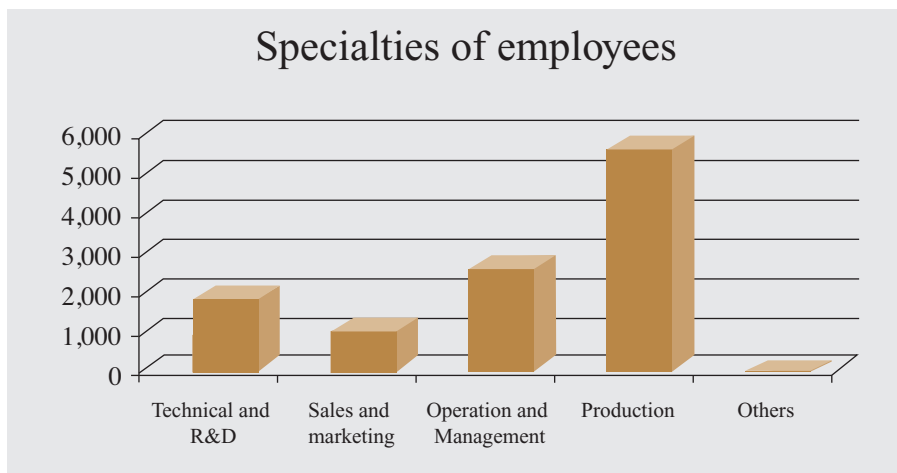
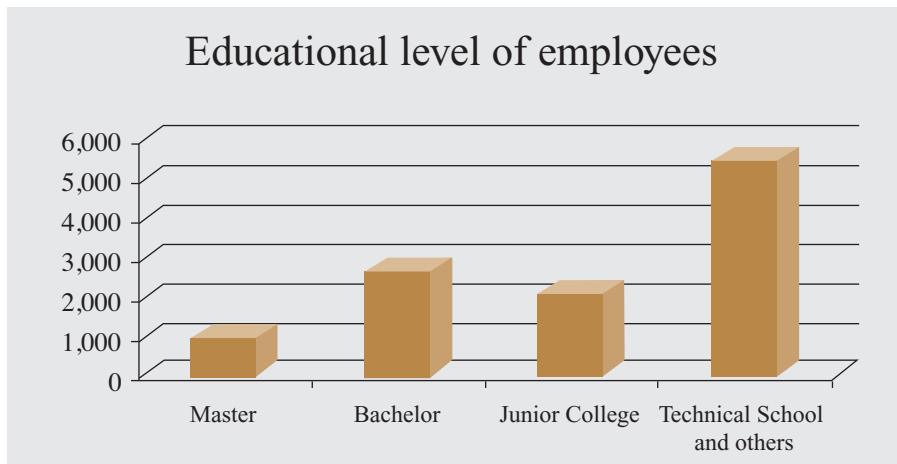
VI. Change of key technical team or key technical staff (other than Directors, Supervisors and Senior Management)

During the reporting period, there was no change of key technical team or key technical staff.



VII. Staff

As at 31 December 2014, the total number of staff of the Group was 11,987, among which 11,420, 550, 849 and 575 were at the entry, senior, middle and junior levels respectively, and 5,897 received tertiary educations or above. Amongst the staff in the Group, 1,890 were engaged in technical, scientific research and development, 1,091 in sales and marketing, 2,635 in operation and management, 5,696 in production and 108 in other areas. For the year ended 31 December 2014, the total remuneration for the staff of the Group amounted to RMB2,289,625 thousand (RMB2,168,760.50 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 3,146 for the year ended 31 December 2014.



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.

Any non-compliance of Companies Law and relevant requirements of CSRC in respect of corporate governance

Yes No

There is no non-compliance of Companies Law and relevant requirements of CSRC in respect of corporate governance.

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.



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

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
2013 Annual General Meeting	27 June 2014	1. The resolution on the Company’s 2013 Annual Report of the Board of Directors	100%	28 June 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
2013 Annual General Meeting	27 June 2014	2. The resolution on the Company’s 2013 Annual Report of the Supervisory Committee	100%	28 June 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
2013 Annual General Meeting	27 June 2014	3. The resolution on the Company and its subsidiaries’ 2013 audited financial statements	100%	28 June 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
2013 Annual General Meeting	27 June 2014	4. The resolution on the Company’s 2012 annual profit distribution plan	100%	28 June 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
2013 Annual General Meeting	27 June 2014	5. The resolution on reappointing Baker Tilly Hong Kong (Hong Kong Certified Public Accountants) and Baker Tilly China (Special General Partnership) (Chinese Certified Public Accountant) respectively as the Company’s international and domestic auditor by the end of December 31, 2014, and authorizing the Company’s Board of Directors to determine their remuneration	96.84%	28 June 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
2013 Annual General Meeting	27 June 2014	6. The resolution on election and appointment of Mr. Zuo Yan An as an independent non-executive Director of the Company	99.94%	28 June 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company



Section I Structure of Corporate Governance Disclosed Pursuant to Requirements of 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

Session of meeting	Date	Name of resolution	Pass rate	Disclosure date	Disclosure index
The first extraordinary general meeting in 2014	4 March 2014	1. Resolution on approval of Mr. Li Xiao Hong’s resignation as executive director of the Company	100%	5 March 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2014	4 March 2014	2. Resolution on approval of Mr. Xu Wenyong’s resignation as Independent Non-executive Director of the Company	100%	5 March 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2014	4 March 2014	3. Resolution on approval of Mr. Tu Kelin’s resignation as supervisor of the Company	100%	5 March 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2014	4 March 2014	4. Resolution on election and appointment of Mr. Wang Jiangan as executive director of the Company	100%	5 March 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2014	4 March 2014	5. Resolution on election and appointment of Ms. Chen Jinrong as independent executive director of the Company	97.11%	5 March 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company
The first extraordinary general meeting in 2014	4 March 2014	6. Resolution on election and appointment of Mr. Qiao Yu as supervisor of the Company	96.85%	5 March 2014	Securities Times, websites of CNINF, the Hong Kong Stock Exchange and the Company

3. Extraordinary general meeting requested by holders of the preference shares with voting rights restored

Applicable Not applicable



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

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
Chen Jinrong	13	13	0	0	0	No
An Guojun	16	16	0	0	0	No
Zuo Yan An	9	9	0	0	0	No
Times present at the general meeting by independent directors						2

2. Objection for relevant issues from independent directors

Were there any objections on related issues of the Company from the Independent Directors?

Yes No

There was no objection on related issues of the Company from the Independent Directors.

3. Other details about the performance of duties by the Independent Directors

Were there any suggestions from the Independent Directors adopted by the Company?

Yes No

Independent director’s advice for the Company was adopted.



Section I Structure of Corporate Governance Disclosed Pursuant to Requirements of 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 24 March 2014, at which the following matters are considered and approved:

1. the 2013 annual financial report which was prepared in accordance with Hong Kong Financial Reporting Standards;
2. the 2013 annual financial report which was prepared in accordance with China Accounting Standards for Business Enterprises;
3. Related party transactions conducted in 2013;
4. the Summary Report on Accounting Firm’s Engaged in the 2013 Annual Audit Work;
5. the reappointment of the auditor.

The Audit Committee of the Board convened a meeting on 25 August 2014, at which the following matters 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;
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 24 March 2014, 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 30 June 2014, at which the following are considered and approved: Resolution on election of chairman of the Election Committee.

V. Work of the Supervisory Committee

Were there any risks of the Company identified by Supervisory Committee when performing its duties during the reporting period?

Yes No

None of those issues under the supervision was objected by Supervisory Committee during the reporting period.



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

VI. Particulars about the integrity of businesses, personnel, assets, organisations, and finance from the controlling shareholder

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.
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.

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

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 9 of Section V of this annual report: Performance of commitments).

VIII. Assessment and incentive mechanism for the Senior Management

The Company has formulated the “Senior Management Personnel Salary Management Rule of Jingwei Textile Machinery Company Limited” in order to standardize the senior management personnel salary management of the Company and perfect its incentive and constraint mechanism.

The Personnel Nomination and Remuneration Committee of the Board is responsible for checking the Company’s senior management personnel remuneration and appraisal and submit to the Board of Directors for approval, checking the performance of their duties and organizing the implementation of the annual comprehensive evaluation and supervising the implementation of senior management personnel salary system. Human Resources of the company implement the special management of senior management personnel salary management, performance evaluation and comprehensive evaluation according to the requirement of Personnel Nomination and Remuneration Committee.

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

The Board, Supervisory Committee and Senior Management are committed for an effective implementation of corporate governance policy, to ensure all decisions are 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.

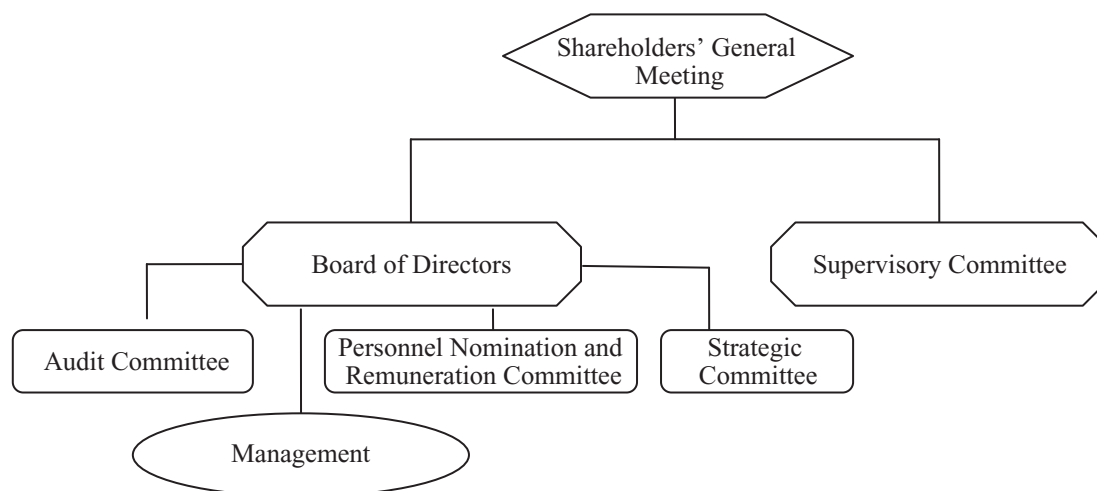
During the reporting period, the Company has adopted the Corporate Governance Code in Appendix 14 to the Listing Rules of the Stock Exchange and committed to maintaining a high standard of corporate governance in order to enhance transparency and protect the interest of shareholders. During the reporting period, the roles of the remuneration committee and nomination committee were performed by the Personnel Nomination and Remuneration Committee of the Company (because the Company believes that this mode of Personnel Nomination and Remuneration Committee has been effective and more suitable for the Company’s needs, and that the terms of reference of such Committee have covered the suggested provisions for the terms of reference of remuneration committee and nomination committee set out in the Corporate Governance Code, being capable of protecting the interest of shareholders). In addition, on 11 December 2014, Mr. Zuo Yan An resigned as an independent non-executive Director of the seventh Board of the Company, the chairman of the Personnel Nomination and Remuneration Committee, member of the Audit Committee and member of the Strategy Committee. Rule 3.10(1) of the Listing Rules requires there shall be at least three independent non-executive directors in the board of directors of a listed issuer; whilst Rule 3.10A requires the number of independent non-executive directors to be at least one-third of the board. Rule 3.21 of the Listing Rules requires there shall be at least three members in the audit committee of a listed issuer; whilst Rule 3.25 requires the majority of the remuneration committee to be independent non-executive directors and shall be chaired by an independent non-executive director. Following the resignation of Mr. Zuo, the Company is unable to fulfill such requirements for a short period. On 11 March 2015, Mr. Niu Hongjun was appointed as an independent non-executive Director of the seventh Board of the Company, the chairman of the Nomination and Remuneration Committee as well as the members of the Audit Committee and Strategy Committee. As a result, the Company again fulfilled the above requirements. Save for the matters disclosed above, the Company has complied with the Corporate Governance Code during the reporting period.

(I) Corporate Governance

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

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

The Structure of Corporate Governance of the Company:



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

(II) The Board

The 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 NonExecutive Directors (including Ms. Chen Jinrong, Ms. An Guojun and Mr. Niu Hongjun 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 2014, 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 fundraising 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 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 VII “Directors, supervisors and senior management and staff” of this annual report.

As at the end of 2014, 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 most of time in the reporting period, the seventh Board of the Company comprises 3 Independent Non-executive Directors, representing 3/8 of the total number of Directors, which were in compliance with the provisions of Rule 3.10(1) and Rule 3.10A of the Listing Rules which requires there shall be at least three independent non-executive directors in the board of directors of a listed issuer and the number of independent non-executive directors to be at least one-third of the board. Following the resignation of Mr. Yan An on 11 December 2014, the Company is unable to fulfill such requirements for a short period. For relevant details, please refer to the Company’s announcement dated 11 December 2014.

The Board has identified an independent non-executive director with appropriate qualifications, and Mr. Niu Hongjun was appointed as an independent non-executive Director at the first extraordinary general meeting held on 11 March 2015. Following appointment of Mr. Niu Hongjun as independent non-executive Director, the Company has sufficient independent non-executive directors to fulfill the requirements of Rule 3.10(1) and Rule 3.10A of the Listing Rules. With effect from 11 March 2015, Mr. Niu Hongjun was also appointed as the chairman of the Nomination and Remuneration Committee as well as the members of the Audit Committee and Strategy Committee. Upon the above changes coming into force, the Company again fulfilled the requirements of Rule 3.21 and Rule 3.25 of the Listing Rules in respect of that there shall be at least three members in the audit committee and the majority of the remuneration committee shall be independent non-executive directors and shall be chaired by an independent non-executive director. For relevant details, please refer to the Company’s announcement dated 11 March 2015.

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

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 Nonexecutive Directors have promoted the scientific approach in the Board’s decisions and the decision-making process and safeguarded the interests of the Company and shareholders as a whole.

In 2014, the Company held 16 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	16	16	0	0	0	No
Wang Jianshan	Vice Chairman	16	16	0	0	0	No
Yan Fuquan	Director	16	16	0	0	0	No
Shi Tinghong	Director	16	16	0	0	0	No
Yao Yuming	Director, General Manager	16	16	0	0	0	No
Xu Wenying	Independent Non-executive Director	2	2	0	0	0	No
An Guojun	Independent Non-executive Director	16	16	0	0	0	No
Li Min	Independent Non-executive Director	8	8	0	0	0	No
Chen Jinrong	Independent Non-executive Director	13	13	0	0	0	No
Zuo Yan An	Independent Non-executive Director	8	8	0	0	0	No

Note:

Zuo Yan An resigned on 11 December 2014.

Xu Wenying resigned on 15 January 2014.

Li Min resigned on 10 June 2014.

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

Number of Board meetings convened during the year	16
Of which: Number of on-site meetings	16
Number of meetings convened via communication means	0
Number of on-site meetings with communication means	0



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

(II) The Board (continued)

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 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.

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 Maixin	√	√	√	√
Wang Jiangan	√	√	√	√
Yan Fuquan	√	√	√	√
Shi Tinghong	√	√	√	√
Yao Yuming	√	√	√	√
Xu Wenyong (Note)	√	√	√	√
Chen Jinrong	√	√	√	√
An Guojun	√	√	√	√
Li Min (Note)	√	√	√	√
Zuo Yan An (Note)	√	√	√	√

Note: As of his date of resignation.

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

(II) The Board (continued)

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);
- (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:

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 2014, the member of the Audit Committee of the seventh Board of the Company was Ms. Chen Jinrong (the Chairman of the Committee) and Ms. An Guojun, both being independent non-executive directors. Due to that Mr. Zuo Yanan has resigned independent non-executive director of the seventh Board of the Company and ceased to be a member of the audit committee on 11 December 2014, so the Audit Committee under the seventh Board of the Company comprised of two independent non-executive directors which are Ms. Chen Jinrong and Ms. An Guojun. The Board has appointed an independent non-executive director, Mr. Niu Hongjun who has meet requirements concerning proper qualifications as a member of the audit committee on 11 March 2015.

Two meetings of the Audit Committee was held in 2014. 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 2014 is as follows:

Name of the committee member	Attendance in meetings (Number)	Total number of meetings (Number)	Attendance percentage
Chen Jinrong (Chairman of the seventh Committee)	2	2	100%
An Guojun	2	2	100%
Li Min	1	1	100%
Zuo Yan An	1	1	100%

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

(II) The Board (continued)

Audit Committee (continued)

The work of the Audit Committee for the year include: reviewed the completeness of the 2013 Annual Report, 2014 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 2014.

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 2014, the seventh Personnel Nomination and Remuneration Committee comprise two Independent Non-executive Directors and two Executive Directors, including Mr. Ye Maoxin, Mr. Yao Yumin, Ms. Chen Jinrong and Ms. An Guojun. Due to resignation of Mr. Zuo Yan An as an independent non-executive director of the seventh session of the Board on 11 December 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 Ms. Chen Jinrong, 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 has appointed Mr. Niu Hongjun, an independent non-executive Director with appropriate qualifications, as a member of the Nomination and Remuneration Committee and recommend to appoint him as the chairman of the committee on 11 March 2015.

The main duties of the Personnel Nomination and Remuneration Committee of the Board 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.

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 CNINFO (<http://www.cninfo.com.cn>), the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.jwgf.com) for shareholders’ reference.

In 2014, the Personnel Nomination and Remuneration Committee convened two 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.

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

(II) The Board (continued)

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.

On 24 March 2014, 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 considered that the gender, age, professional qualification, culture and education background all meet the requirements for the Company’s operation and development and are complementary among each other.

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, Ms Chen Jinrong and Mr. Zuo Yan An(resigned on 11 December 2014 and replaced by Mr. Niu Hongjun on 11 March 2015).

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 decisionmaking 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 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 seventh Supervisory Committee comprises five members and the Chairman of Supervisory Committee is Mr. Qiao Yu. The number and the qualification of members are in compliance with the legal requirements. The profiles of Supervisors of the seventh Supervisory Committee of the Company are set out in Chapter VII “Directors, supervisors, senior management and staff” of this annual report.

In 2014, the Supervisory Committee of the Company held 5 meetings and all the Supervisors attended the meetings and the Board meetings and have performed the duties of the Supervisory Committee in a diligent manner. The Supervisory Committee reviewed matters including the financial information related to the Company’s 2013 annual report and 2014 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
Qiao Yu	Chairman of Supervisory Committee	5	5	100%
Ding Yufei	Vice Chairman of Supervisory Committee	5	5	100%
Liu Hong	Supervisor	5	5	100%
Hu Guangfei	Supervisor	5	5	100%
Cheng Na	Supervisor	5	5	100%

Internal Control and Internal Audit

The Board is responsible for making a balanced, clear and comprehensive assessment on the performance and prospect of the Group. The Board is also responsible for making arrangement for the preparation of accounts of the Company (including accounts for the year ended 31 December 2014) 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 2014 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 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 CNINFO and website of the Stock Exchange on 17 November 2012.

It was approved by shareholders of the Company at the 2013 annual general meeting of the Company held in June 2014 to reappoint Baker Tilly Hong Kong Limited (Hong Kong Certified Public Accountants) and Baker Tilly China (Special General Partnership) (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 2014.

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 2014 was RMB 3,860,000.

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 VI “Movements in share capital and information on shareholders”, to the best knowledge of the Directors, Supervisors and senior management of the Company, as at 31 December 2014, 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.

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

(III) Mechanism of supervision (continued)

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.

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 two general meetings, the attendance of Directors is as follows:

Name of Director	Position	Total number of meetings	Attendance in person	Attendance via communication means	Attendance by proxy	Absence
Ye Maoxin	Chairman	2	2	0	0	0
Wang Jiangan	Vice Chairman	2	2	0	0	0
Yan Fuquan	Director	2	2	0	0	0
Shi Tinghong	Director	2	2	0	0	0
Yao Yuming	Director, General Manager	2	2	0	0	0
Zuo Yan An	Independent non-executive Director	2	2	0	0	0
Chen Jinrong	Independent non-executive Director	2	2	0	0	0
An Guojun	Independent non-executive Director	2	2	0	0	0

Substantial shareholder

The Company’s substantial shareholder is China Textile Machinery (Group) Company Limited (holding 31.13% of 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.

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

(III) Mechanism of supervision (continued)

Shareholders convening extraordinary general meeting and ways of putting forward proposals 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.
- (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, there were no material amendment to the Articles of Association of the Company.

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” (內幕信息知情人登記管理制度) to further regulate information management.

Evaluation and Incentive of Senior Management

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

Company Secretary

Mr. Ye Xuehua is the Company Secretary of the Company. Under the newly issued Rule 3.29 of the Listing Rules, Mr. Ye has participated in over 15 hours of professional training for the financial year ended 31 December 2014.

(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 2014, and the internal control system of the Company was healthy and had been executed effectively in 2014.

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)	28 March 2015
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 2014 was published on the website of CNINFO (http://www.cninfo.com.cn), the website of the Hong Kong 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

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 2014.	
Date of disclosing the internal control audit report, full text	28 March 2015
Index of disclosing the internal control audit report, full text	The full text of the Internal control audit report of the Company was published on the website of CNINFO (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.

Any opinions of non-standardisation set out in the Auditors' Report on Internal Control issued by accountants

Yes No

Auditors' Report on Internal Control issued by accountants was in line with Directors' opinions contained in Self-assessment Report

Yes No

VI. Establishment of Accountability System for Major Errors in Information Disclosure in Annual Reports and its Implementation

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

(I) AUDIT REPORT

Opinion	Standard unqualified opinion
Signature Date	27 March 2015
Audit Firm	Baker Tilly China (Special General Partnership)
Audit Report NO.	Baker Tilly Zi [2015] No. 4949
Signature Auditor	Wen Wuxing Yuan Gang

Full text of the Auditor’s Report

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 balance sheet and consolidated balance sheet as at 31 December 2014, the income statement and consolidated income statement, the statement of changes in shareholders’ equity and consolidated statement of changes in shareholders’ equity, the cash flow statement and consolidated 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 2014, 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 for Business Enterprises
1. CONSOLIDATED BALANCE SHEET

Prepared by: Jingwei Textile Machinery Company Limited

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	5,232,098,235.32	9,486,457,524.83
Financial assets at fair value through profit or loss	6,042,235,482.50	243,515,847.35
Bills receivable	784,056,222.14	1,548,491,284.12
Accounts receivable	769,988,186.02	778,564,374.89
Advance to suppliers	527,088,166.98	341,119,713.18
Interest receivables	7,739,384.47	64,114.99
Dividend receivables	34,280,000.00	36,022,950.70
Other receivables	329,103,171.46	311,436,433.54
Inventories	1,542,273,525.88	1,619,573,041.58
Non-current assets due within one year	300,000,000.00	4,301,428.55
Other current assets	30,809,500.70	329,774.69
Total Current Assets	15,599,671,875.47	14,369,876,488.42
Non-current Assets:		
Available-for-sale financial assets	648,065,357.60	444,116,804.04
Long-term equity investments	337,778,358.20	171,959,552.20
Investment properties		
Fixed assets	1,857,062,873.87	1,816,944,619.20
Construction in progress	131,754,878.24	149,669,840.40
Intangible assets	589,475,889.66	566,514,087.48
Development expenditure	14,221,806.55	14,221,806.55
Goodwill	845,120,985.01	845,120,985.01
Long-term deferred expenses	22,789,114.87	28,301,010.32
Deferred tax assets	518,677,016.74	456,761,637.47
Other non-current assets	750,000,000.00	
Total Non-current Assets	5,714,946,280.74	4,493,610,342.67
Total Assets	21,314,618,156.21	18,863,486,831.09



1. CONSOLIDATED BALANCE SHEET (continued)

Item	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	2,344,849,420.62	1,945,504,547.47
Bills payable	406,586,626.39	612,660,270.01
Accounts payable	1,439,100,345.82	1,755,525,871.17
Advances from customers	624,376,235.33	411,088,307.38
Employee benefits payables	2,044,945,000.36	1,629,884,230.60
Taxation payables	461,255,177.52	509,209,633.97
Interest payables	52,213,735.05	49,201,704.03
Dividend payables	29,655,744.58	6,686,958.92
Other payables	305,610,634.64	329,994,838.71
Long-term liabilities due within one year	1,644,810.20	25,581,023.23
Total Current Liabilities	7,710,237,730.51	7,275,337,385.49
Non-current Liabilities:		
Long-term borrowings	200,000,000.00	
Bonds payable	1,200,000,000.00	1,200,000,000.00
Long-term payables	30,347,074.11	30,621,220.00
Long term employee benefits payables	25,790,000.00	25,090,000.00
Special payables	22,200,000.00	20,102,619.80
Deferred income	102,352,673.14	112,068,913.25
Deferred income tax liabilities	4,201,498.21	
Total Non-current Liabilities	1,584,891,245.46	1,387,882,753.05
Total Liabilities	9,295,128,975.97	8,663,220,138.54
The owners' equity:		
Share capital	704,130,000.00	704,130,000.00
Capital reserve	1,922,392,827.79	1,930,843,480.44
Other comprehensive income	-42,881,976.84	-52,141,269.87
Special reserve	15,204,564.37	10,587,684.57
Surplus reserve	912,774,509.78	820,492,967.34
General risk provision	187,708,061.32	105,343,583.49
Unappropriated profit	1,891,591,402.01	1,594,811,859.21
Total equity attributable to the owners of the Parent	5,590,919,388.43	5,114,068,305.18
Non-controlling interests	6,428,569,791.81	5,086,198,387.37
Total owners' equity	12,019,489,180.24	10,200,266,692.55
Total Liabilities and owners' equity	21,314,618,156.21	18,863,486,831.09

Legal representative:
Ye Maoxin

Person-in-charge
of accounting function:
Mao Faqing

Person-in-charge
of accounting department:
An Yongzhi

2. BALANCE SHEET OF THE PARENT COMPANY
Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	676,049,758.08	600,262,673.12
Financial assets at fair value through profit or loss		
Bills receivable	434,656,917.43	1,186,364,902.03
Accounts receivable	611,534,588.47	622,437,292.27
Advance to suppliers	504,484,473.25	334,314,010.85
Interest receivables	7,490,000.00	
Dividend receivables	241,256,938.10	218,260,548.72
Other receivables	1,040,926,793.20	933,657,145.94
Inventories	186,134,845.50	220,928,281.17
Non-current assets due within one year	300,000,000.00	1,411,428.55
Other current assets		
Total Current Assets	<u>4,002,534,314.03</u>	<u>4,117,636,282.65</u>
Non-current Assets:		
Available-for-sale financial assets	10,042,730.75	10,042,730.75
Held-to-maturity investment		
Long-term receivables	282,302,252.79	253,842,252.79
Long-term equity investments	3,833,761,837.52	3,591,758,974.22
Investment properties		
Fixed assets	273,148,587.31	260,278,734.30
Construction in progress	10,222,950.73	26,132,772.23
Construction materials		
Intangible assets	61,088,811.22	63,042,909.71
Development expenditure		
Goodwill		
Long-term deferred expenses		
Deferred tax assets		
Other non-current assets		
Total Non-current Assets	<u>4,470,567,170.32</u>	<u>4,205,098,374.00</u>
Total Assets	<u><u>8,473,101,484.35</u></u>	<u><u>8,322,734,656.65</u></u>

**2. BALANCE SHEET OF THE PARENT COMPANY (continued)**

Item	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	2,098,904,424.48	1,738,878,919.15
Bills payable	271,143,216.56	417,918,154.76
Accounts payable	540,084,622.12	1,025,664,346.32
Advances from customers	510,693,592.49	270,156,177.52
Employee benefits payables	32,809,021.34	36,038,785.96
Taxation payables	10,798,674.56	26,430,850.91
Interest payables	50,234,583.32	48,705,333.32
Dividend payables	62,465.17	474,469.81
Other payables	292,985,916.11	227,506,377.51
Long-term liabilities due within one year		23,592,596.80
Other current liabilities		
Total Current Liabilities	<u>3,807,716,516.15</u>	<u>3,815,366,012.06</u>
Non-current Liabilities:		
Long-term borrowings	200,000,000.00	
Bonds payable	1,200,000,000.00	1,200,000,000.00
Long-term payables		
Long term employee benefits payables		
Special payables	10,000,000.00	4,000,000.00
Estimated liabilities		
Deferred income	<u>13,526,721.83</u>	<u>14,398,150.40</u>
Total Non-current Liabilities	<u>1,423,526,721.83</u>	<u>1,218,398,150.40</u>
Total Liabilities	<u>5,231,243,237.98</u>	<u>5,033,764,162.46</u>
The owners' equity:		
Share capital	704,130,000.00	704,130,000.00
Other equity instruments		
Capital reserve	2,048,294,189.80	2,048,033,590.66
Less: treasury shares		
Other comprehensive income	-71,350.17	-72,830.18
Special reserve	740,680.62	91,111.10
Surplus reserve	389,046,772.39	386,807,862.04
Unappropriated profit	99,717,953.73	149,980,760.57
Total owners' equity	<u>3,241,858,246.37</u>	<u>3,288,970,494.19</u>
Total Liabilities and owners' equity	<u><u>8,473,101,484.35</u></u>	<u><u>8,322,734,656.65</u></u>

3. CONSOLIDATED INCOME STATEMENT
Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
1. Total operating income	10,013,391,610.91	10,558,276,337.66
of which: Operating income	5,117,652,993.82	5,675,484,043.48
Interest income	428,368,448.67	340,742,194.17
Earned Premium		
Fee and commission income	4,467,370,168.42	4,542,050,100.01
2. Total operating costs	7,675,633,652.79	8,143,157,577.36
of which: Operating costs	4,211,033,859.10	4,815,121,164.00
Interest expense		
Business tax and surcharges	294,601,522.52	285,094,261.19
Selling expenses	218,773,742.35	186,506,656.55
Administrative expenses	2,693,252,971.70	2,682,743,498.17
Financial expenses	207,042,114.28	148,556,928.22
Impairment loss in respect of assets	50,929,442.84	25,135,069.23
Add: Gains from changes in fair values (loss expressed with “-”)	117,198,095.01	-11,122,873.20
Investment income (loss expressed with “-”)	276,860,456.77	-7,033,581.82
of which: Income from investment in associates and joint ventures	67,472,434.06	38,033,001.61
Foreign exchange gain (loss expressed with “-”)	1,294,069.16	-2,074,191.54
3. Operating profits (loss expressed with “-”)	2,733,110,579.06	2,394,888,113.74
Add: Non-operating income	70,618,968.29	91,107,848.67
Including: Income from disposal of non-current assets	7,720,070.19	27,382,804.47
Less: Non-operating expenses	13,629,455.30	10,547,275.52
Including: Loss from disposal of non-current assets	9,725,025.71	3,610,553.24
4. Total Profits (loss expressed with “-”)	2,790,100,092.05	2,475,448,686.89
Less: Income tax	787,588,271.29	694,292,999.43
5. Net Profit (loss expressed with “-”)	2,002,511,820.76	1,781,155,687.46
Net profit attributable to owners of the parent company	541,838,563.07	591,778,324.35
Minority interests	1,460,673,257.69	1,189,377,363.11



3. CONSOLIDATED INCOME STATEMENT (continued)

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
6. Net other comprehensive income after tax	<u>26,322,918.11</u>	<u>-110,670,320.51</u>
Net other comprehensive income after tax attributable to owners of the parent company	<u>9,259,293.03</u>	<u>-40,455,502.73</u>
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods	-959,500.00	1,963,500.00
1. Change in remeasurement of net defined benefit liability or assets	-959,500.00	1,963,500.00
2. Share of other comprehensive income of investees that will not be reclassified to profit and loss	-	-
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods	10,218,793.03	-42,419,002.73
1. Share of other comprehensive income of equity accounted investees that will be reclassified to profit and loss in subsequent periods	1,480.01	67,484.93
2. Gains and losses from changes in fair value of available-for-sale financial assets	10,030,717.29	-42,158,206.34
3. Gains and losses from held-to-maturity investment reclassified as available-for-sale financial assets	-	-
4. Effective portion of hedging gains and losses from cash flows	-	-
5. Exchange differences on translation of foreign operations	186,595.73	-328,281.32
6. Others	-	-
Net other comprehensive income after tax attributable to minority interest	17,063,625.08	-70,214,817.78
7. Total comprehensive income	<u>2,028,834,738.87</u>	<u>1,670,485,366.95</u>
Total comprehensive income attributable to owners of the parent company	<u>551,097,856.10</u>	<u>551,322,821.62</u>
Total comprehensive income attributable to minority interest	<u>1,477,736,882.77</u>	<u>1,119,162,545.33</u>
8. Earnings per share:		
(I) Basic earnings per share	<u>0.77</u>	<u>0.84</u>
(II) Diluted earnings per share	<u>0.77</u>	<u>0.84</u>

Legal representative:
Ye MaoxinPerson-in-charge of
accounting function:
Mao FaqingPerson-in-charge of
accounting department:
An Yongzhi

4. INCOME STATEMENT OF THE PARENT COMPANY
Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
1. Operating income	2,672,517,355.08	3,733,914,719.71
Less: Operating costs	2,474,452,311.42	3,446,942,751.50
Business tax and surcharges	7,140,234.94	7,382,971.46
Selling expenses	84,011,727.82	83,631,287.22
Administrative expenses	173,284,475.07	190,011,763.87
Financial expenses	158,069,109.64	117,428,445.42
Impairment loss in respect of assets	10,885,797.07	5,918,371.88
Investment income (losses are represented by “-”)	232,694,432.79	159,322,228.84
of which: Income from investment in associates and joint ventures	52,778,084.85	24,763,342.80
2. Operating profit (losses are represented by “-”)	-2,631,868.09	41,921,357.20
Add: Non-operating income	16,926,150.96	13,683,403.89
Including: Income from disposal of non-current assets	785,692.51	2,505,349.60
Less: Non-operating expenses	1,336,825.50	1,967,109.82
Including: Loss from disposal of non-current assets	1,045,799.21	1,437,610.39
3. Total Profits (loss expressed with “-”)	12,957,457.37	53,637,651.27
Less: Income tax expenses	-4,955,161.64	36,162.50
4. Net Profit (loss expressed with “-”)	17,912,619.01	53,601,488.77
5. Net other comprehensive income after tax	1,480.01	67,484.93
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods	1,480.01	67,484.93
1. Share of other comprehensive income of equity accounted investees that will be reclassified to profit and loss in subsequent periods	1,480.01	67,484.93
6. Total comprehensive income	17,914,099.02	53,668,973.70
7. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		



5. CONSOLIDATED CASH FLOW STATEMENT

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
1. Cash flows from operating activities:		
Cash receipts from sales of goods and the renderings of services	5,077,178,731.26	3,916,452,939.10
Interests, fees and commissions received	5,184,454,120.02	4,941,858,117.65
Receipts of tax refunds	4,857,419.65	5,006,540.73
Other cash receipts relating to operating activities	131,721,857.05	224,331,685.94
Sub-total of cash inflows from operating activities	10,398,212,127.98	9,087,649,283.42
Cash payments for goods purchased and services received	3,915,665,351.66	3,085,037,276.90
Cash payments to and on behalf of employees	1,891,383,219.29	1,628,330,676.11
Payments of all types of taxes	1,354,720,701.56	1,174,138,041.53
Other cash payments relating to operating activities	759,374,989.53	823,674,247.44
Sub-total of cash outflows from operating activities	7,921,144,262.04	6,711,180,241.98
Net cash flows from operating activities	2,477,067,865.94	2,376,469,041.44
2. Cash flows from investing activities:		
Cash receipts from disposals of investments	3,726,494,220.36	492,187,591.29
Cash receipts from returns on investments	63,034,055.52	18,849,511.14
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets	76,057,152.66	7,847,310.37
Net cash received from disposals of subsidiaries and other business units		
Other cash receipts relating to investing activities	60,000,000.00	
Sub-total of cash inflows from investing activities	3,925,585,428.54	518,884,412.80
Cash paid to acquire fixed assets, intangible assets and other long-term assets	156,820,805.89	205,810,034.71
Cash payments to acquire investments	10,420,650,628.08	480,957,794.89
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		5,543,007.01
Other cash payments relating to investing activities	220,111,149.19	821,707.43
Sub-total of cash outflows from investing activities	10,797,582,583.16	693,132,544.04
Net cash flows from investing activities	-6,871,997,154.62	-174,248,131.24

5. CONSOLIDATED CASH FLOW STATEMENT (continued)
Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
3. Cash flows from financing activities:		
Receipt of cash investment	18,830,000.00	670,325,584.94
Of which: Capital injections to subsidiaries		
from minority shareholders	18,830,000.00	670,325,584.94
Cash receipts from borrowings	3,061,513,277.30	2,443,268,207.07
Cash receipts from bond issue		
Other cash receipts relating to financing activities	6,000,000.00	
Sub-total of cash inflows from financing activities	3,086,343,277.30	3,113,593,792.01
Cash paid for repayment of debts	2,463,075,631.73	2,024,825,831.47
Cash paid for dividend, profit appropriation or interest expenses	467,512,085.84	386,162,191.08
Including: Dividend and profit of		
minority shareholder paid by subsidiaries	196,745,312.60	162,392,925.83
Other cash payments relating to financing activities	81,730,050.55	46,217,936.41
Sub-total of cash outflows from financing activities	3,012,317,768.12	2,457,205,958.96
Net cash flows from financing activities	74,025,509.18	656,387,833.05
4. Effect of foreign exchange rate changes on cash and cash equivalents	625,708.92	-1,209,311.98
5. Net increase in cash and cash equivalents	-4,320,278,070.58	2,857,399,431.27
Add: Opening balance of cash and cash equivalents	9,314,093,479.56	6,456,694,048.29
6. Closing balance of cash and cash equivalents	4,993,815,408.98	9,314,093,479.56



6. CASH FLOW STATEMENTS OF THE PARENT COMPANY

Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
1. Cash flows from operating activities:		
Cash receipts from sales of goods and the renderings of services	2,955,627,364.29	2,360,003,213.59
Receipts of tax refunds		
Other cash receipts relating to operating activities	38,131,797.62	45,959,338.77
Sub-total of cash inflows from operating activities	2,993,759,161.91	2,405,962,552.36
Cash payments for goods purchased and services received	2,397,181,359.68	2,062,084,213.31
Cash payments to and on behalf of employees	184,498,554.55	180,372,114.85
Payments of all types of taxes	76,592,329.06	55,481,900.17
Other cash payments relating to operating activities	91,025,566.02	94,542,014.89
Sub-total of cash outflows from operating activities	2,749,297,809.31	2,392,480,243.22
Net cash flows from operating activities	244,461,352.60	13,482,309.14
2. Cash flows from investing activities:		
Cash receipts from disposals of investments	190,660,000.00	218,354,565.73
Cash receipts from returns on investments	139,053,220.48	106,810,541.51
Net cash receipts from disposals of fixed assets, intangible assets and other long term assets	479,741.88	2,808,691.25
Net cash received from disposals of subsidiaries and other business units		
Other cash receipts relating to investing activities		
Sub-total of cash inflows from investing activities	330,192,962.36	327,973,798.49
Cash paid to acquire fixed assets, intangible assets and other long-term assets	14,097,113.77	19,078,626.42
Cash payments to acquire investments	545,736,200.00	781,190,985.39
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities	66,300,000.00	11,860,000.00
Sub-total of cash outflows from investing activities	626,133,313.77	812,129,611.81
Net cash flows from investing activities	-295,940,351.41	-484,155,813.32

6. CASH FLOW STATEMENTS OF THE PARENT COMPANY (continued)
Unit: RMB

Item	Amounts for the reporting period	Amounts for the prior period
3. Cash flows from financing activities:		
Receipt of cash investment		
Cash receipts from borrowings	2,880,000,000.00	2,229,642,578.75
Cash receipts from bond issue		
Other cash receipts relating to financing activities	381,968,743.07	1,008,781,164.46
Sub-total of cash inflows from financing activities	3,261,968,743.07	3,238,423,743.21
Cash paid for repayment of debts	2,320,881,722.25	1,844,059,594.76
Cash paid for dividend, profit appropriation or interest expenses	253,115,120.21	213,589,260.22
Other cash payments relating to financing activities	558,514,749.24	1,213,685,885.48
Sub-total of cash outflows from financing activities	3,132,511,591.70	3,271,334,740.46
Net cash flows from financing activities	129,457,151.37	-32,910,997.25
4. Effect of foreign exchange rate changes on cash and cash equivalents	-590,349.60	
5. Net increase in cash and cash equivalents	77,387,802.96	-503,584,501.43
Add: Opening balance of cash and cash equivalents	536,826,287.23	1,040,410,788.66
6. Closing balance of cash and cash equivalents	614,214,090.19	536,826,287.23

7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Amounts for the reporting period

Unit: RMB

Item	Current period												Total owners' equity
	Equity attributable to owners of the parent company												
	Other equity instruments				Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest	
Share capital	Preference shares	Perpetual bonds	Others										
I. Balance as at the end of the prior year	704,130,000.00			1,683,304,144.37		-3,721,933.80	10,587,684.57	820,492,967.34	105,343,583.49	1,593,931,859.21	5,086,198,387.37	10,200,266,692.55	
Plus: accounting policy change				47,539,336.07		-48,419,336.07					880,000.00		
II. Balance as at the beginning of the year	704,130,000.00			1,930,843,480.44		-52,141,269.87	10,587,684.57	820,492,967.34	105,343,583.49	1,594,811,859.21	5,086,198,387.37	10,200,266,692.55	
III. Changes in the period ("-" denotes decrease)				-8,450,652.65		9,259,293.03	4,616,879.80	92,281,542.44	82,364,477.83	296,779,542.80	1,342,371,404.44	1,819,222,487.69	
(i) Total comprehensive income						9,259,293.03					541,838,563.07	2,029,834,738.87	
(ii) Capital paid in and reduced by owners				-8,587,626.90								74,430,102.28	
1. Ordinary shares paid by shareholders												74,430,102.28	
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised in owners' equity													
4. Others				-8,587,626.90							8,711,251.78	123,624.88	
(iii) Profit distribution								92,281,542.44	82,364,477.83	-245,059,020.27	-220,126,102.90	-290,539,102.90	
1. Transfer to surplus reserves								92,281,542.44		-92,281,542.44			
2. Transfer to general risk provision									82,364,477.83	-82,364,477.83			
3. Distribution to owners (shareholders)										-70,413,000.00	-220,126,102.90	-290,539,102.90	
4. Others													
(iv) Transfer within owner's equity													
1. Capitalization of capital reserve													
2. Capitalization of surplus reserve													
3. Loss offset by surplus reserves													
4. Others													
(v) Special reserve				136,974.25			4,616,879.80				1,619,270.51	6,373,124.56	
1. Withdraw in the current period				136,974.25			16,051,080.02				3,344,101.01	19,532,155.28	
2. Use in the current period							-11,434,200.22				-1,724,830.50	-13,159,030.72	
(vi) Others													
IV. Ending balance	704,130,000.00			1,922,392,827.79		-42,881,976.84	15,204,564.37	912,774,509.78	187,708,061.32	1,891,591,402.01	6,428,569,791.81	12,019,489,180.24	

7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (continued)

Amounts for the prior period

Unit: RMB

Item	Current period												Total owners' equity
	Equity attributable to owners of the parent company												
	Other equity instruments				Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest	
Share capital	Preference shares	Perpetual bonds	Others										
I. Balance as at the end of the prior year	704,130,000.00				1,997,154,774.06		-3,393,652.48	5,377,780.42	733,425,418.69	56,712,015.61	1,206,302,151.39	3,366,345,698.66	8,066,054,186.35
Plus: accounting policy change					5,448,614.66		-8,292,114.66					2,843,500.00	
II. Balance as at the beginning of the year	704,130,000.00				2,002,603,388.72		-11,685,767.14	5,377,780.42	733,425,418.69	56,712,015.61	1,209,145,651.39	3,366,345,698.66	8,066,054,186.35
III. Changes in the period ("-" denotes decrease)					-71,759,908.28		-40,455,502.73	5,209,904.15	87,067,548.65	48,631,567.88	385,666,207.82	1,719,852,688.71	2,134,212,506.20
(I) Total comprehensive income							-40,455,502.73				591,778,324.35	1,119,162,545.33	1,670,485,366.95
(II) Capital paid in and reduced by owners					-71,759,908.28							762,720,630.24	690,960,721.96
1. Ordinary shares paid by shareholders												681,745,584.94	681,745,584.94
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised in owners' equity													
4. Others					-71,759,908.28							80,975,045.30	9,215,137.02
(III) Profit distribution								87,067,548.65	48,631,567.88	-206,112,116.53	-163,598,111.39	-234,011,111.39	-234,011,111.39
1. Transfer to surplus reserves								87,067,548.65				-87,067,548.65	
2. Transfer to general risk provision									48,631,567.88			-48,631,567.88	
3. Distribution to owners (shareholders)											-70,413,000.00	-163,598,111.39	-234,011,111.39
4. Others													
(IV) Transfer within owner's equity													
1. Capitalization of capital reserve													
2. Capitalization of surplus reserve													
3. Loss offset by surplus reserves													
4. Others													
(V) Special reserve								5,209,904.15				1,567,624.53	6,777,528.68
1. Withdraw in the current period								16,458,057.10				3,229,513.83	19,687,570.93
2. Use in the current period								-11,248,152.95				-1,661,889.30	-12,910,042.25
(VI) Others													
IV. Ending balance	704,130,000.00				1,930,843,480.44		-52,141,269.87	10,587,684.57	820,492,967.34	105,343,583.49	1,594,811,859.21	5,086,198,387.37	10,200,266,692.55

8. STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY

For the reporting period

Unit: RMB

Item	Current period										
	Other equity instruments				Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others							
I. Balance as at the end of the prior year	704,130,000.00				2,047,960,760.48			91,111.10	386,807,862.04	149,980,760.57	3,288,970,494.19
Plus: accounting policy change					72,830.18		-72,830.18				
II. Balance as at the beginning of the year	704,130,000.00				2,048,033,590.66		-72,830.18	91,111.10	386,807,862.04	149,980,760.57	3,288,970,494.19
III. Changes in the period ("-" denotes decrease)					260,599.14		1,480.01	649,569.52	2,238,910.35	-50,262,806.84	-47,112,247.82
(I) Total comprehensive income							1,480.01			17,912,619.01	17,914,099.02
(II) Capital paid in and reduced by owners					123,624.89				447,648.45	4,028,836.05	4,600,109.39
4. Others					123,624.89				447,648.45	4,028,836.05	4,600,109.39
(III) Profit distribution									1,791,261.90	-72,204,261.90	-70,413,000.00
1. Transfer to surplus reserves									1,791,261.90	-1,791,261.90	
2. Distribution to owners (shareholders)										-70,413,000.00	-70,413,000.00
(IV) Special reserve					136,974.25			649,569.52			786,543.77
1. Withdraw in the current period					136,974.25			3,144,777.00			3,281,751.25
2. Use in the current period								-2,495,207.48			-2,495,207.48
IV. Ending balance	704,130,000.00				2,048,294,189.80		-71,350.17	740,680.62	389,046,772.39	99,717,953.73	3,241,858,246.37

Amounts for the prior period

Unit: RMB

Item	Current period										
	Other equity instruments				Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others							
I. Balance as at the end of the prior year	704,130,000.00				2,047,893,275.55			724.92	381,447,713.16	172,152,420.68	3,305,624,134.31
Plus: accounting policy change					140,315.11		-140,315.11				
II. Balance as at the beginning of the year	704,130,000.00				2,048,033,590.66		-140,315.11	724.92	381,447,713.16	172,152,420.68	3,305,624,134.31
III. Changes in the period ("-" denotes decrease)							67,484.93	90,386.18	5,360,148.88	-22,171,660.11	-16,653,640.12
(I) Total comprehensive income							67,484.93			53,601,488.77	53,668,973.70
(II) Capital paid in and reduced by owners											
(III) Profit distribution									5,360,148.88	-75,773,148.88	-70,413,000.00
1. Transfer to surplus reserves									5,360,148.88	-5,360,148.88	
2. Distribution to owners (shareholders)										-70,413,000.00	-70,413,000.00
(IV) Transfer within owners' equity											
(V) Special reserve								90,386.18			90,386.18
1. Withdraw in the current period								2,897,963.00			2,897,963.00
2. Use in the current period								-2,807,576.82			-2,807,576.82
IV. Ending balance	704,130,000.00				2,048,033,590.66		-72,830.18	91,111.10	386,807,862.04	149,980,760.57	3,288,970,494.19

Notes to the Financial Statements
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III. GENERAL INFORMATION OF THE COMPANY

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.

(2) The parent company and the beneficial owner

As at 31 December 2014, CTMC holds 31.13% of the equity interest in the Company, China Hengtian Group Company Limited (“China Hengtian”) directly holds 2.70% of the equity interest in the Company, and the remaining 66.17% equity interests are widely held by various other shareholders.

CTMC, which has substantial control over the Company, is the parent company of the Company. The ultimate holding company of the Company is China Hengtian Group Company Limited.

(3) The organ which authorizes the issuance of the financial statements and date of approval

The financial statements of the Company were approved for issue at the 13th meeting of the seventh board of directors of the Company on 27 March 2015.

IV. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared on the going concern basis which are based on the actual transactions occurred, the following significant accounting policies and accounting estimates in accordance with Accounting Standards for Business Enterprises.

2. Going concern

The Company has ability for continuous operation and there are no significant events which affect the ability for continuous operation.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements on the above basis of preparation have been prepared by the Company in conformity with the latest Accounting Standards for Business Enterprises (“ASBE”) and application guide, explanations and other relevant provisions issued by the Ministry of Finance of the PRC, which truly and fully reflect the financial position, operating results and cash flows and other information of the Company.

In addition, these financial statements also refer to the presentation and disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports (revised in 2014)” (“No.15 (revised in 2014)”).

2. Accounting period

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

3. Functional currency

Given the fact that Renminbi 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., TAM-DURABUS, Proizvodnja gospodarskih vozil, d.o.o and JW-PROTTI MACCHINE TESSILI S.R adopt European Dollars as functional currency based on operating environments. Foreign subsidiaries of the Company like America Jingwei Textile Machinery LLC, Zhongrong International Holdings Limited(BVI) adopt US Dollar as functional currency based on operating environments. The Group adopts RMB as the functional currency for the preparation of the financial statements.

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

(1) A business combination under common control

The Group realized business combination under common control through acquisition by a transaction or by steps through multiple transactions. The assets and liabilities acquired under business control are measured at their carrying amounts in consolidated financial statements of the ultimate shareholder on the acquisition date. 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.

(2) A business combination not under common control

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 by the Group on acquisition date. 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 2014
(All amounts are stated in RMB unless otherwise stated)

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Accounting treatments of business combination under common control and not under common control (continued)

(2) A business combination not under common control (continued)

For a merger of enterprises through several swap transactions, they shall be recorded in the following sequence:

- 1) Adjustment shall be made to the balance of the carrying amount of long-term equity investment. The sum of the carrying amount of the equity investment of acquiree previously held by the acquirer and the newly added investment cost on acquisition date shall be taken as initial investment cost of such investment; The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.
- 2) Compare the costs of each individual cost of transactions and the identifiable share of the fair value of assets, to determine the goodwill or the amount which should be included in the current income statement. The goodwill recognized at the acquisition date (or the amount recorded in the current income statement) should be aggregated for each individual transaction.
- 3) As to the equity acquired before the acquisition date, it shall be re-measured based on the fair value of such equity on acquisition date and the investment income should be recognized accordingly and the other comprehensive income should be recognized as investment gain.

The situation concerning disposal of equities step by step until losing control over subsidiaries through several swap transactions:

- 1) The judgemental principle for whether each transaction during disposal of equities step by step until losing control of subsidiaries shall be 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:

- a) These contracts of transactions are considered with the time and its related effects;
 - b) Only the whole transaction can make a complete business consequence;
 - c) One transaction depends on the occurrences of at least one of the others;
 - d) One transaction is not economical in single, but is economical in consideration with others.
- 2) The accounting treatments for each transaction in relation to disposal of equities step by step until losing control of subsidiaries shall be treated as a whole deal

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.

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

4. Accounting treatments of business combination under common control and not under common control (continued)

(2) A business combination not under common control (continued)

- 3) The accounting treatments for each transaction in relation to disposal of equities step by step until losing control of subsidiaries shall not be treated as a whole deal

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.

5. Preparation of consolidated financial statements

The consolidated financial statements were prepared based on the financial statement of the parent company and its subsidiaries by the Group in accordance with other relevant information and Accounting Standard for Business Enterprises No. 33 – 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.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Classification of joint arrangements and accounting treatment for joint ventures

(1) Recognition and classification of joint arrangements

A joint arrangement refers to an arrangement of two or more parties have joint control. The joint arrangement has the following characteristics: 1) All participants are subject to restriction of such arrangement; 2) Two or more than two participants has joint control over such arrangement. Any each of the participant are unable to separately control such arrangement, and any participant which has joint control over such arrangement is able to prevent other participants or combination of participants separately controlling such arrangement.

Joint control is the Company's contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control.

Joint arrangement is classified as joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

(2) Accounting treatment for joint operations

The parties of joint operation should recognise the following items in relation to their share of interest in joint operation, and proceed with accounting in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: 1) to recognize their separate assets or liabilities held, and recognize the assets or liabilities jointly held according to their respective shares; 2) to recognize the income from the disposal of their output share under joint operation; 3) to recognize the income from the disposal of output under joint operation according to their respective shares; 4) to recognize the expense incurred separately, and 5) recognize the expenses incurred under joint operation according to their respective shares.

The parties of a joint venture should perform accounting for investments by the joint venture in accordance with the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments.

7. Standards for recognising cash and cash equivalents

Cash and cash equivalents of the Group include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held the Company which are readily convertible into known amounts of cash and which are subject to insignificant risk of value change.

8. Foreign currency operations and translation of statements denominated in foreign currency

(1) Translation of foreign currency operations

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 different exchange rate, except for the differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets which are qualified for capitalization, are included in current profit or loss. The foreign currency non-monetary items measured at historical cost shall still be translated by the spot exchange rate on the date of the transaction, and the amounts denominated in RMB shall not be changed; the 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, the differences arising from which are included in current profit or loss or other comprehensive income.

(2) Translation of foreign currency financial statements

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 in the income statement are translated using the spot at the transaction date. The difference arising from translation of financial statements denominated in foreign currencies shall be recognized as other comprehensive income.

Notes to the Financial Statements
For the year ended 31 December 2014
(All amounts are stated in RMB unless otherwise stated)

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments

(1) Classification of financial assets and financial liabilities

At the initial recognition, financial assets are classified as the following four categories: financial assets measured at fair value through current profit and loss (including financial assets held for trading and financial assets or financial liabilities that are directly to be measured at fair value through current profit and loss), held-to-maturity investments, loan and accounts receivable and available-for-sale financial assets.

At the initial recognition, financial liabilities are classified as the following two categories: financial liabilities measured at fair value through current profit and loss (including financial liabilities held for trading and financial liabilities that are directly to be measured at fair value through current profit and loss) and other financial liabilities.

(2) Recognition, measurement method and derecognition of financial assets and financial liabilities

Financial assets or financial liabilities will be recognized when the Group became one of the parties under a financial instrument contract. Financial assets and financial liabilities are initially recognized at fair value. For financial assets and financial liabilities measured at fair value through current profit and loss, relevant trading costs are directly included in current profit or loss; for other categories of financial assets or financial liabilities, relevant trading costs are included in the amount initially recognized.

Financial assets are subsequently measured at fair value and the trading costs which may occur upon disposal of such financial assets in future shall not be deducted, while except for the following: 1) held-to-maturity investments and loan and accounts receivable are measured at amortized cost with effective interest method; 2) The investment in equity instruments that are not quoted in an active market and the fair value of which cannot be reliably measured as well as derivative financial assets that are linked to such instruments and shall be settled through delivery of the equity instruments shall be measured at cost.

Financial liabilities are subsequently measured at amortized cost with effective interest method by the Company, while except for the following: 1) Financial liabilities measured at fair value through current profit and loss are measured at fair value and the trading costs which may occur upon settlement of financial liabilities in future shall not be deducted, 2) The derivative financial liabilities which are linked to the equity instruments that are not quoted in an active market and the fair value of which cannot be reliably measured and settled through delivery of such instruments shall be measured at cost; 3) For the financial guarantee contract not belonging to financial liabilities measured at fair value through current profit and loss and the loan commitments which are not designated to be measured at their fair values and the variation of which is included into the current profits and losses and at an interest rate that is lower than the market interest rate, they shall be subsequently measured at the higher of the following amount on initial recognition: 1) the amount recognized according to Accounting Standards for Business Enterprises No. 13 – Contingencies; 2) the amount initially recognized after deducting the accumulated amortization recognized according to Accounting Standards for Business Enterprises No. 14 – Revenue.

Any gains or losses arising from changes in the fair value on financial assets or financial liabilities, other than those hedging instrument, are accounted for as follows: (1) Gains or losses arising from the change in fair value on financial assets or financial liabilities at fair value through profit or loss are recorded as gains or losses from change in fair value; Any interest or dividend income earned during the holding on such financial assets are recognised to profit or loss. On disposal, the differences between the consideration received and initial recognised amount are recognised as investment income and adjust to the gains or losses from change in fair value accordingly. (2) Changes in fair value of available-for-sale financial assets are recorded in the other comprehensive income. Interest calculated using the effective interest method for the periods, in which the assets are held, are recognised as investment income. Cash dividends from available-for-sale equity investments are recognised as investment income when the dividends are declared by the investee. On disposal, the differences between the considerations received and the carrying amounts of financial assets after deducting the accumulated fair values adjustments previously recorded in the capital reserve are recognised as investment income.

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired; or when all risks and rewards relating to the ownership of the financial asset have been transferred. A financial liability is derecognised when the underlying present obligations (or part of it) are discharged.

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

9. Financial instruments (continued)

(3) Transfer of financial assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to other parties, the Group shall derecognize the financial assets. If the Company retains substantially all the risks and rewards of ownership of the financial assets, the Company shall continue to recognize the financial assets transferred and recognize the consideration received as a liability. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Company shall deal with it in the following manner: 1) If the Company has not retained control, it shall derecognize the financial asset and recognize the corresponding assets and liabilities. 2) If the Company 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.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference of the following is recognised to profit or loss: (i) The carrying amount of the financial asset transferred; and (ii) The sum of the consideration received from the transfer and any cumulative gain or loss that has been previously included in changes of fair value of the owner's equity. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference of the following is recognised to profit or loss: (i) The carrying amount allocated to the part derecognised; and (ii) The sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised.

(4) Determination of fair value of financial assets and financial liabilities

For a financial asset or financial liability which has an active market, the Group considers the quoted price in the active market to determine its fair value. For a financial assets or financial liability which has no active market, the Group uses a valuation technique (valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models) to determine its fair value. For a financial asset acquired or a financial liability assumed initially, its fair value is based on the price of market transactions.

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.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(5) Impairment test and provision method of financial assets

At each balance sheet date, the Group reviews the carrying amounts of its financial assets other than those financial assets at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss.

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.

At the end of the reporting period, if there is objective evidence that an impairment loss on a financial asset carried at amortised cost has occurred, an impairment loss is recognised as the excess of the carrying amount of the financial asset over its present value of estimated future cash flows to profit or loss. If an impairment loss has been incurred on an investment in unquoted equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such equity instrument, an impairment loss is recognised as the excess of the carrying amount of the unquoted equity investment or a derivative financial asset over its present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset to profit or loss.

For available-for-sale financial assets, the Group will conduct analysis on the impairment at balance sheet date to judge whether the fair value of financial assets has continued to decline. Under normal conditions, in the event the ending fair value of available-for-sale financial assets has decreased by 50% or over 50% as compared with its cost, or the period of continuous decline reached or exceeded 12 months, and it is expected this decline is not temporary after taking into account relevant factors, impairment loss shall be recognised. If an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognised directly in owner' equity is removed from capital reserve and recognised in profit or loss.

Recognition criteria for impairment losses on available-for-sale financial assets: For an investment in an equity instrument classified as available-for-sale, its fair value being less than its cost are not enough to explain that impairment has occurred. Instead, The Group shall consider comprehensive factors to judge whether the decline in fair value shall belong to significant or not temporary decline over the whole period of holding such investment in an equity instrument classified as available-for-sale.

10. Accounts receivable

(1) Receivables those are individually significant for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	The Group classifies receivables with amounts of or over RMB10 million as individual receivable with significant amounts.
Method of determining provision for receivables that are individually significant for which bad debts provision is individually assessed	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.



Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Accounts receivable (continued)

(2) Method for making bad debt provision according to credit risk characteristics

Name of portfolio	Method for making bad debt provision
Within 1 year (including 1 year)	Aging Analysis
1-2 years	Aging Analysis
2-3 years	Aging Analysis
Over 3 years	Aging Analysis

Use of ageing analysis for making bad debt provision in the portfolio:

Ageing	Ratio of accounts receivable provision (%)	Ratio of other accounts receivable provision (%)
Within 1 year (including 1 year)	0.00%	0.00%
1-2 years	20.00%	20.00%
2-3 years	50.00%	50.00%
Over 3 years	100.00%	100.00%

The provisions for bad debt are made based on percentage method in portfolio:

Applicable Not applicable

The provisions for bad debt are made based on other methods in portfolio:

Applicable Not applicable

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

Reason for 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 is made using the difference between the present value of future cash flows and the book value of receivables.



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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories

(1) Classification of inventories

Inventories include finished goods or merchandise held for sale in the ordinary course of business, work in progress in the process of production, raw materials to be consumed in the production process.

(2) Pricing of inventories dispatched

The costs of inventories transferred out is determined by using the weighted average method on a monthly basis and specific-unit-cost method.

(3) Recognition of net realisable value of inventory and provision for inventory impairment

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. For inventories directly for sale, net realisable value is measured based on the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. For inventories that need processing, net realisable value is measured based on the estimated selling price of finished goods in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. At the balance sheet date, for an item of inventories where a portion of inventories is subject to contractual price while the remainder is not, their net realisable values are determined separately and compared with their corresponding costs respectively to recognise the amount of provision for decline in value of inventories, or reversal of the provision.

(4) Inventory system of inventories

The perpetual inventory system is adopted by the Company.

(5) Consumables and the amortization method of packaging

- 1) Consumables with low value
One-off amortization method
- 2) Packaging materials
One-off amortization method

12. Classified as assets held for sale

The Company recognizes the non-current assets which meet the following conditions as assets held for sale:

- (1) The non-current assets or disposal group must be under the current conditions only according to the usual terms of the sale of such non-current assets or disposal group, then sell immediately;
- (2) The Group has been offered a resolution with disposition of such non-current assets or disposal group and appropriate approval has been obtained;
- (3) The Group has entered into agreement on irrevocable transformation with the transferee;
- (4) Transformation will be completed within 1 year.

The assets and liabilities in the non-current asset or disposal groups which have been classified as assets held for sale are classified as current assets and current liabilities.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Classified as assets held for sale (continued)

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, can be clearly distinguished operationally and for financial reporting purposes from the rest of the Group and:

- (1) represents a separate major line of business or geographical area of operations;
- (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;
- (3) is a subsidiary acquired exclusively with a view to resale.

With regard to fixed assets held for sale, the expected net residual value of the asset is adjusted to reflect the amount of its fair value deducted by disposal costs (but not to exceed the original book value when the asset meets the requirements as assets held for sale). If the former is higher than the adjusted book value of expected net residual value, the difference shall be recognized as asset impairment loss in profit or loss.

Intangible assets and other assets meeting the requirements above shall be recognized as held for sale assets as well.

13. Long-term equity investment

(1) Recognition of cost of investment

- 1) For business combination under common control: if the combined party makes payment in cash, transfers non-cash assets or bears debts and issues equity securities as the consideration for the business combination, the book value of the owner's equity of the acquiree in the consolidated financial statements of the ultimate controller is recognized as the initial cost of the long-term equity investment on the combination date. The capital reserves (share premium or capital premium) should be adjusted at the difference between the initial investment cost of long-term equity investments and the carrying amount of the consolidated consideration paid or the total nominal value of shares issued; if there is no sufficient capital reserve for write-downs, the retained earnings are adjusted.

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.

- 2) For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost is the fair value of the consideration given for combination at the date of acquisition.
- 3) For a long-term equity investment acquired other than through a business combination: If the investment is acquired by paying of cash, the initial investment cost is the actual purchase price paid; If the investment is acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; If the investment is contributed by the investor, the initial investment cost is the value stipulated in the investment contract or agreement, except that where the value stipulated in the investment contract or agreement is not fair.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (continued)

(2) Subsequent measurement and recognition in profit or loss

The long-term equity investments are stated in accordance with cost method where the Company can exercise control over the investee; For a long-term equity investment where the Company has joint control or significant influence over the investee, the investment is stated in accordance with equity method.

Under the cost method, a long-term equity investment is measured at its initial investment cost. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the period is recognised as the cash dividends or profits declared by the investee, and impairment is tested for long-term investments in accordance with the relevant asset impairment policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profits or losses made by the investee as investment income or losses, and adjusts the carrying amount of the investment accordingly. The Group recognizes its share of the investee's net profits or losses after making appropriate adjustment to the investee's net profits and losses on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its joint ventures and associates, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long term interests in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume additional losses. The Group adjusts the carrying amount of the long term equity investment for any changes in owner's equity of the investee (other than net profits or losses) and included the corresponding adjustments in the owner's equity of the Group.

(3) Basis for determining for control, significant influence over investee

Control is the power over an investee, in which an investor must have exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. 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.

(4) Disposal of long-term equity investment

1) Partial disposal of long-term equity investment in subsidiaries without losing control

For partial disposal of long-term equity investment in subsidiaries without losing control, the difference between the considerations for and the book value of equity interest disposed of shall be recognised in current period investment income.

2) Lose control over subsidiaries due to partial disposal of long-term equity investment or other reasons

① In separate financial statements, the remaining equity interest shall be accounted pursuant to the above requirements; meanwhile, the book value of remaining equity interest after losing control is accounted for as long term equity investment or other financial asset as appropriate. If the remaining equity interest could exercise joint control or significant influence, the cost accounting method shall be changed to equity method for accounting.

② In the consolidated financial statements, the remaining equity interest is re-measured at fair value on the date of losing control. The sum of disposal considerations and the fair value of the remaining equity interest less the share of net asset value by the original equity interest prior to disposal are recognized as current period investment income upon losing control. Other attributable comprehensive income is recognized as current period investment income upon losing control.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investment (continued)

(5) Methods of impairment assessment and determining the provision for impairment loss

For an investment in subsidiaries, associates, and joint venture, an impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is objective evidence that the investment is impaired at the balance sheet date.

14. Fixed assets

(1) Conditions for recognition

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed assets are recorded based on the actual cost when acquired and depreciation is provided from the month after they are brought to working condition for the intended uses, using the straight-line method.

(2) Method for depreciation

Category	Method for depreciation	Useful lives of depreciation	Residual value	Annual depreciation rate
Housing and building structure	Straight-line method	9-50	5.00%	1.90-10.56
Machinery and equipment	Straight-line method	5-22	5.00%	4.32-19.00
Transportation equipment	Straight-line method	5-14	5.00%	6.79-19.00

(3) The recognition standards, measurements and method for depreciation of fixed assets under finance lease

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are: 1) The lease transfers ownership of the asset to the lessee by the end of the lease term; 2) 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; 3) 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%); 4) 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%); 5) The leased assets are of such a specialized nature that only the lessee can use them without major modifications. 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.

15. Construction in progress

- (1) Construction-in-progress is transferred into fixed assets when it is ready for its intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets based on estimated value. After final account of the project has been settled, the Company shall base on actual cost to make adjustment on the previous estimated value, but need not to adjust the depreciation retrospectively.
- (2) At the balance sheet date, an impairment is provided basing on the excess of the carrying amount over the recoverable amount when there is evidence that the Construction-in-progress is impaired.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Borrowing costs

(1) Determination Principle for Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss when incurred.

(2) Timing of borrowing costs capitalization

- 1) Borrowing costs shall be capitalized when a) capital expenditures and b) borrowing costs have been incurred, and c) 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.
- 2) Capitalization of borrowing costs should be suspended during periods in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets qualified for capitalization. The borrowing cost incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.
- 3) The capitalization of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalization are ready for their intended use or sale.

(3) Capitalized amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets qualified for capitalization, the amount of interest costs (including amortization of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. For general borrowings used to acquire, construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

17. Intangible assets

(1) Valuation method, useful life and impairment test

- 1) Intangible assets, including land use rights, computer software, patent rights, non-patented technologies and trademark right, are initially measured at cost.
- 2) Intangible assets with definite useful lives are reasonably amortised over their estimated useful lives based on the pattern of the economic benefits relating to the intangible assets are expected to be realised. Intangible assets whose economic benefits realisation pattern cannot be reliably anticipated are amortised on a straight line basis over the following useful lives:

Item	Amortisation period (Year)
Land use rights	9-50
Computer software	3-10
Patent rights	3-10
Non-patented technologies	3-10
Trademark right	3-10

- 3) For intangible assets with definite useful lives, an impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets (continued)

(2) Accounting policies concerning internal 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: 1) it is technically feasible that the intangible asset can be used or sold upon completion; 2) there is intention to complete the intangible asset for use or sale; 3) the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; 4) there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset; 5) the expenses attributable to the development phase of the intangible asset can be measured reliably.

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

- 1) it is technically feasible that the intangible asset can be used or sold upon completion;
- 2) there is intention to complete the intangible asset for use or sale;
- 3) the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- 4) there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- 5) the expenses attributable to the development phase of the intangible asset can be measured reliably.

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. Impairment of long-term asset

(1) Impairment test and provision method of long term equity investment

For an investment in subsidiaries, associates and joint venture, an impairment is provided for based on the different between the carrying amount and the recoverable amount when there is indication that the investment is impaired at the balance sheet date.

(2) Impairment test and provision method of fixed asset

The impairment is provided for based on the different between the carrying amount and the recoverable amount when there is indication that the fixed asset is impaired at the balance sheet date.

(3) Impairment test and provision method of construction-in-progress

The impairment is provided for based on the different between the carrying amount and the recoverable amount when there is indication that the construction-in-progress is impaired at the balance sheet date.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Impairment of long-term asset (continued)

(4) Impairment test and provision method of intangible assets

For intangible assets with definite useful lives, an impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

(5) Impairment test and provision method of goodwill

Goodwill arising on a business combination is tested for impairment each year irrespective of whether there is indication of impairment. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

19. Long-term deferred expenses

Long-term deferred expenses are measured at actual amount and amortized evenly over the beneficial or required period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to current profit or loss.

The long-term deferred expenses of the Group mainly are expenses on improvements of fixed assets under operating lease and expenses from use of product announcement and customer resources.

20. Remuneration of Employees

(1) Accounting of short term remuneration

Short-term remuneration incurred during the accounting in which the Company's staff provided services for the Company is recognised as liability, and included in profit or loss for the current period or related asset costs. Of which, non-monetary welfare is measured at fair value.

(2) Accounting of post-employment benefits

1) Defined contribution plan

The Group participated in the defined basic pension plan set up and administered by the government authorities. Basic pensions are provided monthly according to stipulated proportions and bases, which are paid to local labor and social security institutions. After retirement of employees, local labor and social security institutions will pay related pensions to employees accordingly. The Group recognizes such amount paid in accordance with the above requirements of social pension as liabilities during the period employees render service to the company, which are included in current profit or loss or relevant costs of assets.

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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Remuneration of Employees (continued)

(2) Accounting of post-employment benefits (continued)

2) Defined benefit plans

a) Voluntary redundancy welfare

The Group offers voluntary redundancy welfare to the employees who accept voluntary redundancy. Voluntary redundancy welfare is the salaries paid to and social security paid for the employees who voluntarily resign from their current position after management's approval and before the statutory retirement age. When qualified, the Group applies accounting treatment on the above-mentioned welfare based on the one on dismiss welfare. Voluntary redundancy welfare estimated from the day of service ceased to the day of normal retirement is recognized as contingent liability and accounted into current profit and loss. The differences arising from changes in actuarial assumption and adjustment of welfare standards are accounted into current profit and loss when incurred.

b) Other supplementary retirement benefits

The Group also provides supplementary retirement benefits in addition to the insurance system as required by the State to the employees who meet certain conditions. Such supplementary retirement benefits belongs to defined benefit plans, and the defined benefit liability recognized in the balance sheet shall be the present value of defined benefit obligation less fair value of plan assets. The defined benefit obligation is calculated with expected cumulative welfare unit method by independent actuaries by adopting treasury bond rate of which maturity and currency are similar. The service costs related to supplementary retirement benefits (including current and past service costs and settlement gains or losses) and net interest shall be included in current profit or loss or relevant costs of assets, and the changes arising from remeasurement of net liabilities or assets under defined benefit plans shall be included in other comprehensive income.

(3) Termination Benefits

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Group shall recognise employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Group cannot revoke unilaterally compensation for dismissal due to the cancellation of labour relationship plans and employee redundant proposals; and the Group recognise cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier.

21. Estimated Liability

- (1) Estimated liability are recognised when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, quality warranty, and loss-making contract, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.
- (2) The Group conducts initial measurement on estimated liabilities basing on the best estimate of expenses required when fulfill current liabilities, and review the carrying amount of estimated liabilities on the balance sheet date.



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

22. Revenue

(1) Sales of goods

Revenue from sales of goods is recognised when (1) the significant risks and rewards of ownership have been transferred to the buyer, (2) the company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, (3) the amount of revenue could be measured reliably, (4) the relevant economic benefits will likely inflow, (5) related costs incurred or to be incurred could be measured reliably.

(2) Rendering of services

At the balance sheet date, when transaction result of the rendering of services could be measured reliably (which means the amount of revenue can be measured reliably, the relevant economic benefits will probably flow to the Company, the percentage of construction work and relevant cost incurred or to be incurred can be measured reliably), related revenue from rendering of services is recognized according to the percentage of completion. The percentage of completion is based on the percentage of services rendered relative to the total volume of services to be rendered. When transaction result of the rendering of services could not be measured reliably at the balance sheet date, revenue from rendering of services is recognised as the service cost incurred which is carried forward if the costs of services rendered are expected to be compensated, otherwise it is not recognised with such costs recorded in the current profit or loss.

(3) Transfer of assets use rights

Revenue from transfer of assets use rights is recognised when the relevant economic benefits will probably flow to the Company, and the amount of revenue can be measured reliably. Interest income is recognized according to the length of time for which the Company's monetary funds are used by others and the effective interest rate. Income from usage fee is recognized according to timing and method as agreed under relevant contracts or agreements.

23. Government grants

(1) Basis for determination and accounting of government grant related to an asset

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.

(2) Basis for determination and accounting of government grant related to income

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.



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V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Deferred tax assets and deferred tax liabilities

- (1) Deferred tax assets or deferred tax liabilities are recognised based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the carrying amount), and are calculated at the tax rates expected to apply to the period in which the assets are recovered or the liabilities are settled.
- (2) Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At the balance sheet date, deferred tax assets unrecognised in prior periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilised.
- (3) The carrying amount of deferred tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilised. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
- (4) The Company's current and deferred income taxes are recognised in current profit or loss as tax expense or profit, excluding income tax arising from (a) business combination; (b) transactions or items directly recognised in owner's equity.

25. Leases

(1) Accounting of operating leases

When the Group acts as lessee, rental expenses under operating leases are recognized as relevant asset costs or in current profit or loss on the straight-line basis over the lease term, with any initial direct cost incurred directly charged to current profit or loss. Contingent rental is charged to current profit or loss when incurred.

When the Group acts as lessor, rental under operating leases are recognized in current profit or loss on the straight-line basis over the lease term, with any initial direct cost incurred directly charged to current profit or loss. Contingent rental is credited to current profit or loss when incurred.

(2) Accounting of finance leases

When the Group acts as lessee, at the inception of lease, the lower of fair value of leased assets at the inception of lease and the present value of minimum lease payment is recognised as the value of leased assets. The minimum lease payment is recognised as the value of long-term payable. Their difference is recorded as unrecognised finance costs with any initial direct expense incurred recorded in the value of leased assets. For each period of the lease term, current finance cost is calculated using effective interest method.

When the Group acts as lessor, at the inception of lease, the sum of minimum lease income at the inception of lease and the initial direct expense is recognised as the value of finance lease payment receivable, with unsecured balance also recorded. The difference between the sum of minimum lease income, initial direct expense and unsecured balance and the sum of their present values is recognised as unrealised finance income. For each period of the lease term, current finance income is calculated using effective interest method.

26. Change of major accounting policies and accounting estimates

(1) Change of major accounting policies

Content and reason	Approval procedures	Note
Retroactive adjustment was made according to Accounting Standard for Business Enterprises and its relevant new requirements		

(2) Change of major accounting estimates

Applicable Not applicable

Notes to the Financial Statements
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VI TAXATION
1. Major taxes and tax rates

Taxes	Tax basis	Tax rates
VAT	Output tax less input tax	22% (Slovenia, Italy), 21% (Netherlands), 17%, 13%, 6%, 3%
Business tax	5% of assessable income	5%
City construction tax	7%, 5% or 1% (subject to which location of subsidiaries)	7%, 5%, 1%
Income tax	Assessable profit income	27.5% (Italy), 25%, 20% (Netherlands), 17% (Slovenia), 16.5% (Hong Kong), 15%

Disclosure on the different enterprise income tax rate for entity subject to taxation

Entity subject to taxation	Income tax rate
Hong Kong Huaming Co., Ltd.	16.5%
China Hi-Tech New Energy Automobile Company Limited	16.5%
China Hi-Tech (International) Limited	16.5%
TAM-DURABUS, Proizvodnja gospodarskih vozil, d.o.o.	17%; Tax losses can be offset indefinitely, while the deductible amount in next year shall not exceed 50% of tax gains for the year
America Jingwei Textile Machinery LLC	Progressive tax rate at 15% to 35%
JW-PROTTI MACCHINE TESSILI S.R	27.5%
CHTC Europe Holding B.V	20% when the taxable income is below Euro 0.2 million and 25% when the taxable income is above Euro 0.2 million; Tax losses can be offset within 9 years
Ginaf Trucks Nederland B.V.	20% when the taxable income is below Euro 0.2 million and 25% when the taxable income is above Euro 0.2 million; Tax losses can be offset within 9 years
Zhongrong International Holdings Limited (BVI)	Exempted
Other subsidiaries	25%

Notes to the Financial Statements
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VI TAXATION (CONTINUED)

2. Tax Incentives

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.

Pursuant to the approval document no. GR201411001129 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 2014.

Pursuant to the approval document no. GR201411001677 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 the Company, is designated as a new and high technology enterprise and enjoys a preferential income tax rate of 15% in 2014.

Pursuant to the approval document No. GR201412000056 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 2014.

Pursuant to the approval document No. GR201421000236 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 2014.

Pursuant to the approval document No. GR201431001927 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 2014.

Pursuant to the approval document No. GR201432000019 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 2014.

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 2014.

Pursuant to the approval document No. GR201443000128 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 2014.

Pursuant to the approval document No. GR201442000572 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 2014.

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 2014.

According to Hu R-2009-0218 software enterprise confirmation certificate issued by the Shanghai Economic and Information Committee, Shanghai Huayuan Hyperthermia Technology Company Limited (“Shanghai Huayuan”), a subsidiary of the Company, is designated as a software enterprise. According to Caishui [2008] No. 1, Shanghai Huayuan enjoyed the preferential tax of two avoid three halve and the year of 2014 is subject to 50% of the enterprise income tax.



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For the year ended 31 December 2014
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	767,793.18	918,176.25
Bank deposit	4,875,779,627.21	9,293,184,494.33
Other monetary funds	355,550,814.93	192,354,854.25
Total	<u>5,232,098,235.32</u>	<u>9,486,457,524.83</u>
Of which: Total deposits in overseas banks	46,976,476.15	86,165,223.44

Note: At end of the period, there were amounts of RMB238,282,826.34 which have restriction on use due to pledge and secure.

2. Financial assets measured at fair value through profit or loss

Unit: RMB

Item	Closing balance	Opening balance
Held-for-trading financial assets	589,850,878.29	243,515,847.35
Of which: Equity instrument investment	589,850,878.29	243,515,847.35
Financial assets measured at fair value through profit or loss	5,452,384,604.21	
Of which: Others	5,452,384,604.21	
Total	<u>6,042,235,482.50</u>	<u>243,515,847.35</u>

Note: "Others" represents the "Zhongrong Monetary Fund" held by Zhongrong Trust.

3. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	637,584,028.54	1,387,198,629.85
Commercial acceptance bills	146,472,193.60	161,292,654.27
Total	<u>784,056,222.14</u>	<u>1,548,491,284.12</u>



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable (continued)

(2) Bills receivable of the Company pledged at the end of the period

Unit: RMB

Item	Pledged amount at the end of the period
Bank acceptance bills	64,590,118.94
Total	<u>64,590,118.94</u>

(3) Outstanding bills receivable endorsed or discounted by the Company as at the end of the period

Unit: RMB

Item	Derecognised amount as at the end of the period	Recognised amount as at the end of the period
Bank acceptance bills		324,079,076.32
Commercial acceptance bills		1,000,000.00
Total		<u>325,079,076.32</u>

4. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Closing balance				Opening balance					
	Book value		Bad debt provision		Book value	Book value		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Significant balance under assessment of impairment individually	273,442,805.67	33.43%	3,936,000.00	1.44%	269,506,805.67	169,662,721.72	20.75%			169,662,721.72
Accounts receivable that are provided for bad debts on credit risk features portfolio basis	462,212,495.13	56.51%	36,779,837.94	7.96%	425,432,657.19	621,386,709.20	76.02%	36,198,343.29	5.83%	585,188,365.91
Insignificant balance under assessment of impairment individually	82,265,096.05	10.06%	7,216,372.89	8.77%	75,048,723.16	26,425,102.45	3.23%	2,711,815.19	10.26%	23,713,287.26
Total	<u>817,920,396.85</u>	<u>100.00%</u>	<u>47,932,210.83</u>		<u>769,988,186.02</u>	<u>817,474,533.37</u>	<u>100.00%</u>	<u>38,910,158.48</u>		<u>778,564,374.89</u>

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(1) Disclosure of accounts receivable by category (continued)

Accounts receivable that are individually significant and are provided for bad debts separately as at the end of the period:

Unit: RMB

Receivable (by entity)	Accounts receivable	Closing balance		Reason for provision
		Bad debt provision	Percentage	
Tai Kang Yinxin Cotton Industry Company Limited	57,180,776.00			Expect can be recovered
Tumushuke Qianhai Cotton Textile Company Limited	44,084,622.90			Expect can be recovered
Henan Xinye Textile Company Limited	33,627,990.87			Expect can be recovered
Pulead Technology Industry Company Limited	22,319,920.00			Expect can be recovered
Jingwei Machinery (Group) Company Limited	17,756,901.98			Expect can be recovered
Others	98,472,593.92	3,936,000.00	4.00%	
Total	273,442,805.67	3,936,000.00	-	-

Use of ageing analysis for making bad debt provision in the portfolio:

Unit: RMB

Ageing	Accounts receivable	Closing balance Bad debt provision	Percentage
Within 1 year	395,642,531.95		
Subtotal of within 1 year	395,642,531.95		
1-2 years	29,513,182.09	5,902,636.41	20.00%
2-3 years	12,359,159.19	6,179,579.63	50.00%
Over 3 years	24,697,621.90	24,697,621.90	100.00%
Total	462,212,495.13	36,779,837.94	

(2) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the current period amounted to RMB9,755,123.03. The amount for bad debt provision recovered or reversed during the current period was RMBNil.

(3) Particulars of accounts receivable actually written off during the reporting period

Unit: RMB

Item	Amount written off
Accounts receivable actually written off	<u>733,070.68</u>

Notes to the Financial Statements
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(4) Top five accounts receivable according to closing balance of debtors

Name of company	Relationship with the Company	Closing balance	Proportion (%)	Bad debt provision
China Texmatech Company Limited	Associate	91,358,131.00	11.17	58,565.86
Tai Kang Yinxin Cotton Industry Company Limited	Third party	57,180,776.00	6.99	
Tumushuke Qianhai Cotton Textile Company Limited	Third party	44,084,622.90	5.39	
Henan Xinye Textile Company Limited	Third party	33,627,990.87	4.11	
Pulead Technology Industry Company Limited	Third party	22,319,920.00	2.73	
Total		<u>248,571,440.77</u>	<u>30.39</u>	<u>58,565.86</u>

5. Prepayments

(1) Presentation of prepayments stated according to ageing analysis

Ageing	Closing balance		Opening balance	
	Amounts	Percentage	Amounts	Percentage
Within 1 year	386,231,152.28	73.28%	232,550,378.14	68.17%
1-2 years	94,447,441.93	17.92%	69,807,123.34	20.46%
2-3 years	28,279,779.05	5.37%	16,161,191.12	4.74%
Over 3 years	18,129,793.72	3.43%	22,601,020.58	6.63%
Total	<u>527,088,166.98</u>	<u>—</u>	<u>341,119,713.18</u>	<u>—</u>

Unit: RMB

(2) Top five prepayment according to closing balance of prepaid parties

Name of entity	Relationship with the Company	Closing balance	Proportion (%)
Jingwei Machinery (Group) Company Limited	Associate	74,409,999.19	12.69
Tianjin Textile Machinery Manufacturing Co., Ltd	Controlled or influenced by the same key personnel	63,170,554.16	10.77
Beijing JiuYuan Fuchun Real Estate Co., Ltd.	Third party	60,000,000.00	10.23
Xinjiang Tiansheng Industrial Company Limited	Third party	52,375,016.55	8.93
China National Technical Import and Export Corporation	Third party	49,829,337.53	8.50
Total		<u>299,784,907.43</u>	<u>51.12</u>

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
6. Interest receivables
(1) Classification of interest receivables
Unit: RMB

Item	Closing balance	Opening balance
Fixed time deposit	249,384.47	64,114.99
Held-to-maturity investment-interest income	7,490,000.00	
Total	<u>7,739,384.47</u>	<u>64,114.99</u>

7. Dividend receivables
(1) Dividend receivables
Unit: RMB

Item (or investees)	Closing balance	Opening balance
Beijing Hang Tang Wealth Investment Management Company Limited	28,600,000.00	28,600,000.00
Hengtian Properties Company Limited	2,880,000.00	2,880,000.00
Jingwei Machinery (Group) Company Limited	2,800,000.00	2,800,000.00
China Texmatech Company Limited		1,742,950.70
Total	<u>34,280,000.00</u>	<u>36,022,950.70</u>

(2) Significant dividend receivables with aging over 1 year
Unit: RMB

Item (or investees)	Closing balance	Aging	Reason	Impairment or not and basis for determination
Beijing Hang Tang Wealth Investment Management Company Limited	28,600,000.00	1-2 years	Non-payment	Not impaired due to the investee maintains continuous profit
Hengtian Properties Company Limited	2,880,000.00	Over 3 years	Non-payment	Not impaired due to the investee maintains continuous profit
Jingwei Machinery (Group) Company Limited	2,800,000.00	1-3 years	Non-payment	Not impaired due to the investee maintains continuous profit
Total	<u>34,280,000.00</u>	-	-	-

Notes to the Financial Statements
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables

(1) Disclosure of other receivables according to category

Unit: RMB

Category	Closing balance				Opening balance					
	Book balance		Bad debt provision		Book balance	Book balance		Bad debt provision		Book balance
	Amounts	Percentage	Amounts	Percentage		Amounts	Percentage	Amounts	Percentage	
Significant balance under assessment of impairment individually	90,214,432.37	26.52%			90,214,432.37	122,328,561.91	38.29%			122,328,561.91
Other receivables that are provided for bad debts on credit risk features portfolio basis	191,970,535.15	56.43%	6,894,386.57	3.59%	185,076,148.58	151,781,302.52	47.51%	4,174,586.80	2.75%	147,606,715.72
Insignificant balance under assessment of impairment individually	58,017,641.01	17.05%	4,205,050.50	7.25%	53,812,590.51	45,373,180.67	14.20%	3,872,024.76	8.53%	41,501,155.91
Total	340,202,608.53	100.00%	11,099,437.07		329,103,171.46	319,483,045.10	100.00%	8,046,611.56		311,436,433.54

Other receivables that are individually significant and are provided for bad debts separately as at the end of the period:

Unit: RMB

Other receivable (by entity)	Other receivables	Closing balance		Reason for provision
		Bad debt provision	Percentage	
Beijing Guanghe Realty Company Limited	57,007,970.46			Expect can be recovered
Anhui Huamao Jingwei New Textile Company Limited	23,168,561.91			Expect can be recovered
The Second People's Hospital of Lincang City	10,037,900.00			Expect can be recovered
Total	90,214,432.37			

Other receivables using ageing analysis for making bad debt provision in the portfolio:

Unit: RMB

Ageing	Other Receivables	Closing balance Bad debt provision	Percentage
Items within 1 year	181,381,093.93		
Subtotal for within 1 year	181,381,093.93		
1-2 years	3,298,281.35	659,656.27	20.00%
2-3 years	2,112,859.14	1,056,429.57	50.00%
Over 3 years	5,178,300.73	5,178,300.73	100.00%
Total	191,970,535.15	6,894,386.57	



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (continued)

(2) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the current period amounted to RMB3,267,719.60. The amount for bad debt provision recovered or reversed during the current period was RMBNil.

(3) Particulars of other receivable actually written off during the reporting period

Unit: RMB

Item	Amount written off
Other receivable actually written off	214,894.09

(4) Classification of other receivables by nature

Unit: RMB

Nature	Closing book balance	Beginning book balance
Current account	84,068,398.08	23,168,561.91
Equity transfer payment	73,713,546.24	115,365,575.78
Advances	35,800,104.14	40,084,315.51
Revolving fund/personal loan	34,924,847.42	26,898,014.73
Deposit	32,573,703.75	47,231,258.94
Proceeds from disposal of equipments	31,896,868.69	24,899,061.89
Others	26,366,002.35	21,400,618.70
Contribution from minority shareholders	14,768,208.00	
Cash deposit	3,294,606.36	3,594,829.66
Input tax not offset	2,796,323.50	16,840,807.98
Total	340,202,608.53	319,483,045.10

(5) Top five other receivable according to closing balance of debtors

Unit: RMB

Name of entity	Nature	Closing balance	Ageing	Percentage of closing balance of total other receivable	Closing balance of bad debt provision
Beijing Guanghe Realty Company Limited	Equity transfer payment	57,007,970.46	Over 3 years	16.76%	
Xianyang Jingwei Properties Limited	Current account	40,000,000.00	Within 1 year	11.76%	
Anhui Huamao Jingwei New Textile Company Limited	Current account	23,168,561.91	Over 5 years	6.81%	
Plastech Manufacturing Company, LLC	Contribution made for equity interests	10,768,485.00	Within 1 year	3.17%	
The Second People's Hospital of Lincang City	Project funds	10,037,900.00	1 to 2 years	2.95%	
Total	-	140,982,917.37	-	41.45%	

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Book value		Impairment provision	Book value
Raw materials	423,288,705.67	25,343,033.14	397,945,672.53	436,653,105.56	31,776,742.98	404,876,362.58
Work-in-process products	553,634,613.91	52,481,780.98	501,152,832.93	610,554,033.72	38,812,043.07	571,741,990.65
Goods in stock	691,130,502.20	47,955,481.78	643,175,020.42	687,055,266.23	44,536,124.89	642,519,141.34
Revolving materials				1,556,806.77	1,121,259.76	435,547.01
Total	<u>1,668,053,821.78</u>	<u>125,780,295.90</u>	<u>1,542,273,525.88</u>	<u>1,735,819,212.28</u>	<u>116,246,170.70</u>	<u>1,619,573,041.58</u>

(2) Impairment provision for inventories

Unit: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	31,776,742.98	2,806,430.40		9,240,140.24		25,343,033.14
Work-in-process products	38,812,043.07	14,714,191.06		1,044,453.15		52,481,780.98
Goods in stock	44,536,124.89	11,645,627.96		8,226,271.07		47,955,481.78
Revolving materials	1,121,259.76			1,121,259.76		
Total	<u>116,246,170.70</u>	<u>29,166,249.42</u>		<u>19,632,124.22</u>		<u>125,780,295.90</u>

10. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Scenery City loans-Sichuan Trust Co., Ltd.	200,000,000.00	
Airport loans – Sichuan Trust Co., Ltd.	100,000,000.00	
Shanghai Zhishang Medical Equipment Co., Ltd.		2,890,000.00
Shandong Guan County Zhongxin Cotton Industry Co., Ltd.		1,411,428.55
Total	<u>300,000,000.00</u>	<u>4,301,428.55</u>



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other current assets

Unit: RMB

Items	Closing balance	Opening balance
Prepaid income tax	3,147,797.29	329,774.69
VAT input tax to be deductible	27,661,703.41	
Total	<u>30,809,500.70</u>	<u>329,774.69</u>

12. Available for sale financial assets

(1) Particulars of available-for-sale financial assets

Unit: RMB

Item	Book balance	Closing balance		Book value	Opening balance		Book value
		Provision for impairment	Book value		Provision for impairment	Book value	
Available-for-sale debt instruments:				28,547,280.00			28,547,280.00
Available-for-sale equity instruments:	668,259,229.02	20,193,871.42	648,065,357.60	435,763,395.46	20,193,871.42	415,569,524.04	415,569,524.04
At fair value	575,267,274.97		575,267,274.97	348,241,713.41		348,241,713.41	348,241,713.41
At cost	92,991,954.05	20,193,871.42	72,798,082.63	87,521,682.05	20,193,871.42	67,327,810.63	67,327,810.63
Total	<u>668,259,229.02</u>	<u>20,193,871.42</u>	<u>648,065,357.60</u>	<u>464,310,675.46</u>	<u>20,193,871.42</u>	<u>444,116,804.04</u>	<u>444,116,804.04</u>

(2) Available-for-sale financial assets measured at fair value as at the end of the period

Unit: RMB

Classification	Cost of equity instruments/ Amortised cost of debt instruments	Fair value	Changes in fair value cumulatively included in other comprehensive income	Provision for impairment
Available-for-sale equity instruments	715,702,471.04	575,267,274.97	-140,435,196.07	
Total	<u>715,702,471.04</u>	<u>575,267,274.97</u>	<u>-140,435,196.07</u>	

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Available for sale financial assets (continued)

(3) Available-for-sale financial assets measured at cost as at the end of the period

Unit: RMB

Investee	Opening balance	Book balance		Closing balance	Opening balance	Provision for impairment		Closing balance	Equity interest in the investee held by the Company	Cash dividends for the period
		Increase for the period	Decrease for the period			Increase for the period	Decrease for the period			
Jianghai Securities Company Limited	28,673,400.00			28,673,400.00					2.10%	
Hengtian Asset Management Co., Ltd.	24,866,602.17			24,866,602.17	14,823,871.42			14,823,871.42	9.38%	
Qingdao Textile Machinery Manufacturing Company Limited	15,802,027.04			15,802,027.04					17.00%	500,000.00
Tianjin Textile Machinery Company Limited	6,750,000.00			6,750,000.00					15.00%	
Qingdao Qingfeng Forging Company Limited	5,000,000.00			5,000,000.00	5,000,000.00			5,000,000.00	20.00%	
Jinzhong Jingwei Hong Xin Machinery Company Limited		4,042,512.00		4,042,512.00					15.00%	
Jinzhong Jingwei Gear Manufacturing Company Limited		1,427,760.00		1,427,760.00					5.00%	
Wuxi Hongyuan New Material Technology Company Limited	1,422,652.84			1,422,652.84					0.70%	300,000.00
Shenyang Textile Machinery Co., Ltd.	1,200,000.00			1,200,000.00					10.00%	
Jinzhong Jingwei Hengteng Textile Machinery Co., Ltd.	1,200,000.00			1,200,000.00					15.00%	
Qingdao Jimyi Pressing and Casting Company Limited	1,057,000.00			1,057,000.00					27.00%	
Wuxi Guochuang Investment Culture Company Limited (limited partnership)	980,000.00			980,000.00					0.35%	
Hubei Jimpeng Textile Group Company Limited	220,000.00			220,000.00	220,000.00			220,000.00	2.00%	
Changde Tianhe Powder Metallurgy Company Limited	200,000.00			200,000.00					10.00%	
Yangtze River Economy United Development (Group) Company Limited	150,000.00			150,000.00	150,000.00			150,000.00	5.00%	
Total	87,521,682.05	5,470,272.00		92,991,954.05	20,193,871.42			20,193,871.42	-	800,000.00

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Available for sale financial assets (continued)

(4) Changes in impairment of available-for-sale assets during the reporting period

Unit: RMB

Type of available-for-sale assets	Opening balance of provision for impairment	Provisions for the period	Including: transferred from other comprehensive income	Decrease for the period	Including: Reversals of increase in fair value after the end of period	Closing balance of provision for impairment
Available-for-sale equity instruments	20,193,871.42					20,193,871.42
Total	<u>20,193,871.42</u>					<u>20,193,871.42</u>

(5) Description on that fair value of available-for-sale equity instrument falling sharply or continuous falling while no provision for impairment was made at the end of period

Unit: RMB

Type of available-for-sale equity instrument	Investment Cost	Fair value at the end of period	Fair value relative to the cost decrease	Time continued to fall (month)	Impairment	Reasons for no provision for impairment
Hengyuan Coal	324,000,000.00	179,190,670.50	44.67%	19		Not impaired after valuation
Total	<u>324,000,000.00</u>	<u>179,190,670.50</u>	-	-	-	

Note: The cost of equity instruments in Hengyuan Coal held by the Company was RMB324,000,000.00, and the fair value at the balance sheet date is RMB179,190,670.50. It decreased more than 44.67% relative to the costs, but according to “Wexler (2015) No. 0032” Assessment Report issued by Wexler (Beijing) International Asset Appraisal Limited, which estimated the present value of Hengyuan Coal electricity future cash flows exceeds the carry amount, and therefore no provision for impairment was made.

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

Unit: RMB

Investee	Opening balance	Increase/decrease for the period								Closing balance	Closing balance of provision
		Investment addition	Investment reduction	Profit/loss of investment recognised under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profit declared	Provision for impairment	Others		
1. Joint Venture											
2. Associates											
Beijing Jingpeng Investment Management Company Limited		100,000,000.00		1,310,902.31						101,310,902.31	
China Textmatech Company Limited	66,379,753.04			16,335,018.24	1,480.01		2,392,109.58		2,779,800.63	83,103,942.34	
Beijing Hang Tang Wealth Investment Management Company Limited	18,146,062.15			32,019,154.68		123,624.89				50,288,841.72	
Xinhu Wealth Company Limited	27,581,439.09			29,365,650.46			16,913,398.26			40,033,691.29	
Xianyang Jingwei Machinery Manufacture Company Limited		20,000,000.00		-38,512.59						19,961,487.41	
Jingwei Machinery (Group) Company Limited	13,476,545.11			2,122,021.99		136,974.25				15,735,541.35	
Hongda Research Institute Company Limited	7,921,682.93			316,195.55						8,237,878.48	
Shenzhen Huarong Equity Investment and Fund Management Company Limited	10,954,091.15			38,914.19			5,390,000.00			5,603,005.34	
Shanghai Rongou Equity Investment Fund Management Company Limited	4,000,000.00			585,839.70						4,585,839.70	
Suizhou Jina Fu Construction Machinery Services Company Limited	4,168,281.40			-1,106,106.88						3,062,174.52	
Xianyang Jingwei Properties Company Limited	15,600,512.95			-13,337,765.90						2,262,747.05	
Shenzhen Ruetiyuan Baoxing Fund Management Company Limited	1,959,446.29			-1,043.96						1,958,402.33	
Lhasa Rongzheng Investment Management Consulting Co., Ltd.		980,000.00								980,000.00	
Jimzhong Jingwei Yu Xin Machinery Company Limited	812,090.25			-158,185.89						653,904.36	
Anhui Huamao Jingwei New Type Textile Company Limited	0.00									0.00	
Zhongrong Kangjian Capital Management (Beijing) Company Limited	959,647.84		980,000.00	20,352.16							
Subtotal	171,959,552.20	120,980,000.00	980,000.00	67,472,434.06	1,480.01	260,599.14	24,695,507.84		2,779,800.63	337,778,358.20	
Total	171,959,552.20	120,980,000.00	980,000.00	67,472,434.06	1,480.01	260,599.14	24,695,507.84		2,779,800.63	337,778,358.20	

Note: Xianyang Jingwei Machinery Manufacture Company Limited renamed Xianyang Jingwei Properties Company Limited during this year



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Housing and building structure	Machinery and equipment	Transportation equipment	Others	Total
I. Original carrying amount	1,575,012,180.75	1,610,786,400.66	101,587,008.08		3,287,385,589.49
1. Opening balance	1,495,064,845.31	1,738,536,935.13	117,779,272.59		3,351,381,053.03
2. Increase for the period	128,729,956.38	115,586,764.02	3,354,218.16		247,670,938.56
(1) Acquisition	6,691,024.89	48,937,722.93	3,197,880.08		58,826,627.90
(2) Transferred from construction in progress	122,038,931.49	66,649,041.09	156,338.08		188,844,310.66
(3) Increase due to business combination					0.00
3. Decrease for the period	48,782,620.94	243,337,298.49	19,546,482.67		311,666,402.10
(1) Disposal or retirement	45,421,593.94	242,603,993.12	15,010,864.67		303,036,451.73
(2) Decrease due to business combination	3,361,027.00	733,305.37	4,535,618.00		8,629,950.37
4. Closing balance	1,575,012,180.75	1,610,786,400.66	101,587,008.08		3,287,385,589.49
II. Accumulated depreciation	393,968,082.35	966,902,650.46	61,789,806.75		1,422,660,539.56
1. Opening balance	380,333,125.79	1,079,626,524.10	63,815,982.73		1,523,775,632.62
2. Increase for the period	42,534,559.74	90,380,131.22	11,752,389.46		144,667,080.42
(1) Provision	42,534,559.74	90,380,131.22	11,752,389.46		144,667,080.42
3. Decrease for the period	28,899,603.18	203,104,004.86	13,778,565.44		245,782,173.48
(1) Disposal or retirement	28,142,749.44	202,519,601.97	11,215,468.73		241,877,820.14
(2) Decrease due to business combination	756,853.74	584,402.89	2,563,096.71		3,904,353.34
4. Closing balance	393,968,082.35	966,902,650.46	61,789,806.75		1,422,660,539.56
III. Provision for impairment		7,606,181.60	55,994.46		7,662,176.06
1. Opening balance		10,598,889.71	61,911.50		10,660,801.21
2. Decrease for the period		2,992,708.11	5,917.04		2,998,625.15
(1) Disposal or retirement		2,992,708.11	5,917.04		2,998,625.15
3. Closing balance		7,606,181.60	55,994.46		7,662,176.06
IV. Book value	1,179,964,904.12	637,356,762.88	39,741,206.87		1,857,062,873.87
1. Closing carrying amount	1,179,964,904.12	637,356,762.88	39,741,206.87		1,857,062,873.87
2. Opening carrying amount	1,114,731,719.52	648,311,521.32	53,901,378.36		1,816,944,619.20

Notes to the Financial Statements
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets (continued)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Book value	Remark
Housing and building structure	37,446,338.61	13,291,338.60		24,155,000.01	
Machinery and equipment	31,556,083.39	14,570,167.32	1,453,580.28	15,532,335.79	
Transportation equipment	2,984,468.88	2,045,319.12	55,994.46	883,155.30	
Total	<u>71,986,890.88</u>	<u>29,906,825.04</u>	<u>1,509,574.74</u>	<u>40,570,491.10</u>	

(3) Fixed assets leased under finance lease

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Book value
Transportation equipment	<u>1,538,119.37</u>	<u>564,971.50</u>		<u>973,147.87</u>

(4) Fixed assets rent out under operating leases

Unit: RMB

Category	Book value at end of period
Housing and building structure	31,511,066.16
Machinery and equipment	1,059,399.37
Transportation equipment	984.10

(5) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

Items	Book value	Reason for not yet obtaining property right certificates
Plant of Qingdao Hongda	91,777,650.53	Processing
Plant of Xianyang Jingwei	72,958,125.82	Processing
Plant of Yichang Jingwei	22,077,471.22	Processing
New assembly workshop of Changde Textile Machinery	17,092,054.91	Processing
Plant of Huangshi Jingwei	9,186,494.52	Processing
Plant of Yichang Jingwei Machinery Company Limited	9,121,985.86	Processing
Plant of Hubei Hengtian Motor Co., Ltd.	1,684,855.25	Processing
Total	<u>223,898,638.11</u>	



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance		Opening balance	
	Book balance	Provision for impairment	Book value	Book balance
The Second Phase of Hengtian Automobile Industrial Park	48,967,719.49		48,967,719.49	21,193,920.84
Yichang Machinery No.1 Workshop	29,848,723.10		29,848,723.10	23,176,523.10
Surface treatment workshop of Yichang Machinery	9,280,882.46		9,280,882.46	4,748,370.40
Others	43,657,553.19		43,657,553.19	100,551,026.06
Total	131,754,878.24		131,754,878.24	149,669,840.40

(2) Changes in material construction in progress projects for the period

Unit: RMB

Item name	Budget	Opening balance	Increase for the period	Transfer to fixed asset for the period	Other deductions for the period	Closing balance	Accumulated investment to budget	Construction in progress	Accumulated capitalised interest	Of which:	Capitalisation	Source of fund
										interest amount for the period	rate of the interest amount for the period	
The Second Phase of Hengtian Automobile Industrial Park	55,028,988.00	21,193,920.84	27,773,798.65			48,967,719.49	88.99%	88.99%				Other
Yichang Machinery No.1 Workshop	35,000,000.00	23,176,523.10	6,672,200.00			29,848,723.10	85.28%	85.28%				Other
Jingwei new plant project in Xianyang	110,000,000.00	2,046,169.64	31,601,136.53	30,658,356.41		2,988,949.76	99.00%	99.00%	4,568,938.88			Other
Wuxi Test Cotton digital workshop	100,000,000.00		15,701,572.68	13,492,817.77		2,208,754.91	15.70%	15.70%				Other
Changle Textile New Plant Project	60,738,000.00	33,459,539.40	4,238,200.00	36,697,739.40		1,000,000.00	62.07%	62.07%				Other
Rehabilitation and upgrading project of Tianjin Hongda Duplex factory equipment of Zhengzhou textile industrial park	10,898,130.00	10,898,130.00		10,898,130.00			100.00%	100.00%				Other
Other	30,000,000.00	8,215,218.77	4,638,333.36	12,853,552.13		46,740,730.98	100.00%	100.00%	5,336,263.81	2,040,000.00	6.00%	Other
Total	1,271,429,606.80	149,669,840.40	170,929,348.50	188,844,310.66		131,754,878.24	-	-	9,905,202.69	2,040,000.00		-

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patent rights	Non-patented technology	Others	Total
I. Original carrying amount	607,814,958.68	21,845,388.97	30,666,368.14	93,932,627.43	754,259,343.22
1. Opening balance	580,253,420.70	24,220,388.97	20,543,068.35	79,973,002.26	704,989,880.28
2. Increase for the period	27,561,537.98		10,123,299.79	14,558,611.17	52,243,448.94
3. Decrease for the period		2,375,000.00		598,986.00	2,973,986.00
4. Closing balance	607,814,958.68	21,845,388.97	30,666,368.14	93,932,627.43	754,259,343.22
II. Accumulated amortisation	96,283,982.31	17,702,144.93	10,058,291.39	40,739,034.93	164,783,453.56
1. Opening balance	86,242,408.83	17,435,264.52	6,777,112.65	28,021,006.80	138,475,792.80
2. Increase for the period	10,041,573.48	1,821,939.85	3,281,178.74	13,317,014.13	28,461,706.20
3. Decrease for the period		1,555,059.44		598,986.00	2,154,045.44
4. Closing balance	96,283,982.31	17,702,144.93	10,058,291.39	40,739,034.93	164,783,453.56
IV. Book value	511,530,976.37	4,143,244.04	20,608,076.75	53,193,592.50	589,475,889.66
1. Closing carrying amount	511,530,976.37	4,143,244.04	20,608,076.75	53,193,592.50	589,475,889.66
2. Opening carrying amount	494,011,011.87	6,785,124.45	13,765,955.70	51,951,995.46	566,514,087.48

17. Research and development expenditure

Unit: RMB

Project	Opening balance	Increase for the period		Decrease for the period		Others	Closing balance
		Internal development spending	Others	Recognized as intangible asset	Transferred into current profit and loss		
Textile machinery and other project development costs		191,745,939.89			191,745,939.89		
Magnetic induction of cancer treatment project	14,221,806.55						14,221,806.55
Total	14,221,806.55	191,745,939.89			191,745,939.89		14,221,806.55

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Arising from business combination	Others	Disposal	Others	
Zhongrong International Trust Co., Ltd.	833,388,872.51					833,388,872.51
Anshan Jingwei Haihong Agricultural Machinery Company Limited	7,341,351.32					7,341,351.32
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	2,475,698.35					2,475,698.35
Beijing Jingwei Gallant Medical Technology Company Limited	814,559.97					814,559.97
Jinzhong Jingwei Hengxin Machinery Co., Ltd.	556,468.53					556,468.53
Wuxi Hongda Textile Machinery and Special Parts Company Limited	375,995.00					375,995.00
Shanghai Huayuan Hyperthermia Technology Company Limited	168,039.33					168,039.33
Total	845,120,985.01					845,120,985.01

19. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
Expenses on improvements of fixed assets under operating lease	21,424,305.44	12,536,998.40	20,632,050.43		13,329,253.41
Expenses from use of product announcement and customer resources	6,340,000.00		1,340,000.00		5,000,000.00
Others	536,704.88	4,333,972.00	410,815.42		4,459,861.46
Total	28,301,010.32	16,870,970.40	22,382,865.85		22,789,114.87

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	19,034,980.75	2,855,247.11	28,394,804.48	4,400,220.66
Unrealised profit arising from intra-group transactions	7,957,459.84	1,193,618.98	5,089,710.03	763,456.51
Deductible loss	30,180,939.26	4,527,140.89	30,180,939.26	4,527,140.89
Changes in fair value of available-for-sale financial assets	140,435,196.07	35,108,799.02	176,717,537.63	44,179,384.41
Wages payable	1,899,968,842.95	474,992,210.74	1,509,402,220.74	377,350,555.19
Valuation of trading financial assets			102,163,519.24	25,540,879.81
Total	2,097,577,418.87	518,677,016.74	1,851,948,731.38	456,761,637.47

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Items	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax liabilities	Deductible temporary differences	Deferred income tax liabilities
Changes in fair value of available-for-sale financial assets	16,805,992.83	4,201,498.21		
Total	16,805,992.83	4,201,498.21		

(3) Deferred tax assets or liabilities presented with the net amount after offsetting

Unit: RMB

Items	Ending set-off amount	Closing balance after offsetting	Beginning set-off amount	Opening balance after offsetting
Deferred income tax assets		518,677,016.74		456,761,637.47
Deferred income tax liabilities		4,201,498.21		



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred income tax assets/deferred income tax liabilities (continued)

(4) Breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	334,822,227.64	287,192,168.04
Deductible loss	<u>1,108,132,967.22</u>	<u>651,826,561.94</u>
Total	<u><u>1,442,955,194.86</u></u>	<u><u>939,018,729.98</u></u>

(5) Expiry of deductible loss of unrecognised deferred income tax assets falls in the periods as follows

Unit: RMB

Year	Closing amount	Opening amount	Remark
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	276,827,194.56	312,286,625.31	
2019	495,059,996.10		
2023	5,181,674.81		Expiry after nine years for overseas subsidiaries
No maturity date	<u>5,353,170.88</u>	<u>13,829,005.76</u>	
Total	<u><u>1,108,132,967.22</u></u>	<u><u>651,826,561.94</u></u>	-

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Equity investment fund into China Trust Insurance Funds Limited Liability Company	750,000,000.00	—
Total	<u>750,000,000.00</u>	<u>—</u>

Note: China Trust Insurance Funds Limited Liability Company was established on 16 January 2015, and Zhongrong International Trust Co., Ltd., a subsidiary of the Company has paid investment amount of RMB750,000,000.00 in December 2014.

22. Short-term borrowings

(1) By categories

Unit: RMB

Items	Closing balance	Opening balance
Pledged loans	3,999,884.52	17,904,170.00
Mortgage loans	113,000,000.00	77,000,000.00
Guaranteed loans	127,145,111.62	161,721,458.32
Credit loans	<u>2,100,704,424.48</u>	<u>1,688,878,919.15</u>
Total	<u>2,344,849,420.62</u>	<u>1,945,504,547.47</u>

23. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Commercial bills under acceptance	1,584,077.22	20,416,235.85
Bank bills under acceptance	<u>405,002,549.17</u>	<u>592,244,034.16</u>
Total	<u>406,586,626.39</u>	<u>612,660,270.01</u>



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	1,342,220,017.21	1,683,582,160.15
1-2 years	76,532,614.71	39,843,968.02
2-3 years	3,510,615.18	9,553,127.66
Over 3 years	16,837,098.72	22,546,615.34
Total	<u>1,439,100,345.82</u>	<u>1,755,525,871.17</u>

(2) Significant accounts payable for over 1 year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
Jiangyin Huafang New Technology Company Limited	2,676,825.83	Not settled
Jiangsu Nantong Liujian Construction Group, Wuxi Branch	2,024,678.00	Not settled
Shanxi Construction Engineering (Group) Corporation	1,482,950.00	Not settled
Shanghai Suoneng Automation System Company Limited	1,470,402.14	Not settled
Changde Jiixin Electromechanical Co., Ltd.	1,398,875.32	Not settled
Jinan Zetian NC Machine Tool Co., Ltd.	1,390,000.00	Not settled
Anshan Haihong Construction Machinery Co., Ltd.	1,173,622.45	Not settled
Total	<u>11,617,353.74</u>	-

25. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	425,998,683.24	274,987,247.84
1-2 years	102,187,433.23	71,357,416.67
2-3 years	45,450,455.51	31,614,169.38
Over 3 years	50,739,663.35	33,129,473.49
Total	<u>624,376,235.33</u>	<u>411,088,307.38</u>

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
Cangnan Make Textile Co., Ltd.	4,582,500.32	Not settled
Shanghai Weichi Steel Sales Co., Ltd.	4,000,000.00	Not settled
Shanghai Redaoh Trade Co., Ltd.	3,200,000.00	Not settled
Pingdingshan Shuangfeng Cotton Textiles Co., Ltd.	2,015,000.00	Not settled
Linfen Guangxiu Industrial Company Limited	2,000,000.00	Not settled
Total	<u>15,797,500.32</u>	-

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Staff remuneration payables

(1) Particulars of staff remuneration payables

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remuneration	1,593,215,257.33	2,117,264,234.02	1,723,693,606.38	1,986,785,884.97
II. Retirement benefit plan-defined contribution scheme	29,459,952.39	139,265,404.45	130,751,459.63	37,973,897.21
III. Termination benefits	1,665,977.08	17,726,519.70	19,389,376.78	3,120.00
IV. Other benefit due within one year	5,543,043.80	15,369,193.03	730,138.65	20,182,098.18
Total	<u>1,629,884,230.60</u>	<u>2,289,625,351.20</u>	<u>1,874,564,581.44</u>	<u>2,044,945,000.36</u>

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	1,561,478,571.95	1,910,114,935.31	1,517,425,585.16	1,954,167,922.10
2. Staff welfare	1,266,342.53	39,498,892.32	40,765,234.85	
3. Social insurance premium	3,643,588.69	66,875,066.07	64,787,647.43	5,731,007.33
Of which: Medical insurance premium	2,888,033.05	57,456,569.24	55,800,502.56	4,544,099.73
Work-related injury insurance premium	418,292.48	5,082,653.27	5,024,283.04	476,662.71
Maternity insurance premium	337,263.16	4,335,843.56	3,962,861.83	710,244.89
4. Housing provident funds	8,598,945.62	57,059,101.30	57,261,409.38	8,396,637.54
5. Union funds and workers education	15,791,161.32	39,338,846.39	37,064,480.82	18,065,526.89
I. Others	2,436,647.22	4,377,392.63	6,389,248.74	424,791.11
Total	<u>1,593,215,257.33</u>	<u>2,117,264,234.02</u>	<u>1,723,693,606.38</u>	<u>1,986,785,884.97</u>

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	27,413,677.46	119,892,752.31	113,033,746.79	34,272,682.98
2. Unemployment insurance expense	2,046,274.93	19,372,652.14	17,717,712.84	3,701,214.23
Total	<u>29,459,952.39</u>	<u>139,265,404.45</u>	<u>130,751,459.63</u>	<u>37,973,897.21</u>



Notes to the Financial Statements
For the year ended 31 December 2014
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Taxation payables

Unit: RMB

Items	Closing balance	Opening balance
VAT	0.00	-3,024,513.65
Consumption tax	9,401.71	12,600.00
Business tax	72,161,778.31	94,684,621.37
Enterprise income tax	314,173,420.89	298,731,439.53
Individual income tax	33,499,579.29	76,154,862.96
Urban maintenance and construction tax	7,547,896.50	10,694,531.50
Building taxes	7,591,098.92	4,916,868.58
Land use tax	16,391,175.43	11,452,684.35
Educational surcharges and others	5,872,277.71	9,816,376.13
Others	4,008,548.76	5,770,163.20
Total	<u>461,255,177.52</u>	<u>509,209,633.97</u>

28. Interest payables

Unit: RMB

Items	Closing balance	Opening balance
Interests on long-term borrowings with installment payments	560,000.00	
Interests on corporate bonds	47,459,999.98	47,221,666.65
Interest payables for short-term borrowings	4,193,735.07	1,980,037.38
Total	<u>52,213,735.05</u>	<u>49,201,704.03</u>

29. Dividend payables

Unit: RMB

Item	Closing balance	Opening balance
Ordinary share dividend	29,655,744.58	6,686,958.92
Total	<u>29,655,744.58</u>	<u>6,686,958.92</u>

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables

(1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Advances payable	88,516,364.73	120,571,569.09
Land disposal payment receipts in advance	55,842,000.00	50,000,000.00
Social insurance and housing accumulation fund payable	31,324,159.89	41,278,461.19
Cash deposit payable	24,931,661.76	26,973,165.75
Current account	11,466,800.00	2,000,000.00
Equity transfer payment receipts in advance	15,000,000.00	
Consultant fees payable	14,467,426.74	25,273,946.27
Up-front fees payable	13,340,000.00	9,399,393.87
Employee housing allowance payable	7,128,335.00	7,138,335.00
Others	43,593,886.52	47,359,967.54
Total	<u>305,610,634.64</u>	<u>329,994,838.71</u>

(2) Significant other payables for over 1 year

Unit: RMB

Items	Closing balance	Reasons for outstanding or not carried forward
Jingwei Machinery (Group) Company Limited	20,231,020.72	Not settled
Social insurance and housing accumulation fund payable	10,855,567.00	Not settled
Cash deposit payable	10,000,000.00	Not settled
Employee housing allowance payable	7,118,335.00	Not settled
Total	<u>48,204,922.72</u>	-

31. Non-current liabilities due within 1 year

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables due within 1 year	194,810.20	23,891,023.23
Other long-term liabilities due within 1 year	1,450,000.00	1,690,000.00
Total	<u>1,644,810.20</u>	<u>25,581,023.23</u>



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Credit borrowings	200,000,000.00	_____
Total	<u>200,000,000.00</u>	<u>_____</u>

33. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium term notes	1,200,000,000.00	1,200,000,000.00
Total	<u>1,200,000,000.00</u>	<u>1,200,000,000.00</u>

(2) Increase/decrease in bonds payable (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

Unit: RMB

Name of bond	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/ discount	Redemption during the period	Others	Closing balance
Medium term notes	1,200,000,000.00	24 April, 2012	24 April, 2017	1,200,000,000.00	1,200,000,000.00	_____	68,038,333.33	_____	67,800,000.00	_____	1,200,000,000.00
Total	- -	-	-	1,200,000,000.00	1,200,000,000.00	_____	68,038,333.33	_____	67,800,000.00	_____	1,200,000,000.00

34. Long-term payables

(1) Long-term payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Suizhou City Investment Group Company Limited	29,994,000.00	29,994,000.00
Accrued financial lease outlay	353,074.11	627,220.00
Total	<u>30,347,074.11</u>	<u>30,621,220.00</u>



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Long-term staff remuneration payables

(1) Table of Long-term staff remuneration payables

Unit: RMB

Item	Closing balance	Opening balance
Termination benefit-net liability under defined benefit plan	25,790,000.00	25,090,000.00
Total	<u>25,790,000.00</u>	<u>25,090,000.00</u>

(2) Changes in defined benefit plan

Present value of obligation under defined benefit plan:

Unit: RMB

Item	Amount for the period	Amount for the prior period
1. Opening balance	26,780,000.00	31,060,000.00
2. Defined benefit cost included in current profit or loss	1,170,000.00	-610,000.00
1. Current service cost	1,170,000.00	-610,000.00
3. Defined benefit cost included in other comprehensive income	-920,000.00	1,980,000.00
1. Actuarial gains (Loss expressed with “-”)	-920,000.00	1,980,000.00
4. Other changes	1,630,000.00	1,690,000.00
1. Benefits paid	1,630,000.00	1,690,000.00
5. Closing balance	27,240,000.00	26,780,000.00

Net liability (asset) under defined benefit plan

Unit: RMB

Item	Amount for the period	Amount for the prior period
1. Opening balance	-26,780,000.00	-31,060,000.00
2. Defined benefit cost included in current profit or loss	-1,170,000.00	610,000.00
3. Defined benefit cost included in other comprehensive income	920,000.00	-1,980,000.00
4. Other changes	-1,630,000.00	-1,690,000.00
5. Closing balance	-27,240,000.00	-26,780,000.00

Explanation on major actuarial assumptions and sensitivity analysis of defined benefit plan

Major assumptions	Closing balance	Opening balance
Discount rate	3.75%	4.50%
Death rate	CLA2000-2003 Up2	CLA2000-2003 Up2
Expected life expectancy	82.70	82.60
Expected rate of growth of remuneration	8.00%	8.00%

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Special payables Unit: RMB

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Cause of formation
JWF1566 whole packing spinning machine project		6,000,000.00		6,000,000.00	According to No.434[2014] of China Hi-Tech Group document's Notice of Access to Special Support Fund for Projects of the Corporation 2014 Annual Scientific and Technological Innovation", Yuci Branch of the company received special fund for science and technology innovation from its actual controller China Hi-Tech Group, especially used for JWF1566 Whole packing spinning machine project innovation.
Annual output of 100 sets of double axial and multi-axial warp knitting machine capacity expansion project	5,200,000.00			5,200,000.00	The funds were issued as state aid funds by Ministry of Finance according to No.3166[2012] of the National Development and Reform Commission's Notice of NDRC, the Ministry of Industry and Information Technology on 2012 investment plan in central budget for revitalization of industry and technology renovation project (3rd group of central evaluation), especially used for Changde Textile Machinery Company Limited, a subsidiary of the company on construction of "Annual output of 100 sets of double axial and multi-axial warp knitting machine capacity expansion project". The funds were listed under special payable temporarily for later to be recorded as paid-in capital.
High-Tech fiber and composite twisting equipment industrial revitalization project	5,000,000.00			5,000,000.00	The funds were issued as state aid funds by Ministry of Finance according to No.1938[2012] of the National Development and Reform Commission's Notice of NDRC, the Ministry of Industry and Information Technology on 2012 investment plan in central budget for revitalization of industry and technology renovation project (central evaluation), especially used for Yichang Jingwei Textile Machinery Company Limited, a subsidiary of the company on construction of "High-Tech fiber and composite twisting equipment industrial revitalization project". The funds were listed under special payable temporarily for later to be recorded as paid-in capital.
New type spinning frame combing machine assembly plant and its manufacturing facilities construction projects for new spinning frame and its manufacturing facilities	4,000,000.00			4,000,000.00	The funds were issued according to Jinfagaigongyefa (2010) No.955 document "New type spinning frame combing machine assembly plant and its manufacturing facilities construction projects of Yuci Branch of Jingwei Textile Machinery Company Limited" for special flow of funds on "New type spinning frame combing machine assembly plant and its manufacturing facilities construction projects". The funds were listed under special payable temporarily for later to be recorded as paid-in capital.
Enterprise information technology upgrade project	2,000,000.00			2,000,000.00	The funds were issued according to Yucaijianzi [2012] No.7 Document on "Information technology upgrade project of Shanxi Jingwei Heli Machinery Manufacturing Company Limited" as information technology upgrade project funds. The funds were listed under special payable temporarily for later to be recorded as paid-in capital.
Relocation grants	3,902,619.80		3,902,619.80		
Total	20,102,619.80	6,000,000.00	3,902,619.80	22,200,000.00	-

Notes to the Financial Statements
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grants	112,068,913.25	9,410,150.00	19,126,390.11	102,352,673.14	
Total	<u>112,068,913.25</u>	<u>9,410,150.00</u>	<u>19,126,390.11</u>	<u>102,352,673.14</u>	-

Items in respect of government grant:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Amount included in non-operating income	Other changes	Closing balance	Asset-related/income-related
Assets-related government grant:						
Relocation grant	39,118,316.81		1,348,907.48		37,769,409.33	Asset-related
Grant for investment on the industrialization of efficient modern weaving machine project	15,836,327.85		1,402,812.56		14,433,515.29	Asset-related
Refund of acquisition cost of land	9,211,351.26		206,301.26		9,005,050.00	Asset-related
Development and industrialization investment grant for efficient intelligent coarse spinner series products	7,125,842.23		777,800.24		6,348,041.99	Asset-related
Innovative Technology Center Capacity Building Project	3,500,000.00		500,000.00		3,000,000.00	Asset-related
Grant on investment on the project of textile machinery special precise super-speed bearing and spindle	2,610,000.00		435,000.00		2,175,000.00	Asset-related
Grant on investment on high point twisting machine project	2,336,250.00		802,670.00		1,533,580.00	Asset-related
Oil free dry type car of ring spinning spindle project	1,408,000.00				1,408,000.00	Asset-related
Leading enterprise of agricultural industrialization infrastructure subsidies	1,237,500.00		75,000.00		1,162,500.00	Asset-related
New suction type of rotor spinning machine's R&D and manufacturing	1,040,000.00				1,040,000.00	Asset-related
Deep treatment of electroplating waste water closed circulation projects	928,571.43		71,428.57		857,142.86	Asset-related
Hubei Wujiagang Industrial Area Management Committee Land Subsidy	574,080.00				574,080.00	Asset-related
Corn united harvest machine patent technology transformation funds	251,100.00		37,200.00		213,900.00	Asset-related
Others	1,212,000.00				1,212,000.00	Asset-related
Income-related government grant:						
Yichang high-tech zone management Committee allocated mechanical construction subsidies	22,724,480.00		5,681,120.00		17,043,360.00	Income-related
Multifunctional magnetic induction hyperthermia system R&D funding	1,567,093.67	910,000.00			2,477,093.67	Income-related
Employee unemployment insurance fund in Xianyang		1,977,900.00	577,900.00		1,400,000.00	Income-related
Others	1,388,000.00	6,522,250.00	7,210,250.00		700,000.00	Income-related
Total	<u>112,068,913.25</u>	<u>9,410,150.00</u>	<u>19,126,390.11</u>		<u>102,352,673.14</u>	-



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Share capital

Unit: RMB

	Opening balance	New issue	Bonus share	Changes (+, -) Transfer from reserve	Others	Subtotal	Closing balance
Total number of shares	704,130,000.00						704,130,000.00

39. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	1,930,843,480.44		8,711,251.79	1,922,132,228.65
Other capital reserves		260,599.14		260,599.14
Total	<u>1,930,843,480.44</u>	<u>260,599.14</u>	<u>8,711,251.79</u>	<u>1,922,392,827.79</u>

40. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before Income tax for the period	Amount for the period			Attributable to minority shareholders after tax	Closing balance
			Increase for the period	Less: income tax expenses	Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period		
1. Other comprehensive income may not be reclassified to profit or loss in subsequent periods	-880,000.00	-920,000.00			-959,500.00	39,500.00	-1,839,500.00
Of which: changes from recalculation of net liability and asset under defined benefit plan	-880,000.00	-920,000.00			-959,500.00	39,500.00	-1,839,500.00
2. Other comprehensive income to be reclassified to profit or loss in subsequent periods	-51,261,269.87	36,313,503.50	9,070,585.39		10,218,793.03	17,024,125.08	-41,042,476.84
Of which: Share of other comprehensive income of equity accounted investees that will be reclassified to profit and loss in subsequent periods	-72,830.18	1,480.01			1,480.01		-71,350.17
Exchange differences on translation of foreign operations	-47,466,505.89	36,282,341.56	9,070,585.39		10,030,717.29	17,181,038.88	-37,435,788.60
Exchange differences on translation of foreign operations	-3,721,933.80	29,681.93			186,595.73	-156,913.80	-3,535,338.07
Total other comprehensive income	-52,141,269.87	35,393,503.50	9,070,585.39		9,259,293.03	17,063,625.08	-42,881,976.84

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Special reserve

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Production safety fund	10,587,684.57	16,051,080.02	11,434,200.22	15,204,564.37
Total	<u>10,587,684.57</u>	<u>16,051,080.02</u>	<u>11,434,200.22</u>	<u>15,204,564.37</u>

42. Surplus reserve

Unit: RMB

Items	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	639,234,901.44	92,281,542.44		731,516,443.88
Discretionary surplus reserve	181,258,065.90			181,258,065.90
Total	<u>820,492,967.34</u>	<u>92,281,542.44</u>		<u>912,774,509.78</u>

43. Undistributed profit

Unit: RMB

Items	The period	The prior period
Retained profit as at the end of the prior year before adjustment	1,593,931,859.21	1,206,302,151.39
Adjustment to the undistributed profit (Increase +, decrease -)	880,000.00	2,843,500.00
Retained profit as at the beginning of the year after adjustment	1,594,811,859.21	1,209,145,651.39
Plus: Net profit for year attributable to shareholders of the parent company	541,838,563.07	591,778,324.35
Less: Withdrawal of general risk reserve	92,281,542.44	85,429,057.43
Withdrawal of discretionary surplus reserve		1,638,491.22
Withdrawal of general risk reserve	82,364,477.83	48,631,567.88
Ordinary dividend payable	70,413,000.00	70,413,000.00
Retained profit as at the end of the period	1,891,591,402.01	1,594,811,859.21

Breakdown of adjustment to retained profit as at the beginning of the period:

The impact on the retained profit as at the beginning of the period due to retroactive adjustment according to Accounting Standard for Business Enterprises and its relevant new requirements was RMB880,000.00.



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Operating revenue and operating cost

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	4,176,697,833.68	3,674,764,136.27	4,867,997,540.78	4,187,625,098.95
Other activities	940,955,160.14	536,269,722.83	807,486,502.70	627,496,065.05
Total	<u>5,117,652,993.82</u>	<u>4,211,033,859.10</u>	<u>5,675,484,043.48</u>	<u>4,815,121,164.00</u>

45. Business taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Business tax	245,081,466.03	232,020,593.76
Urban maintenance and construction tax	27,621,351.26	27,683,553.61
Educational surcharges	19,955,306.45	19,727,845.94
Others	1,943,398.78	5,662,267.88
Total	<u>294,601,522.52</u>	<u>285,094,261.19</u>

46. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages	76,464,251.93	80,970,900.90
Travel expenses	28,440,003.41	25,487,700.76
Transportation expenses	25,222,176.44	25,756,741.37
Accrual-warranty expense	20,574,065.54	1,446,914.79
Operation expenses	14,946,626.23	12,966,256.59
Exhibition expenses	14,724,972.85	6,219,031.17
Commission fees for sale by proxy	10,598,693.43	404,308.91
Sales service expenses	6,917,583.56	6,569,826.52
Advertisement expenses	4,375,720.44	3,826,472.91
Office expenses	3,274,313.73	3,884,858.00
Sample and product losses	3,268,303.97	2,976,491.69
Depreciation expenses	2,655,804.73	2,678,680.85
Others	7,311,226.09	13,318,472.09
Total	<u>218,773,742.35</u>	<u>186,506,656.55</u>

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Administrative expenses

Unit: RMB

Items	Amount for the period	Amount for the prior period
Wages	1,775,269,318.05	1,643,574,270.97
Consultancy service fee	221,401,159.48	327,316,238.34
Research and development expenses	191,745,939.89	219,753,030.78
Rent	115,020,637.36	83,317,191.44
Travelling expenses	54,178,517.03	51,673,220.89
Depreciation expenses	48,371,489.24	48,325,257.62
Business entertainment expenses	42,057,224.23	48,541,357.13
Taxes	35,187,916.48	31,070,135.39
Amortization of intangible assets	25,040,744.52	21,070,889.25
Agency expenses	23,987,150.97	27,828,325.94
Office expenses	23,430,709.85	27,505,636.33
Repairing and maintenance	15,809,605.06	19,685,117.38
Long-term deferred expenses	15,305,359.95	16,137,323.10
Transportation expenses	11,912,527.80	12,738,689.08
Utility bills	11,858,898.00	12,875,820.94
Meeting expenses	8,244,892.67	13,987,142.69
Amortization of consumables	4,335,318.55	6,712,357.63
Heating expenses	3,612,988.49	2,883,119.44
Awaiting time losses	3,402,333.35	11,118.13
Insurance expenses	2,524,229.76	2,776,634.23
Environment expenses	1,584,840.51	1,650,821.56
Board of directors expenses	959,334.44	722,347.18
Litigation expenses	828,830.00	225,895.50
Sewage charges	402,038.09	560,139.00
Warehouse expenses	384,776.91	1,300,103.11
Labor protection expenses	358,722.79	2,651,554.05
Foreign expenses	260,576.58	683,531.08
Others	55,776,891.65	57,166,229.99
Total	<u>2,693,252,971.70</u>	<u>2,682,743,498.17</u>



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Financial expenses

Unit: RMB

Items	Amount for the period	Amount for the prior period
Interest expense	199,513,719.74	153,603,844.21
Interest income	-30,330,044.06	-13,614,910.68
Exchange loss	24,735,582.09	5,496,910.88
Exchange gain	-1,108,946.12	-10,626,700.76
Others	14,231,802.63	13,697,784.57
Total	<u>207,042,114.28</u>	<u>148,556,928.22</u>

49. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
I. Loss on bad debts	18,873,193.42	8,646,256.70
II. Loss on inventory impairment	29,166,249.42	16,488,812.53
III. Others	2,890,000.00	
Total	<u>50,929,442.84</u>	<u>25,135,069.23</u>

50. Gains on changes in fair values

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Financial assets at fair value through profit or loss	117,198,095.01	-11,122,873.20
Total	<u>117,198,095.01</u>	<u>-11,122,873.20</u>

Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	67,472,434.06	38,033,001.61
Investment gain on disposal of long-term equity investments	-75,643.83	13,353,259.63
Investment income from financial assets at fair value through profit or loss	54,804,554.44	3,533,284.04
Investment income from disposal of financial assets at fair value through profit or loss	113,410,861.07	-26,221,825.24
Investment income from held-for-trading financial assets	17,577,671.23	
Investment income from available-for-sale financial assets	18,070,579.80	10,316,227.10
Investment income from disposal of available-for-sale financial assets		-46,047,528.96
Investment income from disposal of held-to-maturity investments	5,600,000.00	
Total	<u>276,860,456.77</u>	<u>-7,033,581.82</u>

52. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Total gain on disposal of non-current assets	7,720,070.19	27,382,804.47	7,720,070.19
Of which: Gain on disposal of fixed assets	7,720,070.19	26,339,326.20	7,720,070.19
Gain on disposal of intangible assets		1,043,478.27	
Gain on debt restructuring	4,942,507.36	1,028,842.54	4,942,507.36
Government grants	42,497,707.94	41,047,615.32	42,497,707.94
Others	15,458,682.80	21,648,586.34	15,458,682.80
Total	<u>70,618,968.29</u>	<u>91,107,848.67</u>	<u>70,618,968.29</u>

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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Non-operating income (continued)

Government grants included in profit or loss for the period:

Unit: RMB

Grants item	Amount for the period	Amount for the prior period	Asset-related/ income-related
Funds for the development of intelligent manufacturing equipment in 2013 from The Ministry of Finance	6,500,000.00		
Mechanical engineering construction subsidies from Xiaoting CMC	5,681,120.00	5,681,120.00	
Relocation allowance	5,251,527.28	2,238,786.11	
Social insurance subsidies from Bureau of Finance of Changde City	2,270,000.00		
Jiangsu Anjie rare earth permanent magnet synchronous motor project	1,817,250.00		
Investment subsidies on efficient modern cotton industrialization project of complete sets of equipment	1,686,184.98		
Deduction and exemption about land use tax and estate property tax	1,468,949.09	2,514,970.94	
Carbon fiber multilayer angle woven equipment and technology research and development projects		3,350,000.00	
Innovation ability construction project of technology center	500,000.00	1,500,000.00	
Discrete manufacturing process for manufacturing physical union project	610,000.00	1,435,000.00	
Science and technology plan projects subsidy funds	1,600,000.00	1,400,000.00	
Value-added tax immediate refund	72,513.21	2,491,569.79	
Others	15,040,163.38	20,436,168.48	
Total	42,497,707.94	41,047,615.32	-

53. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains and losses for the period
Total loss on disposal of non-current assets	9,725,025.71	3,610,553.24	9,725,025.71
Of which: loss on disposal of fixed assets	8,905,085.15	3,137,312.96	8,905,085.15
Loss on disposal of intangible assets	819,940.56	473,240.28	819,940.56
Loss on debt restructuring	113,736.10	4,101.50	113,736.10
Donation	1,045,741.30	2,390,750.00	1,045,741.30
Compensation, liquidated damages and penalties	813,870.32	1,291,642.16	813,870.32
Others	1,931,081.87	3,250,228.62	1,931,081.87
Total	13,629,455.30	10,547,275.52	13,629,455.30



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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	854,372,737.74	824,648,158.51
Deferred income tax expenses	-66,784,466.45	-130,355,159.08
Total	<u>787,588,271.29</u>	<u>694,292,999.43</u>

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Total profit	Amount for the period
Total profit	2,790,100,092.05
Income tax expenses calculated at statutory/applicable tax rates	418,515,013.81
Effect of different tax rates applicable to subsidiaries	300,223,626.42
Effect of adjustments for income tax for prior periods	-3,603,983.40
Effect of income not subject to tax	-14,012,653.96
Effect of costs, expenses and loss not deductible for tax purposes	10,130,076.04
Effect of utilisation of previously unrecognised deductible loss on deferred income tax losses	-5,569,775.92
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred income assets	107,516,275.33
Profit or loss attributable to joint ventures and associates	-12,537,970.68
Research and development expenditure plus amount deducted	-13,072,336.35
Income tax expenses	787,588,271.29

55. Other comprehensive income

For details, please see Note VII. 40.



Notes to the Financial Statements
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Government grants	32,781,467.83	62,881,765.02
Interest income	30,330,044.06	13,614,910.88
Margin on bills payable received	30,244,483.32	
Proceeds from other companies	8,375,599.50	124,509,226.60
Balance of building property right received and paid on behalf of employee	4,678,535.00	
Cash deposit	3,367,658.02	
Customs security deposit received from Qingdao Liuting Airport		5,127,022.88
Others	21,944,069.32	18,198,760.76
Total	131,721,857.05	224,331,685.94

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Agency and consultancy service expenses	231,999,852.91	325,059,454.78
Travelling expenses	82,618,520.44	74,811,958.45
Rental expenses	77,685,969.01	85,115,484.84
Margin on bills	57,443,374.78	
Research and development expenses	49,855,348.72	28,973,472.37
Goods delivery expenses	43,981,330.62	39,537,136.16
Business entertainment expenses	42,057,224.23	47,375,483.90
Office expenses	31,040,342.13	33,359,478.31
Labor union expense	25,836,645.82	16,624,412.56
Agency expenses	23,987,150.97	28,038,198.29
Repair and maintenance expenses	15,809,605.06	17,927,825.74
Water, electricity and heat expenses	15,471,886.49	15,368,223.68
Business operation expenses	14,946,626.23	13,604,821.04
Exhibition expenses	14,724,972.85	6,564,765.96
Meeting expenses	8,244,892.67	15,235,366.45
Sales services expenses	6,917,583.56	6,869,664.25
Advertisement and promotion expenses	4,375,720.44	3,928,457.25
Insurance expenses	2,524,229.76	2,851,173.53
Current account funds paid to other companies		53,635,191.60
Others	9,853,712.84	8,793,678.28
Total	759,374,989.53	823,674,247.44

Notes to the Financial Statements
For the year ended 31 December 2014
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Items on statements of cash flow (continued)

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Current account funds received from Xianyang Jingwei Properties Co., Ltd.	60,000,000.00	—
Total	60,000,000.00	—

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Investment amount paid to Jiangsu Huaxi Group Limited	100,000,000.00	—
Current account funds paid to Xianyang Jingwei Properties Co., Ltd.	100,000,000.00	—
Current account funds paid to Suizhou Ginafu Mechanical Engineering Service Company Limited	19,803,000.00	—
Net cash outflows from disposal of subsidiaries	308,149.19	821,707.43
Total	220,111,149.19	821,707.43

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest-free loan for spinning frame project received from China Hengtian Group Company	6,000,000.00	—
Total	6,000,000.00	—

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Margin on bills payable with nature of financing paid	38,719,889.61	—
Cash payment for purchase of minority interests in subsidiaries	21,337,251.70	7,197,703.39
Cash payment for finance leases	17,347,859.24	35,420,233.02
Underwriting fees of interim-bill receivables	3,600,000.00	3,600,000.00
Handling charge on lending business	725,050.00	—
Total	81,730,050.55	46,217,936.41

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

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	2,002,511,820.76	1,781,155,687.46
Plus: Provision for impairment of assets	50,929,442.84	25,135,069.23
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	144,667,080.42	156,150,718.52
Amortisation of intangible assets	28,461,706.20	29,051,423.28
Amortisation of long-term prepaid expenses	22,382,865.85	16,137,323.10
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	2,004,955.52	-23,772,251.23
Loss on changes in fair value (“-” denotes gain)	-117,198,095.01	11,122,873.20
Finance expenses (“-” denotes gain)	204,688,128.83	160,053,960.57
Investment loss (“-” denotes gain)	-276,860,456.77	7,033,581.82
Decrease in deferred income tax assets (“-” denotes increase)	-70,985,964.66	-130,355,159.08
Increase in deferred income tax liabilities (“-” denotes decrease)	4,201,498.21	
Decrease in inventories (“-” denotes increase)	49,195,864.47	-123,136,160.01
Decrease in operating receivables (“-” denotes increase)	616,261,206.72	-204,283,229.02
Increase in operating payables (“-” denotes decrease)	-122,776,152.41	665,397,674.92
Others	-60,416,035.03	6,777,528.68
Net cash flows from operating activities	<u>2,477,067,865.94</u>	<u>2,376,469,041.44</u>
2. Major investing and financing activities not involving cash settlements:	-	-
3. Net change in cash and cash equivalents:	-	-
Closing balance of cash	4,993,815,408.98	9,314,093,479.56
Less: Opening balance of cash	9,314,093,479.56	6,456,694,048.29
Net increase in cash and cash equivalents	<u>-4,320,278,070.58</u>	<u>2,857,399,431.27</u>



Notes to the Financial Statements
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Supplementary information on cash flow statement (continued)

(2) Net cash of disposal of subsidiaries received for the period

Unit: RMB

	Amount
Of which:	–
Less: cash and cash equivalents held by subsidiaries at the date of loss of control	308,149.19
Of which:	–
Of which:	–
Net cash received from disposal of subsidiaries	-308,149.19

(3) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	4,993,815,408.98	9,314,093,479.56
Of which: Treasury cash	767,793.18	918,176.25
Bank deposit that can be used for payment at any time	4,875,779,627.21	9,293,184,494.33
Other monetary funds that can be used for payment at any time	117,267,988.59	19,990,808.98
II. Balance of cash and cash equivalent as at end of period	4,993,815,408.98	9,314,093,479.56

58. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restrictions
Monetary funds	238,282,826.34	
Bills receivable	64,590,118.94	
Fixed assets	132,024,037.27	
Intangible assets	122,915,928.19	
	557,812,910.74	
Total	557,812,910.74	–

Notes to the Financial Statements
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VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
59. Foreign currency items
(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds	–	–	75,393,450.18
Of which: USD	6,585,151.65	6.1190	40,294,542.92
EUR	1,650,197.62	7.4556	12,303,213.36
HKD	28,857,958.66	0.7889	22,766,043.59
CHF	57.00	6.2716	357.48
JPY	374,931.13	0.0514	19,271.46
GBP	1,050.05	9.5437	10,021.37
Accounts receivable	–	–	111,061,304.86
Of which: USD	526,263.22	6.119	3,220,204.64
EUR	11,577,335.67	7.4556	86,315,983.83
HKD	22,346,975.45	0.7889	17,629,528.93
CHF	526,263.22	6.2716	3,300,512.41
JPY	11,577,335.60	0.0514	595,075.05
Other receivables			57,650,022.08
Of which: EUR	332,584.84	7.4556	2,479,619.54
HKD	69,885,629.28	0.7889	55,132,772.94
CHF	6,000.00	6.2716	37,629.60
Accounts payable			75,650,252.14
Of which: EUR	7,618,704.67	7.4556	56,802,014.54
HKD	13,443,318.99	0.7889	10,605,434.35
JPY	160,365,821.98	0.0514	8,242,803.25
Other payables			115,659,870.82
Of which: USD	49,167.00	6.1190	300,852.87
EUR	256,819.15	7.4556	1,914,740.87
HKD	143,800,579.39	0.7889	113,444,277.08
Short-term borrowings			135,496,493.69
Of which: USD	22,143,568.18	6.1190	135,496,493.69

(2) Explanation on overseas operating entities, as for significant overseas operating entities, the place of operation, functional currency and selection basis of which shall be disclosed, and the reasons for changes of functional currency shall also be disclosed.

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., TAM-DURABUS, Proizvodnja gospodarskih vozil, d.o.o and JW-PROTTI MACCHINE TESSILI S.R adopt Euros as functional currency based on operating environments. Foreign subsidiaries of the Company like America Jingwei Textile Machinery LLC, Zhongrong International Holdings Limited (BVI) adopt US Dollar as functional currency based on operating environments.

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VIII. CHANGE IN SCOPE OF CONSOLIDATION

1. Business combination not under common control

(1) Business combination not under common control during the current period

Unit: RMB

Name	Time of acquisition of equity	Cost of acquisition of equity	Percentage of acquisition of equity	Way of acquisition of equity	Date of acquisition	Determination of date of acquisition	Revenue of the acquiree from date of acquisition to end of the period	Net profit of the acquiree from date of acquisition to end of the period
Shanghai Ruiyang Investment Management Company Limited	31 October 2014	0.00	100.00%					-110,851.24

(2) Combination costs and goodwill

Zhongrong International Capital Management Co., Ltd, an indirect subsidiary of the Company, acquired 100% equity interest in Shanghai Ruiyang Investment Management Company Limited through business combination not under common control during the current period. As at the date of acquisition, the net book value and fair value of Shanghai Ruiyang Investment Management Company Limited was nil, thus the cost of acquisition of equity was nil.

2. Disposal of subsidiaries

Whether there is loss of control over subsidiaries on a single disposal

Unit: RMB

Name of subsidiary	Consideration of disposal of equity interest	Shareholding of disposal of equity interest	Nature of disposal of equity interest	Time of loss of control	Basis for time	Difference between consideration and share of net assets of relevant subsidiary as per consolidated financial statements	Remaining shareholding as of the date of loss of control	Carrying amount of remaining shareholding as of the date of loss of control	Fair value of remaining shareholding as of the date of loss of control	Gain or loss in fair value of remaining shareholding	Determination and key assumption of fair value of remaining shareholding as of the date of loss of control	Relevant other comprehensive income of former subsidiary transferred to profit or loss
Beijing Jingpeng Investment Management Company Limited	54,965,960.28	55.00%	Disposal	31 August 2014	Changes of industrial and commercial registration	-75,643.83	45.00%	100,000,000.00	100,000,000.00			

Whether there was disposal of investment in a subsidiary through several transactions resulting in loss of control during the reporting period

Yes No

Notes to the Financial Statements
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VIII. CHANGE IN SCOPE OF CONSOLIDATION (CONTINUED)

3. Merge scope change for other reasons

Instructions on merge scope change (eg. new subsidiary, liquidation of subsidiary) and related conditions for other reasons:

Beijing Jingwei Textile Machinery New Technology Company Limited, a subsidiary of the Company, invested RMB863,600 to establish Jingwei Soft Science and Technology Wuxi Company Limited and held 51.02% equity interests. Jingwei Soft Science and Technology Wuxi Company Limited was incorporated into consolidation scope this year.

The Company invested RMB12 million to establish Beijing Hengtian Xinneng New Energy Automobile Technology Co., Ltd. and held 40.00% equity interests. Beijing Hengtian Xinneng New Energy Automobile Technology Co., Ltd. was incorporated into consolidation scope this year.

Hong Kong Huaming Company Limited, a subsidiary of the Company invested US\$0.6 million to establish America Jingwei Textile Machinery LLC and held 60.00% equity interests; America Jingwei Textile Machinery LLC was incorporated into consolidation scope this year.

Beijing Zhongrong Dingxin Investment Management Company Limited, an indirect subsidiary of the Company, invested RMB20 million to establish Zhongrong Changhe Capital Management Company Limited and held 100.00% equity interests. Zhongrong Changhe Capital Management Company Limited was incorporated into consolidation scope this year.

Beijing Zhongrong Dingxin Investment Management Company Limited, an indirect subsidiary of the Company, invested RMB10 million to establish Beijing Zhongrong Huizhi Human Resources Limited and held 100.00% equity interests. Beijing Zhongrong Huizhi Human Resources Limited was incorporated into consolidation scope this year.

Beijing Zhongrong Dingxin Investment Management Company Limited, an indirect subsidiary of the Company, invested to establish Shenzhen Zhongrong Baosheng Financial Asset Management Company Limited and held 100.00% equity interests, which was not yet contributed actually as at December 31 2014. Shenzhen Zhongrong Baosheng Financial Asset Management Company Limited was incorporated into consolidation scope this year.

Beijing Zhongrong Dingxin Investment Management Company Limited, an indirect subsidiary of the Company, invested RMB20 million to establish Shanghai Longshan Investment Management Company Limited and held 100.00% equity interests. Shanghai Longshan Investment Management Company Limited was incorporated into consolidation scope this year.

Shanghai Longshan Investment Management Company Limited, an indirect subsidiary of the Company, invested US\$2,578,190 to establish Zhongrong International Holdings Limited (BVI) and held 100.00% equity interests. Zhongrong International Holdings Limited (BVI) was incorporated into consolidation scope this year.

Zhongrong International Holdings Limited (BVI), an indirect subsidiary of the Company, invested US\$2,478,190 to establish Zhongrong International Capital Management Limited and held 100.00% equity interests. Zhongrong International Capital Management Limited was incorporated into consolidation scope this year.

Shanghai Huayuan Hyperthermia Technology Company Limited, an indirect subsidiary of the Company, carried out liquidation to its wholly-owned subsidiary Beijing Jinwei Huaqing Medical Technology Co., Ltd this year and Beijing Jinwei Huaqing Medical Technology Co., Ltd completed cancellation of tax registration and industrial and commercial cancellation on 17 November 2014 and 18 December 2014 respectively.



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IX. INTEREST IN OTHER ENTITIES

1. Interest in subsidiaries

(1) Composition of the Group

Name of subsidiaries	Main place of operation	Place of establishment	Nature of business	Shareholding ratio		
				Direct	Indirect	Mode of acquisition
Shenyang Hongda Huaming Textile Machinery Company Limited	Shenyang	Shenyang	Textile machinery manufacturing		100.00%	Greenfield investment
Beijing Jingwei Textile Machinery New Technology Company Limited	Beijing	Beijing	Textile machinery manufacturing	98.40%	1.60%	Greenfield investment
Yichang Jingwei Textile Machinery Company Limited	Yichang	Yichang	Textile machinery manufacturing	75.00%	25.00%	Greenfield investment
Tianjin Jingwei New Textile Machinery Company Limited	Tianjin	Tianjin	Textile machinery manufacturing	75.00%	25.00%	Greenfield investment
Shanghai Chuangan Trading Company Limited	Shanghai	Shanghai	Knitted textiles sales	96.00%	0.94%	Greenfield investment
Shanghai Wexin Electrical and Machinery Company Limited	Shanghai	Shanghai	Textile machinery manufacturing	90.00%	10.00%	Greenfield investment
Shanghai Jingwei PROTTI Textile Machinery Company Limited	Shanghai	Shanghai	Textile machinery manufacturing	78.00%	22.00%	Greenfield investment
Shanghai WSP Mould and Injection Plastic Company Limited	Shanghai	Shanghai	Precision injection and mould parts manufacturing		50.00%	Greenfield investment
Jingwei Textile Machinery Yuci Material Company Limited	Jinzhong	Jinzhong	Metallurgy, metal material sales	99.20%	0.80%	Greenfield investment
Shanxi Jingwei Textile Machinery Special Parts Company Limited	Jinzhong	Jinzhong	Textile machinery parts manufacturing	54.86%		Greenfield investment
Hong Kong Huaming Company Limited	Hong Kong	Hong Kong	Textile machinery and Auto Sales	100.00%		Greenfield investment
Shanxi Jingwei Precision Machinofacture Company Limited	Jinzhong	Jinzhong	Casting mold manufacturing	68.80%		Greenfield investment
Xiangyang Jingwei Textile Machinery Company Limited	Xiangyang	Xiangyang	Textile machinery manufacturing	97.36%	2.64%	Greenfield investment
Hubei Xinchufeng Automobile Company Limited	Suizhou	Suizhou	Automobile manufacture	80.28%		Greenfield investment
Hengtian Motor Vehicles Company Limited	Suizhou	Suizhou	Auto Sales	5.00%	95.00%	Greenfield investment
Beijing Zhongrong Dingxin Investment Management Company Limited	Beijing	Beijing	Holdings		100.00%	Greenfield investment
Shanghai Shentxin Medical Investment Management Company Limited	Shanghai	Shanghai	Medical device manufacturing		100.00%	Greenfield investment
Yichang Jingwei Machinery Company Limited	Yichang	Yichang	Textile machinery manufacturing	100.00%		Greenfield investment
Hubei Hengtian Motor Company Limited	Suizhou	Suizhou	Automobile manufacture		60.00%	Greenfield investment
Jingwei Tsudakoma Textile Machinery (Xiangyang) Company Limited	Xiangyang	Xiangyang	Textile machinery manufacturing	51.00%		Greenfield investment
JW-PROTTI MACCHINE TESSILI S.R	Italy	Italy	Textile machinery	94.05%		Greenfield investment
Huangshi Heng Tian Jingwei Textile Machinery Company Limited	Huangshi	Huangshi	Textile machinery and equipment manufacturing		92.86%	Greenfield investment
Zhongrong Fund Management Company Limited	Beijing	Beijing	Fund management		51.00%	Greenfield investment
Zhongrong (Beijing) Assets Management Company Limited	Beijing	Beijing	Assets management		100.00%	Greenfield investment
Jingwei Soft Science and Technology Wuxi Company Limited	Wuxi	Wuxi	Development of information and technology		51.02%	Greenfield investment
Beijing Hengtian Ximeng New Energy Automobile Technology Company Limited	Beijing	Beijing	Automobile manufacture	40.00%		Greenfield investment
America Jingwei Textile Machinery LLC	Meigu	Meigu	Textile machinery manufacturing		60.00%	Greenfield investment
Zhongrong Changhe Capital Investment Management Company Limited	Shanghai	Shanghai	Holdings		100.00%	Greenfield investment
Beijing Zhongrong Huizhi Human Resources Company Limited	Beijing	Beijing	Holdings		100.00%	Greenfield investment
Shenzhen Zhongrong Baosheng Assets Management Company Limited	Shenzhen	Shenzhen	Holdings		100.00%	Greenfield investment
Shanghai Longshan Investment Management Company Limited	Shanghai	Shanghai	Holdings		100.00%	Greenfield investment
Zhongrong International Holdings Limited(BVI)	B.V.I	B.V.I	Holdings		100.00%	Greenfield investment
Zhongrong International Capital Management Company Limited	Hong Kong	Hong Kong	Holdings		100.00%	Greenfield investment
Shenyang Hongda Textile Machinery Company Limited	Shenyang	Shenyang	Textile machinery manufacturing	98.00%		A business combination involving enterprises under common control
Shanxi Jingwei Heli Manufacturing Company Limited	Jinzhong	Jinzhong	Mechanical electrical products manufacturing	39.83%		A business combination involving enterprises under common control
Changde Textile Machinery Company Limited	Changde	Changde	Textile machinery manufacturing	70.00%	25.00%	A business combination involving enterprises under common control
Tianjin Hongda Textile Machinery Company Limited	Tianjin	Tianjin	Textile machinery manufacturing	98.00%	2.00%	A business combination involving enterprises under common control
Qingdao Hongda Textile Machinery Company Limited	Qingdao	Qingdao	Textile machinery manufacturing	97.66%		A business combination involving enterprises under common control
Wuxi Jingwei Textile Technology Testing Company Limited	Wuxi	Wuxi	cotton yarn manufacturing	78.18%	21.82%	A business combination involving enterprises under common control
Wuxi Jingwei Textile Technology Sales Company Limited	Wuxi	Wuxi	Textile machinery sales	99.64%	0.36%	A business combination involving enterprises under common control

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)
1. Interest in subsidiaries (continued)
(1) Composition of the Group (continued)

Name of subsidiaries	Main place of operation	Place of establishment	Nature of business	Shareholding ratio		Mode of acquisition
				Direct	Indirect	
Zhengzhou Hongda New Textile Machinery Company Limited	Zhengzhou	Zhengzhou	Textile machinery manufacturing	98.00%		A business combination involving enterprises under common control
Wuxi Hongda Textile Machinery and Special Parts Company Limited	Wuxi	Wuxi	Textile machinery parts manufacturing	10.00%	25.00%	A business combination involving enterprises not under common control
Taiyuan Jingwei Electrical Company Limited	Taiyuan	Taiyuan	Machine tool control manufacturing	100.00%		A business combination involving enterprises not under common control
Huangshi Jingwei Textile Machinery Company Limited	Huangshi	Huangshi	Textile machinery manufacturing	45.00%		A business combination involving enterprises not under common control
Anshan Jingwei Haihong Agricultural Machinery Company Limited	Anshan	Anshan	Agricultural machinery manufacturing	51.00%		A business combination involving enterprises not under common control
Shanghai Huayuan Hyperthermia Technology Company Limited	Shanghai	Shanghai	Medical device manufacturing		51.00%	A business combination involving enterprises not under common control
Zhongrong International Trust Company Limited	Harbin	Harbin	Financial trust	37.47%		A business combination involving enterprises not under common control
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	Jinzhong	Jinzhong	Textile machinery manufacturing	65.48%		A business combination involving enterprises not under common control
China Ti-Tech New Energy Auto Company Limited	Hong Kong	Hong Kong	Holdings		100.00%	A business combination involving enterprises not under common control
China Hi-Tech (international) Limited	Hong Kong	Hong Kong	Holdings		52.00%	A business combination involving enterprises not under common control
CHTC Europe Holding B.V.	Holland	Holland	Holdings		100.00%	A business combination involving enterprises not under common control
Ginaf Trucks Nederland B.V.	Holland	Holland	automobile manufacture		100.00%	A business combination involving enterprises not under common control
Jinzhong Jingwei Hengxin Machinery Company Limited	Jinzhong	Jinzhong	Textile machinery manufacturing	51.00%		A business combination involving enterprises not under common control
TAM-DURABUS, Proizvodnja gospodarskih vozil, d.o.o.	Slovenija	Slovenija	automobile manufacture		100.00%	A business combination involving enterprises not under common control
Beijing Jingwei Haolian Medical Science and Technology Company Limited	Fuzhou	Fuzhou	Medical device manufacturing	48.46%		A business combination involving enterprises not under common control
Shanghai Ruiyang Investment Management Company Limited	Shanghai	Shanghai	Holdings		100.00%	A business combination involving enterprises not under common control

Explanation on that shareholding ratio in subsidiary company is different from voting rights ratio:

The basis for the Company holding half or less voting rights but still control the invested entity and that for holding more than half of the voting rights but does not control the invested entity:

The shareholding that the Company has in Shanghai WSP Mould and Injection Plastic Company Limited (“Shanghai WSP”) is 50% through its subsidiary. The Company was entrusted by two natural person shareholders of the subsidiary in 2011 to exercise director’s voting rights from 1 January 2011 to 31 December 2015, since it has been authorized, the Company has all voting rights over Shanghai WSP and thus has actual control of it, so it is incorporated into the consolidated financial statement.

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (continued)

(1) Composition of the Group (continued)

The shareholding that the Company has in Shanxi Jingwei Heli Machinery Manufacturing Company Limited (“Jingwei Heli”) is not over 50%, but according to the articles of Jingwei Heli, the Company has more than half of the seats in the Board of Directors of Jingwei Heli to have actual control over the Board of Directors, so it is incorporated into the consolidated financial statement.

The shareholding that the Company has in Wuxi Hongda Textile Machinery and Special Parts Company Limited (“Wuxi Special Parts”) is not over 50%, but according to the articles of Wuxi Special Parts, the Company has more than half of the seats in the Board of Directors of Wuxi Special Parts to have actual control over the Board of Directors, so it is incorporated into the consolidated financial statement.

The shareholding that the Company has in Huangshi Jingwei Textile Machinery Company Limited (“Huangshi Jingwei”) is not over 50%, but according to the articles of Huangshi Jingwei, 3 of 5 directors of the Board of Directors are appointed by the Company, so it has the actual control over the Board of Directors, thus it is incorporated into the consolidated financial statement.

The shareholding that the Company has in Zhongrong International Trust Company Limited (“Zhongrong Trust”) is not over 50%, but according to the articles of Zhongrong Trust, the Company has more than half of the seats in the Board of Directors of Zhongrong Trust to have actual control over the Board of Directors, so it is incorporated into the consolidated financial statement.

The indirect shareholding that the Company has in Beijing Jingwei Haolian Medical Technology Company Limited (“Beijing Haolian”) through its subsidiary is not over 50%, but according to the articles of Beijing Haolian, the Company has more than half of the seats in the Board of Directors of Zhongrong Trust to have actual control over the Board of Directors, so it is incorporated into the consolidated financial statement.

The shareholding that the Company has in Beijing Hengtian Xinneng New Energy Automobile Technology Company Limited (“Xinneng New Energy”) is not over 50%, but according to the articles of Xinneng New Energy, the Company has more than half of the seats in the Board of Directors of Xinneng New Energy to have actual control over the Board of Directors, so it is incorporated into the consolidated financial statement.

Notes: SSGA Fund Management Company Limited was renamed as Zhongrong Fund Management Company Limited in this year;

SSGA Assets Management Company Limited was renamed as Zhongrong (Beijing) Assets Management Company Limited in this year;

Shanghai Shenxin Medical Machinery Technology Company Limited was renamed as Shanghai Shenxin Medical Investment Management Company Limited in this year;

DURABUS, Proizvodnjavozil, d.o.o was renamed as TAM-DURABUS, Proizvodnja gospodarskih vozil, d.o.o in this year;

Fuzhou Haolian Medical Technology Company Limited was renamed as Beijing Haolian Medical Technology Company Limited in this year;

China Hi-Tech New Energy Auto Company Limited was renamed as China Hi-Tech New Energy Automobile Company Limited in this year.



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IX. INTEREST IN OTHER ENTITIES (CONTINUED)**1. Interest in subsidiaries (continued)****(2) Major non-wholly owned subsidiaries***Unit: RMB*

Name	Minority interests	Gain or loss attributable to minority interests during the period	Dividend to minority interests declared during the period	Closing balance of minority interests
Zhongrong International Trust Company Limited	62.53%	1,519,503,026.27	187,590,000.00	6,175,704,966.84
Qingdao Hongda Textile Machinery Company Limited	2.34%	-907,754.47	228,419.80	5,089,960.00
Wuxi Hongda Textile Machinery and Special Parts Company Limited	65.00%	4,608,950.54	31,850,000.00	28,763,129.26
Changde Textile Machinery Company Limited	5.00%	-1,790,643.64	249,221.82	5,188,094.38
Hubei Xinchufeng Automobile Company Limited	19.72%	-5,901,639.31		43,894,969.15
Shenyang Hongda Textile Machinery Company Limited	2.00%	-65,234.20	2,341.76	2,108,859.79

Notes on shareholding of minority interests in subsidiaries being not correspondent to their voting rights:

The minority shareholders of Zhongrong International Trust Company Limited have delegated their 32.99% voting rights to the Company to exercise.

The minority shareholders of Wuxi Hongda Textile Machinery and Special Parts Company Limited have delegated their 51.20% voting rights to the Company to exercise.

The minority shareholders of Shanxi Jingwei Heli Machinofacture Company Limited have delegated their 30.00% voting rights to the Company to exercise.

The minority shareholders of Huangshi Jingwei Textile Machinery Company Limited have delegated their 40.00% voting rights to the Company to exercise.

(3) Key financial information of major non-wholly owned subsidiaries*Unit: RMB*

Name	Closing balance					Opening balance						
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhongrong International Trust Company Limited	10,217,836,215.92	1,982,475,913.11	12,200,312,129.03	2,394,927,054.66		2,394,927,054.66	8,708,600,384.99	978,906,107.27	9,687,506,492.26	2,042,021,936.99		2,042,021,936.99
Qingdao Hongda Textile Machinery Company Limited	646,842,183.58	310,966,794.91	957,808,978.49	625,082,067.27	114,928,023.62	740,010,090.89	835,709,998.62	334,108,210.40	1,169,818,209.02	795,242,661.71	108,658,023.62	903,900,685.33
Wuxi Hongda Textile Machinery and Special Parts Company Limited	104,278,411.19	126,530,938.05	230,809,349.24	137,008,921.82	49,549,459.33	186,558,381.15	140,390,660.99	132,135,551.92	272,526,212.91	135,872,860.49	51,539,668.07	187,412,528.56
Changde Textile Machinery Company Limited	209,794,146.13	173,525,363.13	383,319,509.26	255,697,252.14	23,860,369.58	279,557,621.72	259,543,043.57	182,080,047.78	441,623,091.35	275,520,194.76	22,820,369.58	298,340,564.34
Hubei Xinchufeng Automobile Company Limited	363,972,771.70	308,941,139.20	672,913,910.90	420,328,789.44	29,994,000.00	450,322,789.44	338,975,321.40	286,466,997.38	625,442,318.78	342,930,020.32	29,994,000.00	372,924,020.32
Shenyang Hongda Textile Machinery Company Limited	160,848,647.98	60,480,954.11	221,329,602.09	84,565,120.01	31,321,492.35	115,886,612.36	147,553,006.72	62,890,520.30	210,443,527.02	71,927,434.51	29,694,304.91	101,621,739.42

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)
1. Interest in subsidiaries (continued)
(2) Major non-wholly owned subsidiaries (continued)

Unit: RMB

Name	Amount for the period				Amount for the prior period			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Zhongrong International Trust Company Limited	305,057,051.74	2,432,793,937.70	2,459,900,519.10	2,392,981,050.92	64,095,504.74	2,017,604,780.08	1,905,092,886.99	2,636,415,089.70
Qingdao Hongda Textile Machinery Company Limited	630,200,298.07	-38,842,724.60	-38,842,724.60	67,031,548.70	910,513,391.94	-14,413,687.40	-14,413,687.40	29,608,486.32
Wuxi Hongda Textile Machinery and Special Parts Company Limited	121,803,017.37	7,090,693.16	7,090,693.16	10,193,867.86	144,540,119.14	10,213,604.81	10,213,604.81	4,766,464.64
Changde Textile Machinery Company Limited	249,218,534.56	-35,812,872.89	-35,022,872.89	18,200,364.82	339,828,110.01	-25,008,813.38	-24,678,813.38	-21,574,717.02
Hubei Xinchufeng Automobile Company Limited	235,412,689.63	-29,927,177.00	-29,927,177.00	-103,885,538.23	284,034,792.10	-14,723,171.50	-14,723,171.50	-63,375,306.78
Shenyang Hongda Textile Machinery Company Limited	139,406,846.76	-3,261,710.00	-3,261,710.00	12,428,610.20	110,269,959.82	81,589.24	81,589.24	-10,696,804.48

2. Transaction changing shareholding in but not causing to loss of control over subsidiaries
(1) Change in shareholding in subsidiaries

Name	Base date	Shareholding at beginning of period (%)	Shareholding at end of period (%)	Reasons for change
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	1 January 2014	89.65	54.86	Capital increase in unequal proportion
Jingwei Textile Machinery Yuci Material Company Limited	1 January 2014	99.92	99.64	Capital increase in unequal proportion
Xianyang Jingwei Textile Machinery Company Limited	1 January 2014	97.36	100.00	Acquisition of equity rights from minority shareholders
China Hi-Tech (International) Limited	1 January 2014	100.00	41.75	Capital increase in unequal proportion
TAM-DURABUS, Proizvodnja gospodarskih vozil, d.o.o.	31 July 2014	40.94	98.93	Acquisition of equity rights from minority shareholders and capital increase in unequal proportion



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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

2. Transaction changing shareholding in but not causing to loss of control over subsidiaries (continued)

(2) Impact on minority interests and equity attributable to the owners of the parent company

Item	Shanxi Jingwei Textile Machinery and Special Parts Company Limited	Jingwei Textile Machinery Yuci Material Company Limited	Xianyang Jingwei Textile Machinery Company Limited	China Hi-Tech (International) Limited	TAM-DURABUS, Proizvodnja gospodarskih vozil, d.o.o.
Acquisition costs/consideration of disposal	Disposal of partial equity	Disposal of partial equity	Acquisition of partial equity	Disposal of partial equity	Acquisition of partial equity
Of which: cash			1,478,400.00		9,287,139.50
Fair value of non-cash assets	17,293,109.92			538.82	
Total acquisition costs/consideration of disposal	17,293,109.92		1,478,400.00	538.82	9,287,139.50
Less: share of net assets based on equity acquired/disposed	12,779,503.97	16,004.23	783,236.15	538.82	-3,226,550.15
Difference	4,513,605.95	-16,004.23	-695,163.85		-12,513,689.65
Of which: capital reserve adjustment	4,513,605.95	-16,004.23	-695,163.85		-12,513,689.65
Surplus reserves adjustment					
Undistributed profit adjustment					

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Associates						
Beijing Jingpeng Investment Management Company Limited	Beijing	Beijing	Investment management	43.20%	1.80%	Equity method
China Texmatech Company Limited	Beijing	Beijing	Agency of import and export	25.00%		Equity method
Beijing Hang Tang Wealth Investment Management Company Limited	Beijing	Beijing	Investment management	20.00%		Equity method
Xinhu Fortune Investment Management Company Limited	Beijing	Beijing	Investment management		23.08%	Equity method
Xianyang Jingwei Textile Machinery Company Limited	Xianyang	Xianyang	Machinery Manufacturing	40.00%		Equity method
Jingwei Machinery (Group) Company Limited	Jinzhong	Jinzhong	Machinery Manufacturing	18.83%		Equity method
Hongda Research Institute Company Limited	Beijing	Beijing	Machinery Manufacturing	40.00%		Equity method
Shenzhen Huarong Equity Investment and Fund Management Company Limited	Shenzhen	Shenzhen	Investment management		49.00%	Equity method
Shanghai Rongou Equity Investment and Fund Management Company Limited	Shanghai	Shanghai	Investment management		40.00%	Equity method
Suizhou Ginaf Mechanical Engineering Service Company Limited	Suizhou	Suizhou	Machinery Manufacturing		40.00%	Equity method
Xianyang Jingwei Properties Company Limited	Xianyang	Xianyang	Real estate development	24.33%	0.67%	Equity method
Shenzhen Ruiyuan Baoxing Fund Management Company Limited	Shenzhen	Shenzhen	Fund management		49.00%	Equity method
Lhasa Rongzheng Investment Management Consulting Co., Ltd.	Lhasa	Lhasa	Investment management		49.00%	Equity method
Jinzhong Jingwei Yuxin Machinery Company Limited	Jinzhong	Jinzhong	Machinery Manufacturing		20.00%	Equity method
Anhui Huamao Jingwei New Textile Company Limited	Anqing	Anqing	Machinery Manufacturing		25.00%	Equity method
Zhongrong Kangjian Capital Management (Beijing) Company Limited	Beijing	Beijing	Investment management		49.00%	Equity method

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

3. Interest in joint arrangements or associates (continued)

(2) Key financial information of major joint ventures

Item	Closing balance or amount for the period					
	China Texmatech Company Limited	Hongda Research Institute Company Limited	Jingwei Machinery (Group) Company Limited	Beijing Hang Tang Wealth Investment Management Company Limited	Xianyang Jingwei Properties Company Limited	Xinhu Fortune Investment Management Company Limited
Current assets	1,152,014,862.66	58,153,454.10	376,959,409.18	341,943,298.56	183,668,614.87	319,972,684.81
Non-current assets	88,782,450.71	35,249,120.90	542,219,003.31	170,221,050.35	95,444,675.50	8,104,544.62
Total assets	1,240,797,313.37	93,402,575.00	919,178,412.49	512,164,348.91	279,113,290.37	328,077,229.43
Current liabilities	901,074,327.80	72,807,878.79	548,816,688.94	260,720,140.29	270,062,302.18	154,621,028.02
Non-current liabilities	2,276,606.41		286,795,386.08			
Total liabilities	903,350,934.21	72,807,878.79	835,612,075.02	260,720,140.29	270,062,302.18	154,621,028.02
Net assets	337,446,379.16	20,594,696.21	83,566,337.47	251,444,208.62	9,050,988.19	173,456,201.41
Share of net assets based on shareholding	84,361,594.79	8,237,878.48	15,735,541.35	50,288,841.72	2,262,747.05	40,033,691.29
Adjustment events	-1,257,652.45					
Carrying amount of investment in joint ventures	83,103,942.34	8,237,878.48	15,735,541.35	50,288,841.72	2,262,747.05	40,033,691.29
Fair value of equity investment with public quotation						
Revenue	3,601,427,950.33	74,422,479.56	332,893,731.48	1,011,154,791.32	60,724,255.00	1,043,562,589.17
Net profit	46,975,050.45	790,488.88	11,269,367.98	160,095,773.40	7,277.37	127,234,187.44
Other comprehensive income	1,480.01					
Total comprehensive income	46,976,530.46	790,488.88	11,269,367.98	160,095,773.40	7,277.37	127,234,187.44
Dividends received from joint ventures	2,392,109.69					16,913,398.26

Item	Opening balance or amount for the prior period					
	China Texmatech Company Limited	Hongda Research Institute Company Limited	Jingwei Machinery (Group) Company Limited	Beijing Hang Tang Wealth Investment Management Company Limited	Xianyang Jingwei Properties Company Limited	Xinhu Fortune Investment Management Company Limited
Current assets	979,506,050.99	94,345,432.69	383,204,467.92	302,538,130.55	49,276,069.56	174,248,428.92
Non-current assets	91,048,540.42	37,140,638.63	424,945,378.69	30,504,047.97	67,301,987.26	38,546,896.96
Total assets	1,070,554,591.41	131,486,071.32	808,149,846.61	333,042,178.52	116,578,056.82	212,795,325.88
Current liabilities	763,927,427.35	111,681,863.99	408,913,952.51	242,311,867.74	136,885,845.67	65,885,815.26
Non-current liabilities	2,395,425.24		326,902,242.51			
Total liabilities	766,322,852.59	111,681,863.99	735,816,195.02	242,311,867.74	136,885,845.67	65,885,815.26
Net assets	304,231,738.82	19,804,207.33	72,333,651.59	90,730,310.78	-20,307,788.85	146,909,510.62
Share of net assets based on shareholding	76,057,934.71	7,921,682.93	13,620,426.59	18,146,062.15	-5,076,947.21	33,906,715.05
Adjustment events	-9,678,181.67		-143,881.48		20,677,460.16	-6,325,275.96
Carrying amount of investment in joint ventures	66,379,753.04	7,921,682.93	13,476,545.11	18,146,062.15	15,600,512.95	27,581,439.09
Fair value of equity investment with public quotation						
Revenue	4,329,883,121.50	49,457,537.49	272,542,108.12	996,378,426.49	210,000.00	656,226,616.34
Net profit	39,001,568.13	-10,327,186.06	16,160,397.47	109,272,415.46	-36,883,374.43	61,750,092.96
Other comprehensive income	269,939.72					
Total comprehensive income	39,271,507.85	-10,327,186.06	16,160,397.47	109,272,415.46	-36,883,374.43	61,750,092.96
Dividends received from joint ventures	957,456.70		1,200,000.00	28,600,000.00		

(3) Summary of financial information of insignificant joint ventures and associates

Unit: RMB

	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Joint ventures:	—	—
Total book value of investment	106,006,981.19	5,940,019.49
Total amount of the following items calculated based on shareholdings	—	—
– Net profit	-7,581,631.67	-6,201,985.55
– Total comprehensive income	-7,581,631.67	-6,201,985.55
Associates	—	—
Total amount of the following items calculated based on shareholdings	—	—



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X. RISK RELATING TO FINANCIAL INSTRUMENTS

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, bills payable, financing lease, other interest-bearing borrowings and monetary funds. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as account receivable and other receivables, which arise directly from its operations.

The main risks resulting from the financial instruments were credit risk, liquidity risk, and market risk.

1. Financial instrument by category

(1) The carrying amount of each of the categories of financial assets as at the balance sheet date is as follows:

Financial assets	Financial assets at fair value through profit or loss	Closing balance		Available-for-sale financial assets	Total
		Held-to-maturity investment	Loans and accounts receivable		
Financial assets at fair value through profit or loss	6,042,235,482.50				6,042,235,482.50
Notes receivable			784,056,222.14		784,056,222.14
Accounts receivable			769,988,186.02		769,988,186.02
Interest receivable			7,739,384.47		7,739,384.47
Dividends receivable			34,280,000.00		34,280,000.00
Other receivables			329,103,171.46		329,103,171.46
Available-for-sale financial assets				648,065,357.60	648,065,357.60
Held-to-maturity investment		300,000,000.00			300,000,000.00

Financial assets	Financial assets at fair value through profit or loss	Opening balance		Available-for-sale financial assets	Total
		Held-to-maturity investment	Loans and accounts receivable		
Financial assets at fair value through profit or loss	243,515,847.35				243,515,847.35
Notes receivable			1,548,491,284.12		1,548,491,284.12
Accounts receivable			778,564,374.89		778,564,374.89
Interest receivable			64,114.99		64,114.99
Dividends receivable			36,022,950.70		36,022,950.70
Other receivables			311,436,433.54		311,436,433.54
Available-for-sale financial assets				444,116,804.04	444,116,804.04
Long-term receivables		4,301,428.55			4,301,428.55

(2) The carrying amount of each of the categories of financial liabilities as at the balance sheet date is as follows:

Financial liabilities	Closing balance		Total
	Financial liabilities at fair value through profit or loss	Other financial liabilities	
Short-term borrowings		2,344,849,420.62	2,344,849,420.62
Notes payable		406,586,626.39	406,586,626.39
Accounts payable		1,439,000,345.82	1,439,000,345.82
Interest payable		52,213,735.05	52,213,735.05
Bond payables		1,200,000,000.00	1,200,000,000.00
Dividends payable		29,655,744.58	29,655,744.58
Other payables		305,610,634.64	305,610,634.64
Long-term borrowings		200,000,000.00	200,000,000.00
Long-term payables		30,347,074.11	30,347,074.11

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X. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Financial instrument by category (continued)

(2) The carrying amount of each of the categories of financial liabilities as at the balance sheet date is as follows: (continued)

Financial liabilities	Opening balance Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term borrowings		1,945,504,547.47	1,945,504,547.47
Notes payable		612,660,270.01	612,660,270.01
Accounts payable		1,755,525,871.17	1,755,525,871.17
Interest payable		49,201,704.03	49,201,704.03
Bond payables		1,200,000,000.00	1,200,000,000.00
Dividends payable		6,686,958.92	6,686,958.92
Other payables		329,994,838.71	329,994,838.71
Long-term payables		30,621,220.00	30,621,220.00

2. Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, accounts receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the special approval of the credit control department of the Group.

Other financial assets of the Group include monetary funds, available-for-sale financial assets, other receivables and some derivatives. The credit risk on these financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts. The Groups is also exposure to credit risk due to provision of financial guarantee, details of which are set out in the disclosure under the section headed XIII. Commitments and Contingencies.

In order to minimise the credit risk, the management of the Group has formulated a fixed credit policy and delegated a team responsible for signature of credit limits, credit approvals and other monitoring procedures to ensure that action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment provisions are made for irrecoverable amounts. In this regard, the Group's credit risk is significantly reduced.

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X. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and projected cash flows from operations of the Group.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance lease and other interest-bearing loans. 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 borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities based on the contractual undiscounted cash flow is as follows:

Item	Within 1 year	Closing balance			Total
		1-2 years	2-3 years	Over 3 years	
Short-term borrowings	2,344,849,420.62				2,344,849,420.62
Notes payable	406,586,626.39				406,586,626.39
Accounts payable	1,439,000,345.82				1,439,000,345.82
Other payables	305,610,634.64				305,610,634.64
Interest payable	52,213,735.05				52,213,735.05
Dividends payable	29,655,744.58				29,655,744.58
Long-term loans		200,000,000.00			200,000,000.00
Bond payables			1,200,000,000.00		1,200,000,000.00
Long-term payables		158,182.48	158,182.48	30,057,666.72	30,374,031.68
Non-current liabilities due within one year	1,675,059.21				1,675,059.21
Item	Within 1 year	Opening balance			Total
		1-2 years	2-3 years	Over 3 years	
Short-term borrowings	1,945,504,547.47				1,945,504,547.47
Notes payable	612,660,270.01				612,660,270.01
Accounts payable	1,755,525,871.17				1,755,525,871.17
Other payables	329,994,838.71				329,994,838.71
Interest payable	49,201,704.03				49,201,704.03
Dividends payable	6,686,958.92				6,686,958.92
Bond payables				1,200,000,000.00	1,200,000,000.00
Long-term payables		254,137.07	178,620.43	30,244,513.21	30,677,270.71
Non-current liabilities due within one year	26,295,603.90				26,295,603.90

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X. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The market risk mainly includes interest rate risk, foreign exchange risk and other price risk, such as equity instruments investment price risk.

(1) Interest rate risk

The Group's exposure to the risk of change in market interest rates relates primarily to the Group's long term liabilities at floating interest rate.

The Group manages its interest expenses through maintaining an appropriate combination of fixed rate debts and floating rate debts. In order to manage its debt portfolio in a cost-effectively manner, the Group adopts interest rate swap, which means the Group agrees to exchange the difference between the amount of fixed interest calculated based on the agreed nominal principals and variable amount of interest in a specific time interval.

The following table demonstrates the sensitivity of the Group's net profit (through the impact on floating rate borrowings) and shareholders' equity to a reasonable and possible change in interest rates, with all other variables held constant.

Item	Increase/(decrease) in basis points	Current period	
		Decrease/(increase) in net profit	Decrease/(increase) in shareholders' equity
Short-term borrowings	+1%/-1%	-8,872,721.06/8,872,721.06	-8,872,721.06/8,872,721.06

Item	Increase/(decrease) in basis points	Prior Period	
		Decrease/(increase) in net profit	Decrease/(increase) in shareholders' equity
Short-term borrowings	+1%/-1%	-12,308,897.30/12,308,897.30	-12,308,897.30/12,308,897.30

(2) Foreign exchange risk

The Group's foreign exchange risk exposures arise primarily from its operating activities (when the settlement occurred in the functional currencies, which differed from the Group's) and net investments related to overseas subsidiaries.

The Group has transactional currency exposures. These exposures mainly arise from sales or purchase of currencies other than the Group's functional currency by its operating entities.

The following table demonstrates the sensitivity of the Group's net profit (through the impact on floating rate borrowings) and shareholders' equity to a reasonable and possible change in foreign exchange rates, with all other variables held constant.

Items	Increase/(decrease) in rate	Current period	
		Increase/(decrease) in net profit	Increase/(decrease) in shareholders' equity
USD	+5%/-5%	-4,497,513.15/4,497,513.15	-4,497,513.15/4,497,513.15
EUR	+5%/-5%	1,786,235.31/-1,786,235.31	1,786,235.31/-1,786,235.31
HKD	+5%/-5%	-1,212,163.49/1,212,163.49	-1,212,163.49/1,212,163.49
JYP	+5%/-5%	1,614.45/-1,614.45	1,614.45/-1,614.45
CHF	+5%/-5%	-352,484.65/352,484.65	-352,484.65/352,484.65
GBP	+5%/-5%	425.91/-425.91	425.91/-425.91



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X. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Market risk (continued)

(2) Foreign exchange risk (continued)

Items	Increase/(decrease) in rate	Prior Period	Increase/(decrease) in shareholders' equity
		Increase/(decrease) in net profit	
USD	+5%/-5%	-4,621,667.28/4,621,667.28	-4,621,667.28/4,621,667.28
EUR	+5%/-5%	2,209,741.30/-2,209,741.30	2,209,741.30/-2,209,741.30
HKD	+5%/-5%	5,539,974.69/-5,539,974.69	5,539,974.69/-5,539,974.69
JYP	+5%/-5%	921.09/-921.09	921.09/-921.09
CHF	+5%/-5%	28,418.39/-28,418.39	28,418.39/-28,418.39
GBP	+5%/-5%	448.73/-448.73	448.73/-448.73

(3) Equity instruments price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities.

The Group is exposed to equity price risk arising from individual equity interest classified as held-for-trading equity investment and available-for-sale investments as at 31 December 2014. The Group's listed equity instrument investments are listed on the stock exchange in Shanghai, Shenzhen and Indonesia and are measured at quoted market prices at the balance sheet date.

The Group is exposed to equity price risk mainly through its investment in listed 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 (2013: 15% higher/lower), PAT for the year ended 31 December 2014 would increase/decrease by RMB66,395,408.38 (2013: increase/decrease by RMB27,452,000.00). This is mainly due to the changes in fair value of financial assets at FVTPL.

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X. RISK RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

5. CAPITAL MANAGEMENT

The main objective of the Group's capital management is to ensure the Group's ability to continue operations and to maintain healthy capital ratios in order to support business growth and maximize shareholders' value.

The Group manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally imposed capital requirements constraints. During the years 2014 and 2013, the capital management objectives, policies or procedures of the Group did not change.

The Group uses a leverage ratio to manage its capital. Leverage ratio refers to the percentage of net debt versus the amount of adjusted capital plus net debt.

Net debt is the total liabilities presented in the consolidated financial statements (including borrowings, accounts payable, other payables, financing lease payable, amounts due to holding company and amounts due to associates) less cash and cash equivalents. Total capital refers to the total equity attributable to owners of the parent company, as presented under the consolidated financial statements.

The Group's leverage ratio at the balance sheet date is as follows:

Item	Closing balance or ratio at end of the period	Opening balance or ratio at beginning of the period
Total debts	8,796,417,383.73	8,009,313,659.67
Total cash and cash equivalents	4,993,815,408.98	9,314,093,479.56
Subtotal of net debt	-3,802,601,974.75	1,304,779,819.89
Total equity attributable to owners of the parent company	5,590,919,388.43	5,114,068,305.18
Leverage ratio	68.01%	N/A(-25.51%)

Note: At end of the period, the Group held monetary fund amounting to RMB5,452,384,604.21 in order to acquire payment for the use of funds. The risk of monetary fund is similar to that of bond investment, which can be realized anytime. Taking into account the impact from such monetary fund, the subtotal of the net debt at end of the period will be RMB1,649,782,629.46, while in such case the leverage ratio is not applicable (-29.51%).

XI. FAIR VALUE

1. Fair value of financial assets and liabilities measured at fair value as at the end of the period

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement at fair value	-	-	-	-
(1) Equity instrument investment	589,850,878.29			589,850,878.29
(II) Available-for-sale financial assets	338,310,670.50			338,310,670.50
(2) Equity instrument investment	338,310,670.50			338,310,670.50
(3) Others		236,956,604.47		236,956,604.47
(I) Zhongrong monetary fund	5,452,384,604.21			5,452,384,604.21
II. non-continuous measurement at fair value	-	-	-	-

2. For items with continuous measurement at fair value, if any transfer in each level occurred during the current period, state the reason for transfer and policies about determination of time of transfer

During the year ended 31 December 2014, there were no significant transfers between financial instruments in Level 1 and Level 2.

3. Fair value of financial assets and financial liabilities not measured at fair value

Fair values of financial instruments not measured at fair value: The carrying amounts of the Group's financial instruments are stated at cost or amortization cost, which have no significant differences with their fair value during the year ended 31 December 2014.

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XII RELATED PARTIES AND TRANSACTIONS
1. Details of the parent company

Name of the parent company	Place of incorporation	Nature of business	Registered capital	Proportion of shareholdings in the Company	Proportion of voting power in the Company
China Textile Machinery (Group) Company Limited	Beijing	Manufacturing and trading of textile machinery	2,735,820,000.00	31.13%	31.13%

The ultimate controller of the Company is China Hengtian Group Company Limited.

2. Details of subsidiaries

Please refer to “Composition of the Group” in Note IX Equity in Other Entities for the details of the subsidiaries of the Company.

3. Associates and joint ventures of the Company

Please refer to “Significant associates and joint ventures” in Note IX Equity in Other Entities for the details of significant associates or joint ventures of the Company.

Details of other associates or joint ventures that had related party transactions with the Company in current period or formed balances from the transactions with the Company in previous period are as follows:

Name of associates or joint ventures	Relation with the Company
Anhui Huamao Jingwei New Textile Company Limited	Associate
Beijing Hang Tang Wealth Investment Management Company Limited	Associate
Hongda Research Company Limited	Associate
Jinzhong Jingwei Yu Xin Machinery Company Limited	Associate
Jingwei Machinery (Group) Company Limited	Associate
Shenzhen Ruiyuan Baoxing Fund Management Company Limited	Associate
Shanghai Rong European Equity Investment Fund Management Company Limited	Associate
Shenzhen Huarong Equity Investment and Fund Management Company Limited	Associate
Suizhou Jina Fu Construction Machinery Service Company Limited	Associate
Xianyang Jingwei Properties Company Limited	Associate
Xinhu Wealth Company Limited	Associate
China Texmatech Company Limited	Associate
Zhongrong Health Capital Management (Beijing) Company Limited	Associate
Beijing Jingpeng Investment Management Company Limited	Associate
Jinzhong Jingwei Heli General Machinery Company Limited	Subsidiary of Associate
Jinzhong Jingwei Electromechanical Equipment Company Limited	Subsidiary of Associate
Jingwei Machinery (Group) Jiali Industry Co., Ltd	Subsidiary of Associate
Jingwei Textile Machinery (Group) Construction & Development Company Limited	Subsidiary of Associate
Jingwei Textile Machinery (Group) General Machinery Company Limited	Subsidiary of Associate
Jingwei Machinery (Group) Company Limited Tool Equipment Manufacturing Branch	Subsidiary of Associate
Jingwei Machinery (Group) Company Limited Equipment Branch	Subsidiary of Associate



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XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

4. Other related parties

Name of other related parties	Relation with the Company
Changde Textile Machinery Factory	Companies controlled by the same parent company
Yichang Zhongfang Industry Company Limited	Companies controlled by the same parent company
China Textile Machinery Industry Corporation Beijing Material Service Company	Companies controlled by the same parent company
State-run Yichang Textile Machinery Factory	Companies controlled by the same parent company
China Textile Machinery Industry Corporation Sales Technology Service Company	Companies controlled by the same parent company
Xianyang Textile Machinery Factory	Companies controlled by the same parent company
Hongda Industrial Corporation Limited	Companies controlled by the same parent company
CHTC Heavy Industry Company Limited	Company controlled by the same actual controller
Shandong Helon Bolet Chemical Fiber Company Limited	Company controlled by the same actual controller
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation	Company controlled by the same actual controller
China Textile Industrial Corporation for Foreign Economic and Technical Cooperation International Development Branch	Company controlled by the same actual controller
Lixin Ranzheng Machinery (Shenzhen) Company Limited	Company controlled by the same actual controller
Handan Hongda Chemical Fiber Machinery Company Limited	Company controlled by the same actual controller
Shaoyang Textile Machinery Company Limited	Company controlled by the same actual controller
Jaingxi Kaima Bailujia Passenger Vehicle Company Limited	Company controlled by the same actual controller
Xianyang Hongda Real Estate Development Company Limited	Company controlled by the same actual controller
Zhengzhou Special Textile Machinery Technology Company Limited	Company controlled by the same actual controller
Hi-Tech Swan Company Limited	Company controlled by the same actual controller
Monforts Fong's Textile Machinery (Zhongshan) Company Limited	Company controlled by the same actual controller
Beijing Bohong Real Estate Company Limited	Company controlled by the same actual controller
Hang Tang Real Estate Company Limited	Company controlled by the same actual controller
Zhengzhou Textile Machinery Casting Company Limited	Company controlled by the same actual controller
China Hi-Tech Holdings Company Limited	Company controlled by the same actual controller
Zhengzhou Textile Machinery Automatic Control Equipment Company Limited	Company controlled by the same actual controller
Hengyang Textile Machinery Company Limited	Company controlled by the same actual controller
CHTC Power Co., Ltd.	Company controlled by the same actual controller
Textile Machinery Textile Machinery Company Shenyang Branch	Companies in which key personnel of subsidiaries have significant influence
Tianjin Textile Machinery Textile Machinery Parts Distribution Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Textile Machinery Electric Company	Companies in which key personnel of subsidiaries have significant influence
Qingdao Qingfeng Non-woven Technology Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Textile Machinery Wind Power Technology Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Helida Electric Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Textile Machinery Jinhui Mold Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Golden Great Wall Carton Manufacturing Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Textile Machinery Card Clothing Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Textile Machinery Casting Company Limited	Companies in which key personnel of subsidiaries have significant influence



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XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)**4. Other related parties (continued)**

Name of other related parties	Relation with the Company
Qingdao Textile Machinery Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Jinyi Pressing and Casting Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Lanlifeng Laser Technology Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Lvhuan Engineering (Machinery) Company Limited	Companies in which key personnel of subsidiaries have significant influence
Qingdao Textile Machinery Blowing Carding Technology Company Limited	Companies in which key personnel of subsidiaries have significant influence
Shenyang Textile Machinery Manufacturing Company Limited	Companies in which key personnel of subsidiaries have significant influence
Tianjin Baoheng Flyer Company Limited	Companies in which key personnel of subsidiaries have significant influence
Tianjin Textile Machinery Company Limited	Companies in which key personnel of subsidiaries have significant influence
Tianjin Textile Machinery Steel Restructuring Company Limited	Companies in which key personnel of subsidiaries have significant influence
Tianjin Textile Machinery Heat Treatment Company Limited	Companies in which key personnel of subsidiaries have significant influence
Tianjin Textile Machinery Branch Factory	Companies in which key personnel of subsidiaries have significant influence
Shenyang Hongsheng Textile Machinery Company Limited	Companies in which key personnel of subsidiaries have significant influence
Tsudakoma Industry Company Limited	Minority shareholders in subsidiary

5. Related party transactions**(1) Related party transactions relating to purchase and sales of goods and rendering and receipt of services****Purchases of goods/ receipt of services***Unit: RMB*

Related party	Related party transactions	2014	2013
Companies controlled by the same parent company Associate	Purchase of tools and molds	2,212,184.75	0.00
	Purchase of tools and molds	4,209,444.41	5,237,401.37
	Sub-total	<u>6,421,629.16</u>	<u>5,237,401.37</u>
Companies in which key personnel of subsidiaries have significant influence	Purchase of casting	8,107,340.26	40,225,578.54
	Sub-total	<u>8,107,340.26</u>	<u>40,225,578.54</u>
Company controlled by the same actual controller	Purchase of kinetic energy	15,192.78	27,759.02
	Sub-total	<u>15,192.78</u>	<u>27,759.02</u>

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XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)
5. Related party transactions (continued)
(1) Related party transactions relating to purchase and sales of goods and rendering and receipt of services (continued)
Purchases of goods and services (continued)
Unit: RMB

Related party	Related party transactions	2014	2013
Associate	Purchase of packing materials	0.00	21,794.87
Companies in which key personnel of subsidiaries have control or influence	Purchase of packing materials	8,157,220.72	17,726,698.80
	Sub-total	<u>8,157,220.72</u>	<u>17,748,493.67</u>
Companies controlled by the same parent company	Purchase of raw materials and parts	0.00	4,609,474.76
Company controlled by the actual controller	Purchase of raw materials and parts	109,220.47	33,280.67
Associate	Purchase of raw materials and parts	153,631,119.09	129,735,852.26
Companies in which key personnel of subsidiaries have control or influence	Purchase of raw materials and parts	132,739,643.41	223,554,747.21
Minority shareholders in subsidiary	Purchase of raw materials and parts	17,544,874.80	0.00
	Sub-total	<u>304,024,857.77</u>	<u>357,933,354.90</u>
Company controlled by the same actual controller	Purchases of finished goods	224,706,910.68	402,658,819.22
Associate	Purchases of finished goods	168,639.51	0.00
Companies in which key personnel of subsidiaries have control or influence	Purchases of finished goods	391,196.16	37,714,378.65
	Sub-total	<u>225,266,746.35</u>	<u>440,373,197.87</u>
Companies controlled by the parent company	Payment of processing fees	36,081.92	42,808.81
Associate	Payment of processing fees	28,598.65	9,311.68
Companies in which key personnel of subsidiaries have control or influence	Payment of processing fees	9,968,292.86	15,337,274.71
	Sub-total	<u>10,032,973.43</u>	<u>15,389,395.20</u>
Companies controlled by the same parent company	Payment of transportation service fees	2,543,275.16	3,241,695.93
	Sub-total	<u>2,543,275.16</u>	<u>3,241,695.93</u>
Companies controlled by the same parent company	Payment of repair and maintenance expenses	1,241,006.69	188,323.09
Associate	Payment of repair and maintenance expenses	2,709,383.90	4,133,562.08
	Sub-total	<u>3,950,390.59</u>	<u>4,321,885.17</u>

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XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)
5. Related party transactions (continued)
(1) Related party transactions relating to purchase and sales of goods and rendering and receipt of services (continued)
Purchases of goods and services (continued)
Unit: RMB

Related party	Related party transactions	2014	2013
Companies controlled by the same parent company	Payment of other supporting service fees	1,800,000.00	4,174,783.08
Company controlled by the actual controller	Payment of other supporting service fees	105,600.61	45,523.85
Associate	Payment of other supporting service fees	5,547,405.31	609,887.16
Companies in which key personnel of subsidiaries have control or influence	Payment of other supporting service fees	2,022,275.84	2,084,839.92
	Sub-total	<u>9,475,281.76</u>	<u>6,915,034.01</u>

Sales of goods/rendering of services
Unit: RMB

Related party	Related party transactions	2014	2013
Company controlled by the same actual controller	Sales of finished goods	81,411,469.09	43,269,437.03
Associate	Sales of finished goods	698,302,935.10	786,365,336.80
Companies in which key personnel of subsidiaries have control or influence	Sales of finished goods	30,599,713.44	1,082,226.75
	Sub-total	<u>810,314,117.63</u>	<u>830,717,000.58</u>
Companies controlled by the same parent company	Sales of raw materials and parts	4,676.92	10,920.43
Company controlled by the actual controller	Sales of raw materials and parts	1,417,520.34	3,020,458.37
Associate	Sales of raw materials and parts	58,813,450.08	58,033,973.14
Companies in which key personnel of subsidiaries have control or influence	Sales of raw materials and parts	1,332,966.78	10,062,727.65
	Sub-total	<u>61,568,614.12</u>	<u>71,128,079.59</u>
Associate	Charge of processing fees	365,269.67	326,613.44
	Sub-total	<u>365,269.67</u>	<u>326,613.44</u>
Companies controlled by the same parent company	Charge of supporting service fees	220,992.98	280,471.59
Associate	Charge of supporting service fees	4,240,433.94	1,970,989.86
	Sub-total	<u>4,461,426.92</u>	<u>2,251,461.45</u>

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XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)
5. Related party transactions (continued)
(2) Leasing service received and provided from/to related parties

The Company as lessor:

Unit: RMB

Lessee	Type of assets leased	Income from lease recognized in 2014	Income from lease recognized in 2013
CHTC Heavy Industry Company Limited	Machinery equipment	2,005,423.94	2,726,441.08
Tianjin Textile Machinery Company Limited	Building	1,890,000.00	1,836,000.00
Jingwei Machinery (Group) Construction & Development Company Limited	Building	100,000.00	0.00
		<hr/>	<hr/>
Total		<u>3,995,423.94</u>	<u>4,562,441.08</u>

The Company as lessee:

Unit: RMB

Lessor	Type of assets leased	Lease fee recognized in 2014	Lease fee recognized in 2013
Qingdao Textile Machinery Company Limited	Buildings	2,073,598.76	2,436,050.39
Qingdao Textile Machinery Company Limited	Land use right	2,844,216.00	2,844,216.00
CHTC Heavy Industry Company Limited	Buildings	98,744.80	98,744.80
		<hr/>	<hr/>
Total		<u>5,016,559.56</u>	<u>5,379,011.19</u>



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XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)**6. Accounts receivable from or payable to related parties****(1) Receivables***Unit: RMB*

Item	Related party	Balance as at 31 December 2014		Balance as at 1 January 2014	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Account receivable	Actual controller	63,998.00	63,998.00	63,998.00	63,998.00
	Companies controlled by the same parent company	140,641.73	140,641.73	140,641.73	140,641.73
	Company controlled by the same actual controller	8,432,087.54	457,816.03	9,520,647.05	457,816.03
	Associate	126,660,627.62	58,565.86	138,368,967.59	58,565.86
	Companies in which key personnel of subsidiaries have significant influence	714,880.41	11,114.27	1,267,316.77	11,114.27
	Total	136,012,235.30	732,135.89	149,361,571.14	732,135.89
Notes receivable	Company controlled by the same actual controller	395,456.09	0.00	3,976,250.00	0.00
	Associate	32,956,733.98	0.00	48,639,315.09	0.00
	Companies in which key personnel of subsidiaries have significant influence	1,800,000.00	0.00	2,439,000.00	0.00
	Total	35,152,190.07	0.00	55,054,565.09	0.00
Payment in advance	Companies controlled by the same parent company		0.00	1,487,827.29	0.00
	Company controlled by the same actual controller	49,316,461.88	1,847.00	10,722,486.95	0.00
	Associate	109,961,852.51	0.00	9,536,485.94	0.00
	Companies in which key personnel of subsidiaries have significant influence	74,557,327.50	0.00	66,468,575.50	0.00
	Total	233,835,641.89	1,847.00	88,215,375.68	0.00
Other receivables	Company controlled by the same actual controller	2,000,000.00	0.00	44,093,718.56	0.00
	Associate	94,702,127.33	11,185.21	35,775,385.95	11,185.21
	Total	96,702,127.33	11,185.21	79,869,104.51	11,185.21
Dividend receivable	Company controlled by the same actual controller	2,880,000.00	0.00	2,880,000.00	0.00
	Associate	31,400,000.00	0.00	33,142,950.70	0.00
	Total	34,280,000.00	0.00	36,022,950.70	0.00

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XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)
6. Accounts receivable from or payable to related parties (continued)
(2) Payables
Unit: RMB

Item	Related party	Book balance as at 31 December 2014	Book balance as at 1 January 2014
Account payable	Parent company	6,301,379.63	6,301,379.63
Account payable	Companies controlled by the same parent company	1,012,085.95	4,090,000.00
Account payable	Company controlled by the actual controller	51,706,074.07	81,361,985.86
Account payable	Associate	12,371,402.86	39,563,942.99
Account payable	Companies in which key personnel of subsidiaries have control or influence	60,710,268.85	66,277,787.56
Account payable	Minority shareholders in subsidiary	8,313,203.85	0.00
	Total	<u>140,414,415.21</u>	<u>197,595,096.04</u>
Notes payable	Associate	19,850,000.00	0.00
Notes payable	Companies in which key personnel of subsidiaries have control or influence	122,040,011.12	55,090,011.12
	Total	<u>141,890,011.12</u>	<u>55,090,011.12</u>
Advance from customers	Companies controlled by the same parent company	399.30	0.00
Advance from customers	Company controlled by the actual controller	1,096,255.00	797,737.00
Advance from customers	Associate	28,767,048.76	16,143,272.12
Advance from customers	Companies in which key personnel of subsidiaries have control or influence	10,315.57	7,772.86
	Total	<u>29,874,018.63</u>	<u>16,948,781.98</u>
Other payables	Parent company	20,231,020.72	20,231,020.72
Other payables	Companies controlled by the same parent company	11,469,872.56	22,151,507.75
Other payables	Company controlled by the actual controller	12,001,552.26	0.00
Other payables	Associate	5,741,250.37	10,741,412.94
Other payables	Companies in which key personnel of subsidiaries have control or influence	0.00	430,169.98
	Total	<u>49,443,695.91</u>	<u>53,554,111.39</u>
Dividend payable	Companies controlled by the same parent company	2,242,720.43	3,593,498.60
Dividend payable	Company controlled by the actual controller	11,932.15	18,154.56
Dividend payable	Companies in which key personnel of subsidiaries have control or influence	71,345.39	69,003.63
	Total	<u>2,325,997.97</u>	<u>3,680,656.79</u>



Notes to the Financial Statements
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(XIII) COMMITMENTS AND CONTINGENCIES**1. Significant commitment****Significant commitment on balance sheet date****(1) Capital commitments**

Item	Balance as at 31 December 2014	Balance as at 1 January 2014
Contracted but not yet recognized in financial statements – Commitments in relation to acquisition and construction of long-term assets	871,402,347.66	209,080,699.24
Total	<u>871,402,347.66</u>	<u>209,080,699.24</u>

Note: The amount above represents capital expenditure in respect of the acquisition of fixed assets and the increase in long-term equity investment 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:

Item	Balance as at 31 December 2014	Balance as at 1 January 2014
Minimum lease payments under non-cancellable finance leases:		
The first year subsequent to the balance sheet date	225,059.21	24,605,603.90
The second year subsequent to the balance sheet date	158,182.48	254,137.07
The third year subsequent to the balance sheet date	158,182.48	178,620.43
Subsequent periods	63,666.72	250,513.21
Total	<u>605,090.89</u>	<u>25,288,874.61</u>

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

(XIII) COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1) Significant contingencies on balance sheet date

1) Guarantees

Item	Balance as at 31 December 2014	Balance as at 1 January 2014
External guarantee:		
Guarantee for borrowings of third parties	150,000,000.00 ^(note1)	150,000,000.00
Guarantee for subsidiaries:		
Guarantee for banking facilities of subsidiaries (note)	80,000,000.00 ^(note2)	60,000,000.00
Guarantee with joint and several liabilities for lease of subsidiaries		
Total	230,000,000.00	210,000,000.00

Note 1: The Company provided irrevocable guarantee with joint and several liabilities for Beijing Hualian Group Investment Holding Company Limited (“Hualian Group”) to apply for credit facility of RMB 150 million from China Merchant Bank.

Note 2: As of 31 December 2014, the Company provided guarantee with joint and several liabilities for Changde Textile Machinery Company Limited to apply for a short-term comprehensive credit facility of RMB 80 million from Changde Bank of Communications for a guarantee period of 1 year. Changde Textile Machinery Company Limited used buildings worth of RMB 19,886,200, machinery equipment worth of RMB5,551,000 and land use right worth of RMB 18,387,000 as the subject for counter guarantee.

2) Issuance of letter of credit

Type	Currency	Original currency	RMB
Irrevocable letter issued but not yet completed	EUR	1,059,430.00	7,898,686.31
Total		1,059,430.00	7,898,686.31

3) Other significant events

The Company conducted cooperation with CMB Financial Leasing Co., Ltd. (hereinafter referred to as “CMB Leasing”) and Xinjiang Tiansheng Industrial Co., Ltd. (hereinafter referred to as “Xinjiang Tiansheng”) on financing lease of textile machinery. In previous years, total sales of textile machinery equipment amounted to RMB382,355,600. As Xinjiang Tiansheng, the lessee, seriously breached the agreement, the Company and CMB Leasing repurchased the leased property and lease debt rights of the above business. The Company accumulatively paid repurchase fund of RMB62,944,600, and included the same in the inventories. As of 31 December 2014, the Company was required to pay RMB3,997,400 for repurchase. As at 16 April 2014, Xinjiang Tiansheng was ruled by the Intermediate People’s Court of the 8th Division of Xinjiang Production and Construction Corps for restructuring. The Company has declared creditors’ rights to the restructuring manager and meanwhile reserved the right to reclaim the leased properties.

(2) The Company should also indicate even if it has no significant contingencies for disclosure

The Company has no significant contingencies required for disclosure.

Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

(XIV) POST BALANCE SHEET EVENT

1. Distribution of profits

Unit: RMB

Profit or dividend proposed to be distributed	0.05
Profit or dividend declared upon consideration and approval	0.05

2. Explanation of other post balance sheet date events

(1) Disposal of important assets

Upon the consideration, the Company passed the resolution on sales of industrial land of Tianjin Hongda Textile Machinery Company Limited passed at the interim meeting of the seventh session of board meeting, and agreed on the form and details of the compensation agreement for relocation. Tianjin Hongda Textile Machinery Company Limited, a wholly-owned subsidiary of the Company signed the compensation agreement for relocation with Tianjin Security Housing Construction and Investment Company and Tianjin Hebei District Construction and Development Company to sell the idle land at No. 56 Wanliucun Street, Hebei District, Tianjin for RMB232,660,000. The transaction did not constitute material asset organization.

(2) Significant capital commitments

The Company held the first interim shareholders' meeting as at 11 March 2015, considered and passed the proposal on investment of Zhongrong International Trust Co., Ltd in China Trust Guarantee Fund Company Limited. Zhongrong International Trust Co., Ltd contributed RMB 1.5 billion in cash to establish China Trust Guarantee Fund Company Limited, which was jointly sponsored by China Trustee Association together with many trustee companies on a volunteer basis and a registered capital of RMB11.5 billion. After the establishment, the shareholding ratio of Zhongrong International Trust Co., Ltd amounted to 13.04%.

(3) Privatization of H shares

The Board of the Company received the notices from China Hengtian, the ultimate controller as at 10 December 2013 and 20 February 2014, claiming that China Hengtian was considering the possibility to acquire all issued H shares of the Company through an off-shore company (possible offer). If China Hengtian carried out such offer, the voluntary termination of the listing status of H shares or approval of H shareholders of the Company would be added according to the Listing Rules as one of the conditions of the possible offer. As of the approval of the consolidated financial statement, the matter was in progress, and had no effects to the consolidated financial statement for the year ended 31 December 2014.

Notes to the Financial Statements
For the year ended 31 December 2014
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(XV) OTHER IMPORTANT MATTERS

1. Segment information

(1) Financial information of reporting segments

Item	2014				Total
	Segment of textile machinery equipment	Segment of trust and fiduciary service	Other	Inter-segment offset	
1. Income from external transactions	3,811,545,703.25	5,200,795,668.83	1,001,050,238.83		10,013,391,610.91
2. Income from inter-segment transactions	505,863.25		1,934,471.30	2,440,334.55	
3. Gains from investment in associates and joint ventures	24,762,128.34	30,009,712.55	12,700,593.17		67,472,434.06
4. Losses on asset impairment	42,441,512.44		8,487,930.40		50,929,442.84
5. Depreciation and amortization expenses	137,407,702.18	39,126,226.74	18,977,723.55		195,511,652.47
6. Total profits (total losses)	-253,846,280.08	3,215,681,500.67	-59,325,128.54	112,410,000.00	2,790,100,092.05
7. Income tax expenses	2,883,252.02	782,887,562.97	1,817,456.30		787,588,271.29
8. Net profits (net losses)	-256,729,532.10	2,432,793,937.70	-61,142,584.84	112,410,000.00	2,002,511,820.76
9. Total assets	8,309,174,754.65	12,200,312,129.03	1,270,001,152.62	464,869,880.09	21,314,618,156.21
10. Total liabilities	6,584,567,367.54	2,394,927,054.66	780,271,819.67	464,637,265.90	9,295,128,975.97
11. Other significant non-cash items					
(1) Non-cash expenses other than depreciation and amortization expenses					
(2) Long-term equity investment in associates and joint ventures	281,555,245.02	53,160,938.66	63,748,513.64	60,686,339.12	337,778,358.20
(3) Increase in other non-current assets other than long-term equity investment	26,995,403.08	995,863,491.55	32,658,237.44		1,055,517,132.07
Item	2013				Total
	Segment of textile machinery equipment	Segment of trust and fiduciary service	Other	Inter-segment offset	
1. Income from external transactions	4,953,197,610.27	4,946,887,798.92	658,190,928.47		10,558,276,337.66
2. Income from inter-segment transactions	57,784,385.30		806,293.03	58,590,678.33	
3. Gains from investment in associates and joint ventures	21,054,332.26	18,810,387.95	-1,831,718.60		38,033,001.61
4. Losses on asset impairment	19,584,382.31		5,550,686.92		25,135,069.23
5. Depreciation and amortization expenses	150,282,143.65	33,336,118.99	17,721,202.26		201,339,464.90
6. Total profits (total losses)	37,464,870.12	2,584,082,461.99	-53,070,381.99	93,028,263.23	2,475,448,686.89
7. Income tax expenses	3,280,123.12	690,805,385.91	207,490.40		694,292,999.43
8. Net profits (net losses)	34,184,747.00	1,893,277,076.08	-53,277,872.39	93,028,263.23	1,781,155,687.46
9. Total assets	8,629,371,081.13	9,687,506,492.26	917,919,252.31	371,309,994.61	18,863,486,831.09
10. Total liabilities	6,391,547,778.49	2,042,021,936.99	600,960,417.67	371,309,994.61	8,663,220,138.54
11. Other significant non-cash items					
(1) Non-cash expenses other than depreciation and amortization expenses					
(2) Long-term equity investment in associates and joint ventures	122,336,646.43	45,454,624.37	4,168,281.40		171,959,552.20
(3) Increase in other non-current assets other than long-term equity investment	53,891,695.09	-14,956,899.31	45,268,971.86		84,203,767.64

Notes to the Financial Statements
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(XVI) NOTES TO MAINS ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Balance as at 31 December 2014					Balance as at 1 January 2014				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Accounts receivable with significant single amount and individual provision for bad debts	399,557,398.76	63.60%	3,936,000.00	0.99%	395,621,398.76	230,786,685.42	36.35%			230,786,685.42
Accounts receivable with provision for bad debts accrued by credit risk features portfolio:	168,244,089.84	26.78%	7,093,898.28	4.22%	161,150,191.56	389,809,150.50	61.40%	11,119,407.45	2.85%	378,689,743.05
Accounts receivable with individually insignificant amount and individual provision for bad debt	60,456,084.34	9.62%	5,693,086.19	9.42%	54,762,998.15	14,259,901.76	2.25%	1,299,037.96	9.11%	12,960,863.80
Total	628,257,572.94	100.00%	16,722,984.47		611,534,588.47	634,855,737.68	100.00%	12,418,445.41		622,437,292.27

Accounts receivable with individually significant amount and separately provided for bad debts as at 31 December 2014:

Unit: RMB

Account receivables (by company)	Account receivables	Balance as at 31 December 2014		Reasons for provision
		Provision for bad debts	Proportion of provision	
Tianjin Hongda Textile Machinery Company Limited	86,043,624.93			Expected to be recovered
Taikang County Yinxin Cotton Industry Company Limited	57,045,776.00			Expected to be recovered
Shanxi Jingwei Heli Machinofacture Company Limited	46,797,320.47			Expected to be recovered
Tumxuk Qianhai Cotton Textile Machinery Company Limited	43,785,940.20			Expected to be recovered
Huangshi Jingwei Textile Machinery Company Limited	36,453,826.54			Expected to be recovered
Henan Xinye Textile Company Limited	33,545,000.00			Expected to be recovered
Pulead Technology Industry Company Limited	22,319,920.00			Expected to be recovered
Huangshi Xinning Steel Company Limited	15,756,550.10			Expected to be recovered
Huafang Group Jintian Textile Company Limited	15,642,950.00			Expected to be recovered
Jinzhong Fiber Company Limited	14,643,700.52			Expected to be recovered
Xinjiang Ruisheng Textile Company Limited	14,452,790.00			Expected to be recovered
Shanghai Zhongtian Industrial Development Company Limited	13,070,000.00	3,936,000.00	30.11%	Expected not to be received partially
Total	399,557,398.76	3,936,000.00		

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(XVI) NOTES TO MAINS ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY
(CONTINUED)

1. Accounts receivable (continued)

(1) Disclosure of account receivable by category (continued)

Accounts receivable with provision for bad debt made using the aging analysis method among the portfolios:

Unit: RMB

Aging	Balance as at 31 December 2014		Proportion of provision
	Account receivable	Provision for bad debts	
Sub-item within 1 year			
Sub-total within 1 year	151,975,767.35		
1-2 years	9,454,258.03	1,890,851.61	20.00%
2-3 years	3,222,035.58	1,611,017.79	50.00%
Over 3 years	3,592,028.88	3,592,028.88	100.00%
Total	<u>168,244,089.84</u>	<u>7,093,898.28</u>	

(2) Provision for bad debts provided, reversed or recovered in the year

The provision for bad debts in the current year amounted to RMB 4,366,096.98; the provision recovered or reversed in the year amounted to RMB 0.

(3) Account receivables actually written off in the year

Unit: RMB

Item	Amount written off
Account receivable actually written off	<u>61,557.92</u>

(4) Top five accounts receivable by the balance as at 31 December 2014 of the borrowers

Company	Relation with the Company	Balance as at 31 December 2014	Proportion in total accounts receivable (%)	Provision for bad debts
Tianjin Hongda Textile Machinery Company Limited	Subsidiary of the Company	86,043,624.93	13.70	
Taikang County Yinxin Cotton Industry Company Limited	Not related	57,045,776.00	9.08	
Shanxi Jingwei Heli Machinofacture Company Limited	Subsidiary of the Company	46,797,320.47	7.45	
Tumxuk Qianhai Cotton Textile Machinery Company Limited	Not related	43,785,940.20	6.97	
Huangshi Jingwei Textile Machinery Company Limited	Subsidiary of the Company	36,453,826.54	5.80	
Total		<u>270,126,488.14</u>	43.00	



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(XVI) NOTES TO MAINS ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY
(CONTINUED)

2. Other receivables

(1) Disclosure of other receivables by category

Unit: RMB

Category	Balance as at 31 December 2014					Balance as at 1 January 2014				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant amount and individual provision for bad debts	913,501,012.57	87.72%			913,501,012.57	634,775,047.49	67.97%			634,775,047.49
Other receivables with provision for bad debts accrued by credit risk features portfolio:										
Other receivables with individually insignificant amount and individual provision for bad debt	101,173,616.90	9.71%	531,902.17	0.53%	100,641,714.73	257,615,709.53	27.58%	291,486.00	0.11%	257,324,223.53
	26,811,578.11	2.57%	27,512.21	1.06%	26,784,065.90	41,585,387.13	4.45%	27,512.21	0.07%	41,557,874.92
Total	1,041,486,207.58	100.00%	559,414.38		1,040,926,793.20	933,976,144.15	100.00%	318,998.21		933,657,145.94

Other receivables with individually significant amount and separately provided for bad debts as at 31 December 2014:

Unit: RMB

Other receivables (by company)	Balance as at 31 December 2014			
	Other receivables	Provision for bad debts	Proportion of provision	Reason for provision
Hubei Xinchufeng Automobile Company Limited	262,429,362.33			Expected to be recovered
Tianjin Hongda Textile Machinery Company Limited	238,289,012.39			Expected to be recovered
Xianyang Jingwei Textile Machinery Company Limited	128,277,047.62			Expected to be recovered
Beijing Jingwei Textile Machinery New Technology Company Limited	56,728,935.84			Expected to be recovered
Huangshi Jingwei Textile Machinery Company Limited	52,106,992.01			Expected to be recovered
Wuxi Jingwei Textile Technology Testing Company Limited	39,753,136.36			Expected to be recovered
Qingdao Hongda Textile Machinery Company Limited	28,280,000.00			Expected to be recovered
Yichang Jingwei Machinery Company Limited	26,741,942.01			Expected to be recovered
Shanghai Huayuan Hyperthermia Technology Company Limited	25,729,927.77			Expected to be recovered
Anhui Huamao Jingwei New Textile Company Limited	23,168,561.91			Expected to be recovered
Changde Textile Machinery Company Limited	17,000,000.00			Expected to be recovered
Anshan Jingwei Haihong Agricultural Machinery Company Limited	14,996,094.33			Expected to be recovered
Total	913,501,012.57			

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(XVI) NOTES TO MAINS ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY
(CONTINUED)

2. Other receivables (continued)

(1) Disclosure of other receivables by category (continued)

Other receivables with provision for bad debt made using the aging analysis method among the portfolios:

Unit: RMB

Aging	Other receivables	Balance as at 31 December 2014	
		Provision for bad debts	Proportion of provision
Sub-item within 1 year			
Sub-total within 1 year	100,521,285.16		
2-3 years	240,859.14	120,429.57	50.00%
Over 3 years	411,472.60	411,472.60	100.00%
	<u>101,173,616.90</u>	<u>531,902.17</u>	<u></u>
Total	<u>101,173,616.90</u>	<u>531,902.17</u>	<u></u>

(2) Provision for bad debts provided, recovered or reversed in the year

The provision for bad debts in the current year amounted to RMB240,880.15; the provision recovered or reversed in the year amounted to RMB 0.

(3) Other receivables actually written off in the year

Unit: RMB

Item	Amount written off
Other receivables actually written off	<u>463.98</u>

(4) Classification of other receivables by nature

Unit: RMB

Nature of receivables	Book balance as at 31 December 2014	Book balance as at 1 January 2014
Current account with subsidiaries	967,520,916.59	847,731,375.18
Current funds	40,000,000.00	
Advances for others	16,326,325.46	30,927,629.14
Funds for equity transfer	9,700,000.00	50,360,000.00
Reserve/personal borrowings	5,307,732.23	3,917,855.09
Security	554,900.96	892,279.30
Input tax not deducted		19,481.96
Others	2,076,332.34	127,523.48
	<u>1,041,486,207.58</u>	<u>933,976,144.15</u>
Total	<u>1,041,486,207.58</u>	<u>933,976,144.15</u>

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(XVI) NOTES TO MAINS ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY
(CONTINUED)

2. Other receivables (continued)

(5) Top five other receivables by the balance as at 31 December 2014 of the borrowers

Unit: RMB

Company	Nature	Balance as at 31 December 2014	Aging	Proportion in total other receivables (%)	Provision for bad debts
Hubei Xinchufeng Automobile Company Limited	Current account	262,429,362.33	Within 2 years	25.20%	
Tianjin Hongda Textile Machinery Company Limited	Current account	238,289,012.39	Within 4 years	22.88%	
Xianyang Jingwei Textile Machinery Company Limited	Current account	128,277,047.62	Within 3 years	12.32%	
Beijing Jingwei Textile Machinery New Technology Company Limited	Current account	56,728,935.84	Within 2 years	5.45%	
Huangshi Jingwei Textile Machinery Company Limited	Current account	<u>52,106,992.01</u>	Within 2 years	5.00%	
Total	-	<u>737,831,350.19</u>	-	70.85%	

3. Long-term equity investment

Unit: RMB

Item	Balance as at 31 December 2014			Balance as at 1 January 2014		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	3,566,226,687.41	7,051,007.42	3,559,175,679.99	3,492,885,938.41	7,051,007.42	3,485,834,930.99
Investment in associates and joint ventures	<u>274,586,157.53</u>		<u>274,586,157.53</u>	<u>105,924,043.23</u>		<u>105,924,043.23</u>
Total	<u>3,840,812,844.94</u>	<u>7,051,007.42</u>	<u>3,833,761,837.52</u>	<u>3,598,809,981.64</u>	<u>7,051,007.42</u>	<u>3,591,758,974.22</u>

Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

(XVI) NOTES TO MAINS ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY
(CONTINUED)

3. Long-term equity investment (continued)

(1) Investment in subsidiaries

Unit: RMB

Investee	Balance as at 1 January 2014	Increase in 2014	Decrease in 2014	Balance as at 31 December 2014	Provision for impairment in 2014	Balance of provision for impairment as at 31 December 2014
Qingdao Hongda Textile Machinery Company Limited	96,009,790.51			96,009,790.51		
Zhengzhou Hongda New Textile Machinery Company Limited	80,805,191.00			80,805,191.00		
Shenyang Hongda Textile Machinery Company Limited	92,076,407.00			92,076,407.00		
Tianjin Hongda Textile Machinery Company Limited	88,237,953.00			88,237,953.00		
Changde Textile Machinery Company Limited	35,279,928.00			35,279,928.00		
Beijing Jingwei Textile Machinery New Technology Company Limited	98,407,084.00			98,407,084.00		
Tianjin Jingwei New Textile Machinery Company Limited	12,000,000.00			12,000,000.00		
Wuxi Hongda Textile Machinery and Special Parts Company Limited	4,765,534.00			4,765,534.00		
Wuxi Jingwei Textile Technology Test Company Limited	34,152,507.00	26,420,000.00		60,572,507.00		
Shanxi Jingwei Heli Machinofecture Company Limited	46,485,988.39			46,485,988.39		
Yichang Jingwei Textile Machinery Company Limited	15,000,000.00			15,000,000.00		
Jingwei Textile Machinery Yuci Material Company Limited	5,000,000.00			5,000,000.00		
Shanghai Weixin Electrical and Machinery Company Limited	14,400,000.00			14,400,000.00		
Shanghai Chuangan Trading Company Limited	12,570,000.00			12,570,000.00		
Hongkong Huaming Company Limited	62,559,880.00	99,820,749.00		162,380,629.00		
Huangshi Jingwei Textile Machinery Company Limited	17,851,007.41			17,851,007.41		7,051,007.42
Wuxi Jingwei Textile Machinery Sales Service Company Limited	4,793,503.17	4,600,000.00		9,393,503.17		
Anshan Jingwei Haihong Agricultural Machinery Company Limited	38,855,400.00			38,855,400.00		
Hubei Xinchufeng Automobile Company Limited	250,000,000.00			250,000,000.00		
Xianyang Jingwei Textile Machinery Company Limited	48,680,000.00			48,680,000.00		
Zhongrong International Trust Co., Ltd	2,063,145,321.62			2,063,145,321.62		
Yichang Jingwei Machinery Company Limited	78,927,593.34			78,927,593.34		
Jingwei Tsudakoma Textile (Xianyang) Company Limited	64,260,000.00			64,260,000.00		
JW-PROTTI MACCHINE TESSILI S.R	6,412,982.00			6,412,982.00		
Beijing Hentian Xinneng New Energy Automotive Technology Co., Ltd.		12,000,000.00		12,000,000.00		
Hengtian Motor Co., Ltd		2,500,000.00		2,500,000.00		
Shanxi Jingwei Textile Machinery and Special Parts Company Limited	35,860,000.00	24,000,000.00		59,860,000.00		
Taiyuan Jingwei Electrical Company Limited	5,312,000.00			5,312,000.00		

Notes to the Financial Statements
For the year ended 31 December 2014
(All amounts are stated in RMB unless otherwise stated)

(XVI) NOTES TO MAINS ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY
(CONTINUED)

3. Long-term equity investment (continued)

(1) Investment in subsidiaries (continued)

Unit: RMB

Investee	Balance as at 1 January 2014	Increase in 2014	Decrease in 2014	Balance as at 31 December 2014	Provision for impairment in 2014	Balance of provision for impairment as at 31 December 2014
Shanghai Jingwei PROTTI Textile Machinery Company Limited	40,357,554.97			40,357,554.97		
Shanxi Jingwei Precision Machinofacture Company Limited	17,200,000.00			17,200,000.00		
Jinzhong Fiber Company Limited	23,451,313.00			23,451,313.00		
Jinzhong Jingwei Hengxin Machinery Company Limited	4,029,000.00			4,029,000.00		
Beijing Jingpeng Investment Management Company Limited	96,000,000.00		96,000,000.00	0.00		
Total	3,492,885,938.41	169,340,749.00	96,000,000.00	3,566,226,687.41		7,051,007.42

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Balance as at 1 January 2014	Additional investment	Decrease in investment	Gains/losses on investment recognized under equity method	Increase/decrease in 2014 Adjustment in other comprehensive income	Changes in other equity	Cash dividend or profit declared for distribution	Provision for impairment	Other	Balance as at 31 December 2014	Balance of provision for impairment as at 31 December 2014
1. Joint venture											
2. Associate											
China Texmatech Company Limited	66,379,753.04			19,114,818.87	1,480.01		2,392,109.58			83,103,942.34	
Hongda Research Company Limited	7,921,682.93			316,195.55						8,237,878.48	
Jingwei Machinery (Group) Company Limited	13,476,545.11			2,122,021.99		136,974.25				15,735,541.35	
Beijing Hang Tang Wealth Investment Management Company Limited	18,146,062.15			32,019,154.68		123,624.89				50,288,841.72	
Xianyang Jingwei Properties Company Limited	0									0	
Xianyang Jingwei Textile Fiber Machinery Company Limited	20,000,000.00			-38,512.59						19,961,487.41	
Beijing Jingpeng Investment Management Company Limited	96,000,000.00			-755,593.65			2,462,424.62	4,476,484.50		97,258,466.23	
Sub-total	105,924,043.23	116,000,000.00		52,778,084.85	1,480.01	260,599.14	4,854,534.20	4,476,484.50		274,586,157.53	
Total	105,924,043.23	116,000,000.00		52,778,084.85	1,480.01	260,599.14	4,854,534.20	0.00	4,476,484.50	274,586,157.53	

Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

(XVI) NOTES TO MAINS ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY
(CONTINUED)

4. Operating income and operating costs

Unit: RMB

Item	2014		2013	
	Income	Cost	Income	Cost
Primary business	2,004,261,862.38	1,870,948,868.74	2,859,300,437.57	2,640,870,133.60
Other businesses	668,255,492.70	603,503,442.68	874,614,282.14	806,072,617.90
Total	<u>2,672,517,355.08</u>	<u>2,474,452,311.42</u>	<u>3,733,914,719.71</u>	<u>3,446,942,751.50</u>

5. Investment income

Unit: RMB

Item	2014	2013
Long-term equity investment measured at cost method	151,861,358.82	126,204,320.31
Long-term equity investment measured at equity method	52,778,084.85	24,763,342.80
Investment gain of financial assets measured at fair value through current profit and loss during the holding period	4,877,317.89	
Investment gain from disposal of financial assets measured at fair value through current profit and loss		8,354,565.73
Investment gain from held-to-maturity during the holding period	17,577,671.23	
Investment gain from disposal of held-to-maturity investment	5,600,000.00	
Total	<u>232,694,432.79</u>	<u>159,322,228.84</u>



Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

(XVII) SUPPLEMENTARY INFORMATION**1. Details of non-recurring profit or loss during the reporting period***Unit: RMB*

Item	Amount	Note
Gains/losses from disposal of non-current assets	-2,004,955.52	
Government grant which recorded into profit/loss of current year except that relevant to enterprise operation and in compliance with government policies	42,497,707.94	
Fund possession cost charged against non-financial enterprises included through current profit and loss	15,021,888.63	
Gains/losses from debt restructuring	4,828,771.26	
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	-1,615,141.44	
Other non-operating income and expense except above	11,667,989.31	
Less: Effect on income tax	13,902,377.77	
Effect on minority shareholders' equity	5,729,511.95	
Total	<u>50,764,370.46</u>	—

2. ROE and EPS

Profit during the reporting period	Weighted average ROE	EPS	
		Basic (RMB/share)	Diluted (RMB/share)
Net profit attributable to holders of ordinary shares of the Company	10.12%	0.77	0.77
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit and losses	9.17%	0.70	0.70

Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

(XVII) SUPPLEMENTARY INFORMATION (CONTINUED)

3. Variation in accounting information under overseas accounting standards

(1) Difference of net profits and net assets disclosed in the financial statements under international and Chinese accounting standards

Applicable Not Applicable

(2) Difference of net profits and net assets disclosed in the financial statements under overseas and Chinese accounting standards

Applicable Not Applicable

Name of overseas accounting standards

Unit: RMB

	Net profit		Net asset	
	Current Period	Last Period	Ending Balance	Open Balance
As per Chinese accounting standards	541,838,563.07	591,778,324.35	5,590,919,388.43	5,114,068,305.18
Items and amount of adjustment under overseas accounting standards:				
As per overseas accounting standards	<u>546,455,442.87</u>	<u>596,988,228.50</u>	<u>5,590,919,388.43</u>	<u>5,114,068,305.18</u>

(3) Explanation of variations in accounting information under overseas accounting standards; if adjustment was made to data audited by overseas auditors, the names of overseas auditors should be indicated

According to the Administrative Measures on Withdrawal and Use of Safety Production Expenses (Cai Qi (2012) No. 16) printed and distributed by the Ministry of Finance and the State Administration of Work Safety, the Group accrue a Safety Production expense since 2012.

Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

(XVII) SUPPLEMENTARY INFORMATION (CONTINUED)

4. Supplementary information on changes in accounting policies

According to eight accounting standards such as the Accounting Standards for Business Enterprise No.2 – Long-term Equity Investment issued by the Ministry of Commerce in 2014, the Company changed relevant accounting policies and made retroactive restatement to the comparative financial statements, the restated balance sheets as at 1 January 2013 and 31 December 2013 are shown as follows:

Unit: RMB

Item	As at 1 January 2013	As at 31 December 2013	As at 31 December 2014
Current Assets:			
Cash and bank balances	6,548,740,008.05	9,486,457,524.83	5,232,098,235.32
Financial assets measured at fair value through profit or loss	276,665,724.16	243,515,847.35	6,042,235,482.50
Notes receivable	1,376,597,049.14	1,548,491,284.12	784,056,222.14
Accounts receivable	698,770,042.46	778,564,374.89	769,988,186.02
Advances to suppliers	463,173,676.21	341,119,713.18	527,088,166.98
Interest receivables		64,114.99	7,739,384.47
Dividend receivables	10,265,494.00	36,022,950.70	34,280,000.00
Other receivables	283,950,683.69	311,436,433.54	329,103,171.46
Inventories	1,484,581,205.31	1,619,573,041.58	1,542,273,525.88
Non-current assets due within one year	22,082,751.25	4,301,428.55	300,000,000.00
Other current assets	537,168.49	329,774.69	30,809,500.70
Total Current Assets	<u>11,165,363,802.76</u>	<u>14,369,876,488.42</u>	<u>15,599,671,875.47</u>
Non-Current Assets:			
Available-for-sale financial assets	636,980,190.45	444,116,804.04	648,065,357.60
Long-term equity investments	151,876,433.17	171,959,552.20	337,778,358.20
Fixed assets	1,658,181,634.78	1,816,944,619.20	1,857,062,873.87
Construction in progress	268,578,405.91	149,669,840.40	131,754,878.24
Intangible assets	506,237,411.28	566,514,087.48	589,475,889.66
Development expenditure		14,221,806.55	14,221,806.55
Goodwill	844,306,425.04	845,120,985.01	845,120,985.01
Long-term deferred expenses	33,060,441.34	28,301,010.32	22,789,114.87
Deferred income tax assets	288,902,514.03	456,761,637.47	518,677,016.74
Other non-current assets			750,000,000.00
Total Non-Current Assets	<u>4,388,123,456.00</u>	<u>4,493,610,342.67</u>	<u>5,714,946,280.74</u>
Total Assets	<u>15,553,487,258.76</u>	<u>18,863,486,831.09</u>	<u>21,314,618,156.21</u>
Current Liabilities:			
Short-term borrowings	1,455,761,360.52	1,945,504,547.47	2,344,849,420.62
Notes payable	379,795,024.10	612,660,270.01	406,586,626.39
Accounts payable	1,730,702,546.56	1,755,525,871.17	1,439,100,345.82
Advances from customers	566,497,450.34	411,088,307.38	624,376,235.33
Employee benefits payables	1,106,647,580.96	1,629,884,230.60	2,044,945,000.36
Tax payable	357,569,382.58	509,209,633.97	461,255,177.52
Interest payables	48,489,844.48	49,201,704.03	52,213,735.05
Dividend payables	5,009,834.99	6,686,958.92	29,655,744.58
Other payables	344,259,776.02	329,994,838.71	305,610,634.64
Non-current liabilities due within one year	93,654,888.58	25,581,023.23	1,644,810.20
Total Current Liabilities	<u>6,088,387,689.13</u>	<u>7,275,337,385.49</u>	<u>7,710,237,730.51</u>

Notes to the Financial Statements
For the year ended 31 December 2014
 (All amounts are stated in RMB unless otherwise stated)

(XVII) SUPPLEMENTARY INFORMATION (CONTINUED)

4. Supplementary information on changes in accounting policies (continued)

Item	As at 1 January 2013	As at 31 December 2013	As at 31 December 2014
Non-Current Liabilities:			
Long-term borrowings			200,000,000.00
Bonds payable	1,200,000,000.00	1,200,000,000.00	1,200,000,000.00
Long-term payables	55,237,255.17	30,621,220.00	30,347,074.11
Long-term employee compensation payables	29,710,744.76	25,090,000.00	25,790,000.00
Special payables	17,341,405.91	20,102,619.80	22,200,000.00
Deferred income	96,755,977.44	112,068,913.25	102,352,673.14
Deferred income tax liabilities			4,201,498.21
Total Non-Current Liabilities	<u>1,399,045,383.28</u>	<u>1,387,882,753.05</u>	<u>1,584,891,245.46</u>
 Total Liabilities	 <u>7,487,433,072.41</u>	 <u>8,663,220,138.54</u>	 <u>9,295,128,975.97</u>
Owners' Equity:			
Share capital	704,130,000.00	704,130,000.00	704,130,000.00
Capital reserve	2,002,603,388.72	1,930,843,480.44	1,922,392,827.79
Other comprehensive income	-11,685,767.14	-52,141,269.87	-42,881,976.84
Special reserve	5,377,780.42	10,587,684.57	15,204,564.37
Surplus reserve	733,425,418.69	820,492,967.34	912,774,509.78
General risk reserve	56,712,015.61	105,343,583.49	187,708,061.32
Retained earnings	1,209,145,651.39	1,594,811,859.21	1,891,591,402.01
 Total owners' equity attributable to the parent company	 <u>4,699,708,487.69</u>	 <u>5,114,068,305.18</u>	 <u>5,590,919,388.43</u>
 Minority equity	 3,366,345,698.66	 5,086,198,387.37	 6,428,569,791.81
Total owners' equity	<u>8,066,054,186.35</u>	<u>10,200,266,692.55</u>	<u>12,019,489,180.24</u>
 Total liabilities and owners' equity	 <u>15,553,487,258.76</u>	 <u>18,863,486,831.09</u>	 <u>21,314,618,156.21</u>

Chapter XII Independent Auditor's Report – Hong Kong



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 198 to 270, which comprise the consolidated statement of financial position as at 31 December 2014, 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 2014 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

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 2014**

	Note	2014 RMB'000	2013 RMB'000
Turnover	5	9,945,695	10,479,372
Cost of sales		<u>(4,485,631)</u>	<u>(5,063,023)</u>
Gross profit		5,460,064	5,416,349
Other income	7	356,641	160,650
Gain/(loss) on change in fair value of financial assets at fair value through profit or loss		117,198	(11,123)
Selling and distribution expenses		(218,774)	(186,507)
Administrative expenses		(2,786,731)	(2,781,574)
Finance costs	8	(199,514)	(153,604)
Share of results of associates	20	<u>67,452</u>	<u>38,033</u>
Profit before taxation	9	2,796,336	2,482,224
Income tax expense	10	<u>(787,588)</u>	<u>(694,293)</u>
Profit for the year		<u>2,008,748</u>	<u>1,787,931</u>
Other comprehensive income/(loss)	12		
<i>Item that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit obligations		<u>(920)</u>	<u>1,980</u>
Item that will not be reclassified to profit or loss		<u>(920)</u>	<u>1,980</u>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		30	(206)
Change in fair value of available-for-sale financial assets		36,282	(150,016)
Share of other comprehensive income of associates		1	68
Income tax relating to components of other comprehensive (loss)/income		<u>(9,070)</u>	<u>37,504</u>
Items that may be reclassified subsequently to profit or loss		<u>27,243</u>	<u>(112,650)</u>
Other comprehensive income/(loss) for the year, net of income tax		<u>26,323</u>	<u>(110,670)</u>
Total comprehensive income for the year		<u><u>2,035,071</u></u>	<u><u>1,677,261</u></u>
Profit for the year attributable to:			
Owners of the Company		546,455	596,987
Non-controlling interests		<u>1,462,293</u>	<u>1,190,944</u>
		<u><u>2,008,748</u></u>	<u><u>1,787,931</u></u>
Total comprehensive income attributable to:			
Owners of the Company		555,716	556,532
Non-controlling interests		<u>1,479,355</u>	<u>1,120,729</u>
		<u><u>2,035,071</u></u>	<u><u>1,677,261</u></u>
Earnings per share	15		
– Basic and diluted		<u><u>RMB0.78</u></u>	<u><u>RMB0.85</u></u>

The notes on page 204 to 270 form part of these consolidated financial statements.



Consolidated Statement of Financial Position At 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	2,008,255	1,994,379
Prepaid lease payments	17	499,375	482,633
Intangible assets	18	91,940	86,271
Goodwill	19	845,121	845,121
Interests in associates	20	337,778	171,960
Available-for-sale financial assets	21	648,065	444,117
Deferred tax assets	22	518,677	456,761
Other non-current assets	23	750,000	–
		<u>5,699,211</u>	<u>4,481,242</u>
Current assets			
Inventories	24	1,542,274	1,619,573
Trade and other receivables	25	2,025,092	2,682,188
Prepaid lease payments	17	12,383	11,832
Held-to-maturity investments	26	300,000	–
Amount due from a holding company	27	–	64
Amounts due from fellow subsidiaries	27	62,564	72,822
Amounts due from associates	27	395,612	265,461
Current tax assets		3,148	330
Financial assets at fair value through profit or loss	28	6,042,235	243,516
Pledged bank deposits	29	238,283	172,364
Cash and cash equivalents	29	4,993,815	9,314,093
		<u>15,615,406</u>	<u>14,382,243</u>
Current liabilities			
Trade and other payables	30	4,878,215	4,802,214
Amounts due to holding companies	27	26,532	26,532
Amounts due to fellow subsidiaries	27	79,541	112,013
Amounts due to associates	27	66,730	66,449
Current tax liabilities		314,173	298,731
Borrowings – amount due within one year	31	2,344,850	1,945,505
Obligations under finance leases	32	195	23,891
		<u>7,710,236</u>	<u>7,275,335</u>
Net current assets		<u>7,905,170</u>	<u>7,106,908</u>
Total assets less current liabilities		<u>13,604,381</u>	<u>11,588,150</u>
Non-current liabilities			
Borrowings – amount due after one year	31	1,400,000	1,200,000
Obligations under finance leases	32	353	619
Deferred tax liabilities	22	4,201	–
Other non-current liabilities	33	180,337	187,264
		<u>1,584,891</u>	<u>1,387,883</u>
		<u>12,019,490</u>	<u>10,200,267</u>
Capital and reserves			
Share capital	34	704,130	704,130
Reserves		4,886,790	4,409,938
Equity attributable to owners of the Company		5,590,920	5,114,068
Non-controlling interests		6,428,570	5,086,199
		<u>12,019,490</u>	<u>10,200,267</u>

The consolidated financial statements on pages 198 to 270 were approved by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Ye Maoxin
Director

Yao Yuming
Director

The notes on page 204 to 270 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity For the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note 35(b))	Discretionary surplus reserve RMB'000 (note 35(c))	Regulatory reserve RMB'000 (note 35(d))	Production safety fund surplus reserve RMB'000 (note 35(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	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 38(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 38(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	<u>704,130</u>	<u>1,930,914</u>	<u>639,234</u>	<u>181,259</u>	<u>105,343</u>	<u>10,588</u>	<u>(47,610)</u>	<u>(3,723)</u>	<u>1,593,933</u>	<u>5,114,068</u>	<u>5,086,199</u>	<u>10,200,267</u>

The notes on page 204 to 270 form part of these consolidated financial statements.



Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 <i>(note 35(b))</i>	Discretionary surplus reserve RMB'000 <i>(note 35(c))</i>	Regulatory reserve RMB'000 <i>(note 35(d))</i>	Production safety fund surplus reserve RMB'000 <i>(note 35(e))</i>	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 2014	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
Profit for the year	-	-	-	-	-	-	-	-	546,455	546,455	1,462,293	2,008,748
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	10,169	188	(1,096)	9,261	17,062	26,323
Total comprehensive income for the year	-	-	-	-	-	-	10,169	188	545,359	555,716	1,479,355	2,035,071
Appropriation to reserve	-	-	92,282	-	82,365	-	-	-	(174,647)	-	-	-
Provision for production safety fund surplus reserve	-	-	-	-	-	16,051	-	-	(16,051)	-	-	-
Utilisation for production safety fund surplus reserve	-	-	-	-	-	(11,434)	-	-	11,434	-	-	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	67,903	67,903
Changes in ownership interest in a subsidiary that do not result in a loss of control <i>(note 38(b))</i>												
- acquisition	-	(12,948)	-	-	-	-	-	-	-	(12,948)	2,443	(10,505)
- disposal	-	4,497	-	-	-	-	-	-	-	4,497	12,796	17,293
Payment of dividends approved in respect of previous year <i>(note 14)</i>	-	-	-	-	-	-	-	-	(70,413)	(70,413)	-	(70,413)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(220,126)	(220,126)
At 31 December 2014	704,130	1,922,463	731,516	181,259	187,708	15,205	(37,441)	(3,535)	1,889,615	5,590,920	6,428,570	12,019,490

The notes on page 204 to 270 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		2,796,336	2,482,224
Adjustments for:			
Depreciation of property, plant and equipment		160,732	172,256
Net losses/(gains) on disposal of property, plant and equipment		1,185	(23,283)
Amortisation of intangible assets		18,193	17,053
Amortisation of prepaid lease payments		10,269	11,999
Interest income		(30,330)	(13,615)
Interest expenses		199,514	153,604
Losses/(gains) on deemed disposal/disposal of subsidiaries	39	75	(1,014)
Gain on disposal of an associate	7	(20)	–
Gain on bargain purchase	38(a)	–	(1,592)
Impairment losses for trade and other receivables, net		13,023	8,647
Share of results of associates		(67,452)	(38,033)
Dividend income from available-for-sale financial assets		(15,875)	(10,316)
Dividend income from held-to-maturity investments		(11,978)	–
Write-down of inventories		14,729	16,489
Net gains on disposal of available-for-sale financial assets		(1,453)	(12,339)
Net gains on disposal of held-to-maturity investments		(11,200)	–
Net (gains)/losses on disposal of financial assets at fair value through profit or loss		(118,385)	26,222
Net gains on disposal of prepaid lease payments		–	(570)
Net losses on disposal of intangible assets		820	–
Waiver of trade and other payables		(14,860)	(12,531)
Unrealised exchange (gains)/losses		(1,503)	124
Operating cash flows before movements in working capital		2,941,820	2,775,325
Decrease/(increase) in inventories		59,790	(121,834)
Decrease/(increase) in trade and other receivables		544,176	(12,616)
Decrease in amount due from holding company		64	–
Decrease in amounts due from fellow subsidiaries		16,053	35,582
Increase in amounts due from associates		(152,589)	(88,893)
(Increase)/decrease in financial assets at fair value through profit or loss		(5,680,334)	6,928
Increase in trade and other payables		81,386	582,657
Decrease in amounts due to fellow subsidiaries		(32,472)	(69,220)
Increase/(decrease) in amounts due to associates		281	(22,651)
Decrease in defined benefit obligations		(1,380)	(2,584)
(Decrease)/increase in deferred income and others		(7,628)	18,082
Cash (used in)/generated from operations		(2,230,833)	3,100,776
The PRC Corporate Income Tax paid		(841,872)	(703,291)
Net cash (used in)/generated from operating activities		(3,072,705)	2,397,485

The notes on page 204 to 270 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Investing activities			
Purchases of property, plant and equipment		(102,598)	(159,632)
Purchases of available-for-sale financial assets		(1,590,000)	(3,200)
Purchases of held-to-maturity investments		(380,000)	–
Payment on deposit of investment in Joint Venture		(750,000)	–
Increase in pledged bank deposits		(65,919)	(103,383)
Additions of prepaid lease payments		(25,584)	(1,221)
Acquisition of associates		(20,980)	(13,940)
Purchases of intangible assets		(24,682)	(44,957)
Proceeds from disposal of property, plant and equipment		76,057	–
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		1,427,804	12,339
Proceed from disposal of held-to-maturity investment		91,200	–
Interest received		22,735	13,615
Dividends received from an associate		49,135	5,000
Dividends received from available-for-sale financial assets		15,875	10,316
Dividends income from held-to-maturity investments		4,488	–
Net cash outflow on deemed disposal/disposal of subsidiaries	39	(122,528)	(822)
Net cash outflow on acquisition of subsidiaries	38(a)	–	(5,543)
Proceeds from disposal of an associate	7(b)	980	–
Net cash used in investing activities		<u>(1,394,017)</u>	<u>(283,581)</u>
Financing activities			
New borrowings raised		3,069,371	2,429,363
Increase in borrowings related to discounted bills		106,096	13,905
Repayment of bank loans		(2,575,216)	(2,022,305)
Grants and allowances received from government		22,628	59,130
Interest paid		(208,227)	(153,828)
Capital injection from non-controlling interests		16,633	786,801
Dividends paid to non-controlling interests		(197,157)	(161,920)
Dividends paid		(70,413)	(70,413)
Proceeds/(payments) arising from changes in ownership interests in subsidiaries that do not result in a loss of control			
– acquisition		(10,505)	(123,675)
– disposal		17,293	–
Capital element of finance lease rental paid		(23,962)	(33,259)
Interest element of finance lease rental paid		(723)	(2,160)
Net cash generated from financing activities		<u>145,818</u>	<u>721,639</u>
Net (decrease)/increase in cash and cash equivalents		(4,320,904)	2,835,543
Cash and cash equivalents at the beginning of the reporting period		9,314,093	6,479,759
Effect of foreign exchange rate changes on cash and cash equivalents		626	(1,209)
Cash and cash equivalents at the end of the reporting period		<u><u>4,993,815</u></u>	<u><u>9,314,093</u></u>
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		<u><u>4,993,815</u></u>	<u><u>9,314,093</u></u>

The notes on page 204 to 270 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

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% (2013: 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% (2013: 2.70%) of the equity interest in the Company. The remaining 66.17% (2013: 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 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Interpretation 21	Levies
Amendments to HKFRS 2 Included in Annual Improvements 2010-2012 Cycle	Definition of Vesting Condition ¹
Amendments to HKFRS 3 Included in Annual Improvements 2010-2012 Cycle	Accounting for Contingent Consideration in a Business Combination ¹
Amendments to HKFRS 13 Included in Annual Improvements 2010-2012 Cycle	Short-term Receivables and Payables
Amendments to HKFRS 1 Included in Annual Improvements 2011-2013 Cycle	Meaning of Effective HKFRSs

¹ Effective from 1 July 2014.

The adoption of the above new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

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.

HKFRS 9	Financial Instruments ⁴
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ²
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations ²
HKFRS 14	Regulatory Deferral Accounts ⁵
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements ²
Annual Improvements 2010 – 2012 Cycle	Amendments to a number of HKFRSs ¹
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of HKFRSs ¹
Annual Improvements 2012 – 2014 Cycle	Amendments to a number of HKFRSs ²

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2018.

⁵ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

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 all applicable HKFRSs which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”), Interpretations and Accounting Guidelines issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

(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 2014

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 2014

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 HKFRS.

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.

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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (continued)

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.

(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.



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Foreign currencies (continued)

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.

(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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

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.

(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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Taxation (continued)

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.

(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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of tangible and intangible assets other than goodwill (continued)

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*.

(r) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss (“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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial instruments (continued)

Financial assets at FVTPL

Financial assets at FVTPL of the Group represent financial assets held for trading which has been acquired principally for the purpose of selling in the near term. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit and loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from a holding company, fellow subsidiaries and associates, pledged bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity investments when the Group has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are then classified as non-current assets. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in the consolidated statement of comprehensive income when the financial assets are derecognised or impaired, as well as through the amortisation process.

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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity and trust investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables from third parties and related parties, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial instruments (continued)

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*.

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 collateralized 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 and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 2014, the carrying amount of goodwill is RMB845,121,000 (2013: RMB845,121,000). Details of the recoverable amount calculation are disclosed in note 19.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

4 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(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 2014, total provision for the employee retirement benefits is RMB27,240,000 (2013: RMB26,780,000).

(f) Deferred tax assets

As at 31 December 2014, deferred tax assets of RMB518,677,000 (2013: RMB456,761,000) 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.

(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, 33 and 37 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:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Manufacture and sales of textile machinery and related material, parts and component	3,750,847	4,872,785
Provision of trust and fiduciary services	5,200,796	4,946,888
Manufacture and sales of other non-textile products	994,052	659,699
	9,945,695	10,479,372
	9,945,695	10,479,372

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

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 organised into three divisions:

- (a) manufacture and sales of textile machinery and related material, parts and component;
- (b) provision of trust and fiduciary services; and
- (c) manufacture and sales of other non-textile products.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of other income/(expenses), finance costs, gains/(losses) 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, AFS financial assets and held-to-maturity investments and unallocated corporate assets (if any). Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than unallocated corporate liabilities (if any).

Segment information about these businesses is presented below:

	Manufacture and sales of textile machinery and related material, parts and component RMB'000	Provision of trust and fiduciary services RMB'000	Manufacture and sales of other non- textile products RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2014					
TURNOVER					
External sales	3,750,847	5,200,796	994,052	–	9,945,695
Inter-segment sales	506	–	1,934	(2,440)	–
Total	<u>3,751,353</u>	<u>5,200,796</u>	<u>995,986</u>	<u>(2,440)</u>	<u>9,945,695</u>
RESULT					
Segment results	<u>(317,561)</u>	<u>2,999,779</u>	<u>18,687</u>	<u>–</u>	2,700,905
Unallocated income					110,295
Finance costs					(199,514)
Gain on change in fair value of financial assets at fair value through profit or loss					117,198
Share of results of associates					<u>67,452</u>
Profit before taxation					2,796,336
Income tax expense					<u>(787,588)</u>
Profit for the year					<u>2,008,748</u>

Inter-segment sales are charged at prevailing market rates.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

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 2014					
ASSETS					
Segment assets	7,682,573	11,546,432	1,264,500	(464,731)	20,028,774
Interests in associates					337,778
Available-for-sale financial assets					648,065
Held-to-maturity investments					300,000
Consolidated total assets					<u>21,314,617</u>
LIABILITIES					
Segment liabilities	6,247,503	2,394,927	1,117,334	(464,637)	9,295,127
Consolidated total liabilities					<u>9,295,127</u>
Other information for the year ended 31 December 2014					
Additions to non-current assets	210,031	27,853	51,854	–	289,738
Depreciation of property, plant and equipment	79,030	34,215	47,487	–	160,732
Amortisation of intangible assets	9,659	4,911	3,623	–	18,193
Amortisation of prepaid lease payments	8,186	–	2,083	–	10,269
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					(694,293)
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 2014**

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 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
Consolidated total assets					<u>18,863,485</u>
LIABILITIES					
Segment liabilities	6,391,546	2,042,022	600,960	(371,310)	8,663,218
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	<u>10,152</u>	<u>–</u>	<u>1,847</u>	<u>–</u>	<u>11,999</u>

(b) Geographical information

The Group's operations and assets are principally carried out and mainly 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 2014 and 2013.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

7 OTHER INCOME

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from banks	15,308	13,067
Interest income from amounts due from related parties	15,022	548
Consultancy fee income	35,649	19,326
Government subsidies (note a)	42,510	41,048
Gain on disposal of an associate (note b)	20	–
Gains on disposal of subsidiaries (note 39)	–	1,014
Gain on bargain purchase (note 38(a))	–	1,592
Net gains on disposal of available-for-sale financial assets	1,453	12,339
Net gains on disposal of held-to-maturity investment	11,200	–
Net gains on disposal of financial assets at fair value through profit or loss	118,385	–
Net gains on disposal of property, plant and equipment	–	23,283
Net gains on disposal of prepaid lease payments	–	570
Net foreign exchange gains	–	3,056
Rental income	12,026	8,170
Dividend income from available-for-sale financial assets	15,875	10,316
Dividend income from financial assets at fair value through profit or loss	49,916	3,533
Dividend income from held-to-maturity investments	11,978	–
Reversal of impairment losses of trade and other receivables	–	26,836
Available-for-sale financial assets carried at fair value:		
Reclassification from other comprehensive income (note 12(b))		
– Disposal	743	(46,047)
Waiver of trade and other payables	14,860	12,531
Others	11,696	29,468
	<u>356,641</u>	<u>160,650</u>

Notes:

- (a) Government subsidies mainly represent subsidies received from local authorities to support project construction, repayment of interest from bank loans, research and development activities carried out by the Group in relation to textile industry.
- (b) In August 2014, the Group disposed of 49% equity interest in Zhongrong Kang Jian Capital Management (Beijing) Company Limited (“Zhongrong Kang Jian”) to an independent third party at a consideration of RMB980,000, recognising a gain on disposal of an associate in the consolidated statement of profit or loss and other comprehensive income.

8 FINANCE COSTS

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on borrowings wholly repayable within five years	<u>199,514</u>	<u>153,604</u>



Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

9 PROFIT BEFORE TAXATION

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation has been arrived at after charging/(crediting):		
Salaries, wages and other benefits	2,082,315	1,978,669
Retirement benefits costs	206,140	190,711
Reversal of retirement and supplemental benefit obligation ¹		
– Interest costs	1,170	1,070
– Past service cost	–	(1,690)
	1,170	(620)
Total staff costs (including directors' remuneration)	2,289,625	2,168,760
Auditor's remuneration	4,505	3,960
Gain on bargain purchase ²	–	(1,592)
Amortisation:		
– intangible assets	18,193	17,053
– prepaid lease payments	10,269	11,999
Cost of inventories recognised as an expense	4,191,029	4,784,706
Depreciation of property, plant and equipment	160,732	172,256
Impairment losses for trade and other receivables	13,023	35,483
Reversal of impairment losses of trade and other receivables ²	–	(26,836)
Losses/(gains) ² on deemed disposal/disposal of subsidiaries	75	(1,014)
Net gains on disposal of available-for-sale financial assets ²	(1,453)	(12,339)
Net (gains) ² /losses ¹ on disposal of financial assets at fair value through profit or loss	(118,385)	26,222
Net gains on disposal of held-to-maturity investments ²	(11,200)	–
Net losses ¹ /(gains) ² on disposal of property, plant and equipment	1,185	(23,283)
Net gains on disposal of prepaid lease payments ²	–	(570)
Net losses on disposal of intangible assets ¹	820	–
Minimum lease payments paid under operating lease in respect of land and buildings	115,242	90,166
Net foreign exchange losses ¹ /(gains) ²	22,333	(3,056)
Research and development costs ³	191,746	219,753
Waiver of trade and other payables ²	(14,860)	(12,531)
Write-down of inventories	29,166	16,489

¹ Included in administrative expenses

² Included in other income

³ Research and development costs included RMB111,296,000 (2013: RMB90,932,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

10 INCOME TAX EXPENSE

Income tax recognised in profit or loss

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– The PRC Corporate Income Tax	856,190	824,241
– Hong Kong Profits Tax	1,771	–
– Overseas Income Tax	16	–
	857,977	824,241
(Over)/under provision in prior years		
– The PRC Corporation Income Tax	(3,791)	407
– Overseas Income Tax	187	–
	(3,604)	407
Deferred tax credit for the year (note 22)	(66,785)	(130,355)
	787,588	694,293

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2014. Provision for Hong Kong Profits Tax has not been made as the Group has no taxable profits in Hong Kong for the year ended 31 December 2013. 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 2014, the Company's PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2013: 25%), except for certain subsidiaries which are regarded as high and new technology enterprises and thus enjoy a preferential tax rate of 15% (2013: 15%).



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

10 INCOME TAX EXPENSE (CONTINUED)

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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before taxation	<u>2,796,336</u>	<u>2,482,224</u>
Tax at the PRC Corporate Income Tax rate of 15% (2013: 15%) (note a)	419,450	372,334
Tax effect of share of results of associates	(10,118)	(5,705)
Tax effect of other temporary differences not recognised	(36)	4,976
Tax effect of non-taxable income	(14,013)	(4,280)
Tax effect of tax losses not recognised	67,533	46,843
Tax effect on non-deductible expenses	9,174	16,551
Tax effect on utilisation of tax losses not previously recognised	(1,378)	(778)
Effect of different tax rates of subsidiaries operating in other jurisdictions	333,652	276,895
Reduction of tax in respect of tax benefits (note b)	(13,072)	(12,950)
(Over)/under-provision in prior years	<u>(3,604)</u>	<u>407</u>
Income tax expense	<u>787,588</u>	<u>694,293</u>

Notes:

- (a) The tax rate of 15% represented the tax rate applicable to a majority of the Group companies.
- (b) Certain of the Company's PRC subsidiaries are entitled to tax benefits on purchase of PRC produced plant and equipment for production use and on certain qualifying research and development expenses charged to profit or loss for the year.

Income tax recognised in other comprehensive income/(loss) for the year

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Deferred tax		
Arising from income and expense recognised in other comprehensive income/(loss):		
– Change in fair value of available-for-sale financial assets	<u>(9,070)</u>	<u>37,504</u>

11 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of the Company of RMB12,560,000 (2013: profit of RMB47,508,000) which has been dealt with in the financial statements of the Company.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

12 OTHER COMPREHENSIVE INCOME/(LOSS)

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

	2014			2013		
	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>	Income tax expense <i>RMB'000</i>	Net-of-tax amount <i>RMB'000</i>
Remeasurement of defined benefit obligations	(920)	–	(920)	1,980	–	1,980
Exchange difference on translation of foreign operations	30	–	30	(206)	–	(206)
Change in fair value of available-for-sale financial assets (note (b))	36,282	(9,070)	27,212	(150,016)	37,504	(112,512)
Share of other comprehensive income of associates	1	–	1	68	–	68
	<u>35,393</u>	<u>(9,070)</u>	<u>26,323</u>	<u>(148,174)</u>	<u>37,504</u>	<u>(110,670)</u>

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Available-for-sale financial assets:		
Change in fair value recognised during the year	37,025	(196,063)
Reclassification adjustments for amounts transferred to profit or loss:		
– Disposal	(743)	46,047
	<u>36,282</u>	<u>(150,016)</u>
Net movement in the investment revaluation reserve during the year recognised in other comprehensive income/(loss)	<u>36,282</u>	<u>(150,016)</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 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Fees	220	200
Other emoluments:		
– Salaries, allowances and other benefits	706	500
– Discretionary bonus	1,924	1,381
– Retirement benefit costs	68	44
	<u>2,918</u>	<u>2,125</u>



**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

The compensation paid to the Group's directors and supervisors has been disclosed as follows:

Year ended 31 December 2014

	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		–	203	775	15	993
Wang Jiangan	(iii)	–	–	–	–	–
		–	203	775	15	993
Independent non-executive directors:						
Xu Wenyong	(i)	–	–	–	–	–
Au Guozun		80	–	–	–	80
Li Min	(vi)	42	–	–	–	42
Chen Jinrong	(iii)	66	–	–	–	66
Zuo Yan An	(iv),(v)	32	–	–	–	32
Niu Hongjun	(vii)	–	–	–	–	–
		220	–	–	–	220
		220	203	775	15	1,213
Supervisors:						
Tu Kelin	(i)	–	–	–	–	–
Hu Guangfei		–	75	170	9	254
Liu Hong		–	–	–	–	–
Cheng Nuo		–	115	138	16	269
Ding Yuwei		–	181	605	16	802
Qiao Yu	(iii)	–	132	236	12	380
		–	503	1,149	53	1,705
		220	706	1,924	68	2,918

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

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	(iii)	–	–	–	–	–
		<u>–</u>	<u>204</u>	<u>664</u>	<u>14</u>	<u>882</u>
Independent non-executive directors:						
Liu Huangsong	(ii)	32	–	–	–	32
Xu Wenying	(i)	56	–	–	–	56
Au Guozun		56	–	–	–	56
Li Min	(vi)	56	–	–	–	56
Chen Jinrong	(iii)	–	–	–	–	–
		<u>200</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>200</u>
		<u>200</u>	<u>204</u>	<u>664</u>	<u>14</u>	<u>1,082</u>
Supervisors:						
Tu Kelin	(i)	–	–	–	–	–
Hu Guangfei		–	70	218	9	297
An Yongzhi	(ii)	–	82	140	9	231
Liu Hong		–	–	–	–	–
Cheng Nuo		–	37	46	4	87
Ding Yufei		–	107	313	8	428
Qiao Yu	(iii)	–	–	–	–	–
		<u>–</u>	<u>296</u>	<u>717</u>	<u>30</u>	<u>1,043</u>
		<u>200</u>	<u>500</u>	<u>1,381</u>	<u>44</u>	<u>2,125</u>

Note:

- (i) Resigned on 4 March 2014
- (ii) Resigned on 15 August 2013
- (iii) Appointed on 4 March 2014
- (iv) Appointed on 27 June 2014
- (v) Resigned on 11 December 2014
- (vi) Resigned on 27 June 2014
- (vii) Appointed on 11 March 2015



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

13 DIRECTORS', SUPERVISORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(a) Directors' and supervisors' emoluments (continued)

No director or supervisor waived, or agreed to waive, any emoluments in either year.

No emoluments were paid by the Group to the directors or the supervisors as an inducement to join or upon joining the Group or as compensation for loss of office in either year.

(b) Highest paid individuals

Of the five individuals with highest emoluments in the Group, no individual was either director (2013: none) or supervisor (2013: none) of the Company. The emoluments of the remaining five (2013: five) individuals are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Salaries, allowances and other benefits	3,674	8,557
Discretionary bonus	124,680	28,941
Retirement benefit costs	111	142
	<u>128,465</u>	<u>37,640</u>

The emoluments of the remaining five (2013: five) individuals with the highest emoluments are within the following bands:

	2014 Number of Individuals	2013 Number of Individuals
In Hong Kong dollars ("HKD")		
HKD7,000,001 to HKD7,500,000	–	2
HKD8,000,001 to HKD8,500,000	–	1
HKD12,000,001 to HKD12,500,000	–	1
HKD12,500,001 to HKD13,000,000	–	1
HKD14,000,001 to HKD14,500,000	1	–
HKD17,000,001 to HKD17,500,000	1	–
HKD35,000,001 to HKD35,500,000	1	–
HKD37,000,001 to HKD37,500,000	1	–
HKD58,500,001 to HKD59,000,000	1	–
	<u>1</u>	<u>–</u>

14 DIVIDENDS

Dividends recognised as distributions during the year:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Final dividend paid for 2013, RMB10 cents (2013: Final dividend paid for 2012, RMB10 cents) per share:		
A shares		
– Restricted	22,984	29,630
– Others	29,349	22,703
H shares	18,080	18,080
	<u>70,413</u>	<u>70,413</u>

Subsequent to the end of the reporting period a final dividend of RMB5 cents per share in respect of the year ended 31 December 2014 (2013: RMB10 cents per share) has been proposed by the Board of Directors of the Company.

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

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 RMB546,455,000 (2013: RMB596,987,000) and the weighted average number of shares of 704,130,000 (2013: 704,130,000) 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.

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 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 38(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 39)	(5,907)	(3,120)	(753)	–	(9,780)
Assigned assets after construction	189,755	86,815	58	(276,628)	–
At 31 December 2013 and 1 January 2014	1,529,272	1,619,319	115,315	149,670	3,413,576
Additions	14,429	48,938	3,198	170,929	237,494
Disposals and other reductions	(45,422)	(243,337)	(15,011)	–	(303,770)
Derecognised on disposal of a subsidiary (note 39)	(3,361)	–	(4,536)	–	(7,897)
Assigned assets after construction	122,039	66,649	156	(188,844)	–
At 31 December 2014	1,616,957	1,491,569	99,122	131,755	3,339,403



**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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>
Accumulated depreciation and impairment					
At 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 38(a))	–	256	373	–	629
Eliminated on disposals	(28,739)	(98,654)	(26,536)	–	(153,929)
Eliminated on disposal of a subsidiary (note 39)	(2,397)	(2,169)	(697)	–	(5,263)
At 31 December 2013 and 1 January 2014	386,775	971,008	61,414	–	1,419,197
Charge for the year	58,600	90,380	11,752	–	160,732
Eliminated on disposals	(28,143)	(206,097)	(11,221)	–	(245,461)
Eliminated on disposal of a subsidiary (note 39)	(757)	–	(2,563)	–	(3,320)
At 31 December 2014	416,475	855,291	59,382	–	1,331,148
Carrying value					
At 31 December 2014	<u>1,200,482</u>	<u>636,278</u>	<u>39,740</u>	<u>131,755</u>	<u>2,008,255</u>
At 31 December 2013	<u>1,142,497</u>	<u>648,311</u>	<u>53,901</u>	<u>149,670</u>	<u>1,994,379</u>

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 2014, the certificates of ownership of certain buildings of the Group at carrying value of RMB223,899,000 (2013: RMB523,446,000) situated in the PRC, have not been passed to the Group.

At 31 December 2014, the Group's bank loans were secured by certain of the Group's buildings with aggregate net carrying amount of RMB7,117,000 (2013: RMB30,929,000). (note 31)

During the year, there is no addition of property, plant and equipment held by the Group under finance leases (2013: RMB1,122,000).

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Cost – capitalised finance leases	1,538	121,757
Accumulated depreciation	(565)	(85,079)
Carrying value	<u>973</u>	<u>36,678</u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

17 PREPAID LEASE PAYMENTS

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Analysed for reporting purposes as:		
Current asset	12,383	11,832
Non-current asset	499,375	482,633
	511,758	494,465

At 31 December 2014, the Group's bank loans were secured by certain of the Group's land use rights with an aggregate net carrying amount of RMB239,742,000 (2013: RMB105,726,000). (note 31)

18 INTANGIBLE ASSETS

	Development cost <i>RMB'000</i>	Patents and licences <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
At 1 January 2013	–	43,962	41,606	85,568
Additions	–	6,800	38,157	44,957
Acquired on acquisition of subsidiaries (note 38(a))	14,222	–	259	14,481
Disposals	–	(139)	(7,414)	(7,553)
	14,222	50,623	72,608	137,453
At 31 December 2013 and 1 January 2014	14,222	50,623	72,608	137,453
Additions	–	10,123	14,559	24,682
Disposals	–	(2,375)	(599)	(2,974)
	14,222	58,371	86,568	159,161
	Accumulated amortisation and impairment			
At 1 January 2013	–	18,513	15,657	34,170
Charge for the year	–	6,506	10,547	17,053
Eliminated on disposals	–	(33)	(8)	(41)
	–	24,986	26,196	51,182
At 31 December 2013 and 1 January 2014	–	24,986	26,196	51,182
Charge for the year	–	5,119	13,074	18,193
Eliminated on disposals	–	(1,555)	(599)	(2,154)
	–	28,550	38,671	67,221
	Carrying value			
At 31 December 2014	14,222	29,821	47,897	91,940
At 31 December 2013	14,222	25,637	46,412	86,271

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 and manufacturing of non-textile machinery.



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

18 INTANGIBLE ASSETS (CONTINUED)

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 definitive 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.

19 GOODWILL

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Cost and carrying value		
At 1 January	845,121	844,307
Arising from acquisition of subsidiaries (note 38(a))	–	814
At 31 December	845,121	845,121

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:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Multiple units without significant goodwill	11,732	11,732
Provision of trust and fiduciary services	833,389	833,389
	845,121	845,121

During the year, the management of the Group determined 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 4-year period (2013: 5-year period), and discount rate of 17% (2013: 17%). This unit’s cash flows beyond the 4-year period (2013: 5-year period) are extrapolated using a steady 3% (2013: 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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

20 INTERESTS IN ASSOCIATES

	2014 RMB'000	2013 RMB'000
Cost of investment, unlisted	261,793	141,793
Share of post-acquisition profits and other comprehensive income, net of dividends received	75,985	30,167
	337,778	171,960

Details of the Group's associates as at 31 December 2014 and 2013 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
			2014 %	2013 %	2014 %	2013 %	
Hongda Research Company Limited	the PRC	RMB50,000,000	40.00	40.00	40.00	40.00	Sale and development of textile machinery
China Texmatech Company Limited	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	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 Properties Company Limited (Formerly known as Xianyang Jingwei Textile Machinery Manufacturing Company Limited)	the PRC	RMB75,079,600	24.33	24.33	24.33	24.33	Development of real estate
Xinhu Wealth Management Company Limited	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	the PRC	RMB4,000,000	49.00	49.00	49.00	49.00	Provision of trust and fiduciary services
Zhongrong Kang Jian (note (a))	the PRC	RMB2,000,000	–	49.00	–	49.00	Provision of trust and fiduciary services
Jinzhong Jingwei Yuxin Machinery Company Limited	the PRC	RMB5,000,000	20.00	20.00	20.00	20.00	Design, manufacture and sales of textile machinery
Suizhou Jinafu Engineering and Machinery Services Company Limited	the PRC	RMB15,000,000	40.00	40.00	40.00	40.00	Provision for logistics and construction services
Shanghai Rongou Equity Investment and Fund Management Company Limited	the PRC	RMB10,000,000	40.00	40.00	40.00	40.00	Investment holding, provision for asset and investment management and business advisory services
Beijing Jingpeng Investment Management Company Limited ("Beijing Jingpeng") (note (b))	the PRC	RMB222,220,000	45.00	–	45.00	–	Investment management, sales of electronic and chemical products
Xianyang Jingwei Fiber Machinery Co., Ltd. (note (c))	the PRC	RMB50,000,000	40.00	–	40.00	–	Manufacture and sales of fiber machinery and related components
Lhasa Rongzheng Investment Management Consulting Co., Ltd. (note (c))	the PRC	RMB2,000,000	49.00	–	49.00	–	Provision of asset management and business advisory services



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

20 INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

- (a) In August 2014, the Group disposed of 49% equity interest in Zhongrong Kang Jian to an independent third party at a consideration of RMB980,000.
- (b) In September 2014, the Company and 2 subsidiaries of the Group, Beijing Jingwei Textile Machinery New Technology Company Limited (“Beijing New Technology”) and Beijing Jingpeng, entered into an agreement, with independent third parties pursuant to which the independent third parties agreed to make a capital contribution of RMB122,220,000 to Beijing Jingpeng in cash. Upon completion of the transaction, the registered capital of Beijing Jingpeng increased from RMB100,000,000 to RMB222,220,000 and the equity interest in Beijing Jingpeng held by the Group was diluted from 99.54% to 45%. As the Group loses the control of Beijing Jingpeng but retains significant influence over it, Beijing Jingpeng is therefore classified as an associate of the Group (see note 39).
- (c) 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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current assets	2,835,351	2,237,589
Non-current assets	1,260,949	983,797
Current liabilities	(2,590,166)	(2,251,030)
Non-current liabilities	(420,935)	(329,250)
	<u>1,085,199</u>	<u>641,106</u>
Net assets		
	<u>1,085,199</u>	<u>641,106</u>
Revenue	<u>6,361,134</u>	<u>6,593,440</u>
Profit for the year	<u>320,117</u>	<u>166,151</u>
Other comprehensive income for the year	<u>6</u>	<u>369</u>
Total comprehensive income for the year	<u>320,123</u>	<u>166,520</u>
Dividend received from associates for the year	<u>24,696</u>	<u>30,757</u>
The Group’s share of post-tax profit	<u>67,452</u>	<u>38,033</u>
The Group’s share of other comprehensive income	<u>1</u>	<u>68</u>
The Group’s share of total comprehensive income	<u>67,453</u>	<u>38,101</u>
Aggregate carrying amount of the Group’s interests in associates	<u>337,778</u>	<u>171,960</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
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21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Listed securities		
– Debenture – the PRC (note a)	–	28,547
– Equity securities – the PRC (note b)	338,311	302,349
	338,311	330,896
Unlisted securities		
– Equity securities – the PRC (note c)		
Cost	92,992	87,522
Accumulated impairment losses	(20,194)	(20,194)
	72,798	67,328
– Trust investments – the PRC (note d)	236,956	45,893
	309,754	113,221
	648,065	444,117

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. The Group disposed the debenture in the current year.
- (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 losses 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.
- (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 2014

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 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 and 1 January 2014	4,400	44,179	4,527	403,655	456,761
(Charged)/credited to consolidated statement of profit or loss and other comprehensive income for the year (note 10)	(1,545)	–	–	68,330	66,785
Charged to investment revaluation reserve (note 12(a))	–	(9,070)	–	–	(9,070)
At 31 December 2014	<u>2,855</u>	<u>35,109</u>	<u>4,527</u>	<u>471,985</u>	<u>514,476</u>
			2014 <i>RMB'000</i>		2013 <i>RMB'000</i>
For presentation purposes:					
Deferred tax assets			518,677		456,761
Deferred tax liabilities			(4,201)		–
			<u>514,476</u>		<u>456,761</u>

Note: Others mainly represent deferred tax assets/(liabilities) 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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Tax losses	1,108,133	699,427
Other temporary differences	334,822	287,192
	<u>1,442,955</u>	<u>986,619</u>

At 31 December 2014, the Group has unused tax losses of approximately RMB1,138,313,000 (2013: RMB729,607,000) available for offset against future profits. Deferred tax assets have been recognised in respect of approximately RMB30,180,000 (2013: RMB30,180,000) of such losses. No deferred tax asset has recognised for the remaining balance of approximately RMB1,108,133,000 (2013: RMB699,427,000) due to unpredictability of future profit streams.

**Notes to the Consolidated Financial Statements
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22 DEFERRED TAXATION (CONTINUED)

The unrecognised tax losses will expire in the following years ending 31 December:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
2014	–	47,600
2015	67,014	67,014
2016	75,722	75,722
2017	182,975	182,975
2018	276,827	312,287
2019	495,060	–
2023	5,182	–
No expiry date	5,353	13,829
	<u>1,108,133</u>	<u>699,427</u>

23 OTHER NON-CURRENT ASSETS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables in respect of sales of textile and medical products from independent third parties (note a)	–	4,301
Deposits paid to set up a Joint Venture (note b)	750,000	–
	750,000	4,301
Less: Amount due for settlement within 1 year and shown under current assets (note 25)	–	(4,301)
	<u>750,000</u>	<u>–</u>

Notes:

- (a) The amount represented trade receivables from certain customers which are agreed to be settled by instalments in 2013.
- (b) The carrying amounts of the deposits approximate to their fair values.

24 INVENTORIES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Raw materials	397,946	405,312
Work in progress	501,153	571,742
Finished goods	643,175	642,519
	<u>1,542,274</u>	<u>1,619,573</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Carrying amount of inventories sold	4,191,029	4,784,706
Write down of inventories	29,166	16,489
	<u>4,220,195</u>	<u>4,801,195</u>

At 31 December 2014, the Group's bank loans were secured by certain of the Group's inventories with an aggregate carrying amount of RMB8,080,000 (2013: RMB8,462,000) (note 31).



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

25 TRADE AND OTHER RECEIVABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables	683,344	669,380
Less: Allowance for doubtful debts	<u>(47,932)</u>	<u>(38,910)</u>
	635,412	630,470
Bills receivable (note)	750,704	1,495,876
Deposits and other receivables	268,120	232,168
Prepayments	370,856	319,373
Non-current assets (due within 1 year) (note 23)	<u>–</u>	<u>4,301</u>
	<u><u>2,025,092</u></u>	<u><u>2,682,188</u></u>

Note:

At the end of the reporting period, the carrying amount of outstanding bills receivable of RMB325,079,000 (2013: RMB660,196,000) and RMBNil (2013: RMB13,905,000) has been endorsed to certain creditors and discounted to the banks respectively. If the bills receivable 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 receivable, 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 31). The Group continues to present the endorsed bills and discounted bills as bills receivable until maturity.

At 31 December 2014, the carrying values of bills receivable that have been transferred but have not been derecognised amounted to RMB470,069,000 (2013: RMB674,101,000) and the carrying amount of the associated liability is RMB470,069,000 (2013: RMB674,101,000). The carrying values approximate their fair values.

At 31 December 2014, the Group has pledged bills receivable with a carrying amount of RMB64,590,000 (2013: RMB32,928,000) to secure issuing certain bills payable for settlement of suppliers. (see note 30)

Receipts of customer's payments in advance, as deposits on 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 governing the relevant transactions. A credit period ranging from 30 to 360 days may be granted to large or long established customers with a good payment history. The following is an aged analysis of the trade and bills receivable net of allowance for doubtful debts, including receivables from a holding company, fellow subsidiaries and associates (note 27):

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within 1 year	1,524,253	2,288,085
Over 1 year but less than 2 years	23,611	32,212
Over 2 years but less than 3 years	<u>6,180</u>	<u>6,758</u>
	<u><u>1,554,044</u></u>	<u><u>2,327,055</u></u>

The following is an aged analysis of trade and bills receivable, including receivables from a holding company, fellow subsidiaries and associates, which are past due but not impaired:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Over 1 year but less than 2 years	23,611	32,212
Over 2 years but less than 3 years	<u>6,180</u>	<u>6,758</u>
	<u><u>29,791</u></u>	<u><u>38,970</u></u>

The Group has not provided for certain trade receivables aged over one year because historical experience indicates that those trade debtors have a good credit history and the balance of these receivables is eventually recovered. The Group does not hold any collateral over these balances.

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25 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts of trade receivables (excluding trade receivables included under other non-current assets):

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	38,910	35,061
Impairment losses recognised	9,755	12,773
Impairment losses reversed	–	(3,753)
Derecognised on disposal of subsidiaries	–	(278)
Amounts written off as uncollectible	(733)	(4,893)
	47,932	38,910
At 31 December	47,932	38,910

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB47,932,000 (2013: RMB38,910,000). 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 2014, the trade and other receivables included an aggregate amount of RMB2,504,000 (2013: RMB3,706,000), representing certain trade balances between the Group and companies in which certain key management personnel of the Group have influence in. Except for the amount of RMB59,576,000 (2013:RMBNil) are bearing interest of 6.16% per annum and repayable on demand, the amounts are unsecured, non-interest bearing and repayable on demand.

26 HELD-TO-MATURITY INVESTMENTS

The Group's held-to-maturity investments represent trust investments that are issued by a financial institution incorporated in the PRC, with fixed interest at 18% to 18.4% per annum payable quarterly, and will mature during September 2015 to October 2015. None of these assets have been past due or impaired at the ended of the reporting period.

27 AMOUNTS DUE FROM/TO HOLDING COMPANIES/FELLOW SUBSIDIARIES/ASSOCIATES

Amount due from a holding company

The amount is unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature balances with carrying amount of approximately RMBNil (2013: RMB64,000).

Amounts due from fellow subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature balances with carrying amount of approximately RMB8,369,000 (2013: RMB13,638,000).

Amounts due from associates

Except for the amount of RMB49,803,000 (2013:RMBNil), bearing interest from 6% to 18% per annum and repayable in 2015, the amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature balances with a carrying amount of approximately RMB159,559,000 (2013: RMB187,007,000).

Amounts due to holding companies/fellow subsidiaries/associates

The amounts are unsecured, non-interest bearing and repayable on demand. Included in the balances are trade nature balances with a carrying amount of approximately RMB91,240,000 (2013: RMB131,317,000).



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Listed securities – held for trading:		
– Equity securities – the PRC	586,934	239,098
– Equity securities – Indonesia	2,916	4,418
	589,850	243,516
Unlisted securities – held for trading:		
– Trust investment – the PRC (note)	5,452,385	–
	6,042,235	243,516

Note: Unlisted trust investments are stated at fair value using valuation techniques in which all significant inputs are directly and indirectly based on observable market data and nature of products.

29 PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Pledged bank deposits represent deposits pledged to banks to secure bills payable and letters of credit granted to the Group. The average effective interest rate on pledged bank deposits is 2.94% (2013: 3.08%).

At the end of the reporting period, cash and cash equivalents comprised mainly short-term deposits which carry interest at prevailing market rates.

30 TRADE AND OTHER PAYABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade payables	1,367,709	1,624,209
Bills payable	386,737	612,660
Advances from customers	594,513	394,147
Other payables and accrued charges	2,529,256	2,171,198
	4,878,215	4,802,214

At 31 December 2014, the Group has endorsed bank acceptance bills to certain creditors amounting to RMB325,079,000 (2013: RMB660,196,000). The settlement of trade payables by such bills will only be derecognised when the relevant bills mature.

At 31 December 2014, trade and other payables included an aggregate carrying amount of RMB90,748,000 (2013: RMB121,368,000), representing certain trade balances between the Group and companies in which certain key management personnel of the Group have influence. The amounts are unsecured, non-interest bearing and repayable on demand.

At 31 December 2014, certain of the Group's bills payable were secured by certain of the Group's bills receivable with aggregate net carrying amount of RMB64,590,000 (2013: RMB32,928,000).

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within 1 year	1,748,806	2,296,242
Over 1 year but less than 2 years	76,533	39,844
Over 2 years but less than 3 years	3,511	9,553
Over 3 years	16,837	22,547
	1,845,687	2,368,186

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

31 BORROWINGS

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Medium term note (“MTN”)	1,200,000	1,200,000
Discounted bills	–	13,905
Variable-rate bank loans	1,043,850	1,253,600
Fixed-rate bank loans	1,501,000	678,000
	<u>3,744,850</u>	<u>3,145,505</u>
Secured	1,317,000	1,309,805
Unsecured	2,427,850	1,835,700
	<u>3,744,850</u>	<u>3,145,505</u>
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
The borrowings are repayable as follows:		
On demand or within 1 year	2,344,850	1,945,505
More than 1 year, but not exceeding 2 years	200,000	–
More than 2 years, but not exceeding 5 years	1,200,000	1,200,000
	<u>3,744,850</u>	<u>3,145,505</u>
Less: Amount due within 1 year and shown under current liabilities	<u>(2,344,850)</u>	<u>(1,945,505)</u>
	<u>1,400,000</u>	<u>1,200,000</u>

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.

At 31 December 2014, the Group does not have discounted bills. At 31 December 2013, discounted bills carried interest at market rates ranging from 5.40% to 8.40% per annum.

Variable-rate bank loans that are denominated in foreign currencies of RMB135,496,000 (2013: RMB135,700,000) bear interest from 2.20% to 4.10% (2013: 1.57% to 4.77%) per annum. Variable-rate bank loans of RMB466,354,000 (2013: RMBNil) bear interest at the prime rate offered by the People’s Bank of China (the “PBOC”). The remaining variable-rate bank loans of RMB442,000,000 (2013: RMB1,117,900,000) bear interest from 90% to 125% of the rate offered by the PBOC (2013: 90% to 125% of the rate offered by the PBOC). All these variable interest rates are repriced from every one month to every six months (2013: from every one months to every six months).

Fixed-rate bank loans bear interest from 5.60% to 10.44% (2013: 5.60% to 10.44%) per annum.

The ranges of effective interest rate of the borrowings are also equal to contracted interest rates.

At 31 December 2014, the Group, has undrawn borrowing facilities amounting to approximately RMB4,607,328,000 (2013: RMB5,033,809,000).

At the end of the reporting period, the borrowings are secured by certain of the Group’s assets:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Property, plant and equipment (note 16)	7,117	30,929
Land use rights (note 17)	239,742	105,726
Inventories (note 24)	8,080	8,462
Bills receivable (note 25)	–	13,905
	<u>254,939</u>	<u>158,022</u>

At 31 December 2014, certain of the Group’s bank loans to the extent of RMB2,000,000 (2013: RMB4,900,000) are guaranteed by a third party.



**Notes to the Consolidated Financial Statements
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32 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Amounts payable under finance leases				
Within 1 year	225	24,606	195	23,891
More than 1 year and not more than 5 years	380	684	353	619
	<u>605</u>	<u>25,290</u>	<u>548</u>	<u>24,510</u>
Less: future finance charges	(57)	(780)	—	—
Present value of lease obligations	<u>548</u>	<u>24,510</u>	548	24,510
Less: Amount due for settlement within 1 year (shown under current liabilities)			(195)	(23,891)
Amount due for settlement after 1 year			<u>353</u>	<u>619</u>

33 OTHER NON-CURRENT LIABILITIES

	2014 RMB'000	2013 RMB'000
Deferred income (note a)	124,553	132,180
Retirement benefit obligations (note b)	27,240	26,780
Others	29,994	29,994
	<u>181,787</u>	<u>188,954</u>
Less: Current portion included in trade and other payables	(1,450)	(1,690)
	<u>180,337</u>	<u>187,264</u>

Notes:

- (a) The amount comprises (i) government subsidies received in relation to lease payment of land of RMB9,005,000 (2013: RMB9,211,000) and acquisition of qualifying assets of RMB50,653,000 (2013: RMB60,773,000) 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 on technological development in textile industry and repayment of bank loan interest of RMB27,125,000 (2013: RMB19,175,000) 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 RMB37,770,000 (2013: RMB43,021,000) 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 RMB27,240,000 (2013: RMB26,780,000) 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 43).

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

34 SHARE CAPITAL

2014

	1 January 2014	Increase/(decrease) (Note)	31 December 2014
Number of shares			
Registered, issued and fully paid			
– restricted	229,871,234	(30,000)	229,841,234
– others	293,458,766	30,000	293,488,766
H shares, RMB1.00 each	180,800,000	–	180,800,000
	<u>704,130,000</u>	<u>–</u>	<u>704,130,000</u>

RMB'000

Registered, issued and fully paid			
– restricted	229,871	(30)	229,841
– others	293,459	30	293,489
H shares, RMB1.00 each	180,800	–	180,800
	<u>704,130</u>	<u>–</u>	<u>704,130</u>

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
	<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
	<u>704,130</u>	<u>–</u>	<u>704,130</u>

Note: For the year, 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 30,000 shares held by 1 senior management personnel of the Group were unlocked during the reporting period and changed to unlimited trading A shares.

In 2013, 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.

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 2014

35 RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 (note 34)	Share premium RMB'000	Statutory surplus reserve RMB'000 (note 35(b))	Discretionary surplus reserve RMB'000 (note 35(c))	Production safety fund surplus reserve RMB'000 (note 35(e))	Retained earnings RMB'000	Total RMB'000
At 1 January 2013	704,130	2,048,032	231,448	150,000	1	227,241	3,360,852
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 and 1 January 2014	704,130	2,048,032	236,808	150,000	91	198,886	3,337,947
Loss and total comprehensive loss for the year	-	-	-	-	-	(12,560)	(12,560)
Appropriation to reserve	-	-	1,791	-	-	(1,791)	-
Provision for production safety fund surplus reserve	-	-	-	-	3,145	(3,145)	-
Utilisation for production safety fund surplus reserve	-	-	-	-	(2,495)	2,495	-
Payment of dividends approved in respect of previous year (note 14)	-	-	-	-	-	(70,413)	(70,413)
At 31 December 2014	704,130	2,048,032	238,599	150,000	741	113,472	3,254,974

(b) Statutory surplus reserve

According to the relevant laws and regulations and the Articles of Association of respective companies comprising the Group, 10% of profit after tax ("PAT") reported under PRC Generally Acceptable Accounting Principles ("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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

35 RESERVES (CONTINUED)

(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 International Trust Co., Ltd. ("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 a production safety fund to improve 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 35(b));
- (iii) Allocations to the discretionary surplus reserve (see note 35(c)); and
- (iv) Allocations to the production safety fund surplus reserve (see note 35(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 2014

36 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 31, 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:

	2014 RMB'000	2013 RMB'000
Total debts	8,796,416	8,177,223
Cash and cash equivalents	<u>(4,993,815)</u>	<u>(9,314,093)</u>
Net debt/(cash)	3,802,601	(1,136,870)
Equity	<u>5,590,920</u>	<u>5,114,068</u>
Net debt to equity ratio	<u>68%</u>	<u>N/A</u>

At the end of the reporting period, the Group held trust investment amounted RMB5,452,385,000 in which can be converted into cash any time. Taking the effect of the currency fund into accounts, net cash at the end of the reporting period would be RMB1,649,784,000 hence the net debt to equity is not applicable in this circumstance.

37 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Financial assets at fair value through profit or loss	6,042,235	243,516
Loans and receivables (including cash and cash equivalents)	7,344,510	12,187,619
Available-for-sale financial assets	648,065	444,117
Held-to-maturity investments	300,000	—
Financial liabilities		
Other financial liabilities	<u>(8,206,104)</u>	<u>(7,783,076)</u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

37 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, held-to-maturity investments, 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 purchase raw materials for textiles 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	2014 RMB '000	2013 RMB '000
Cash and cash equivalents	USD	40,295	52,297
	EUR	12,303	44,283
	HKD	22,766	130,352
	Others	29	32
Trade and other receivables	USD	3,220	10,091
	EUR	88,796	22,262
	HKD	72,762	–
	CHF	38	668
Trade and other payables	USD	(301)	(35,432)
	EUR	(58,717)	(14,550)
	HKD	(124,050)	–
	Others	(8,313)	–
Borrowings	USD	(135,496)	(135,700)
Total	USD	(92,282)	(108,744)
	EUR	42,382	51,995
	HKD	(28,522)	130,352
	CHF	38	668
	Others	(8,284)	32

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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

37 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Foreign currency risk (continued)

If RMB strengthens against foreign currencies by 5%:

	USD impact		EUR impact		HKD impact		CHF impact	
	2014	2013	2014	2013	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit after taxation	<u>3,922</u>	<u>4,622</u>	<u>(1,802)</u>	<u>(2,210)</u>	<u>1,213</u>	<u>(5,540)</u>	<u>(2)</u>	<u>(28)</u>

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 rates 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, debentures, 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 amounts outstanding at the end of the reporting period were 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:

	2014	2013
Reasonably possible change in interest rate	100 basis points	100 basis points
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Increase/(decrease) in profit after taxation		
– as a result of increase in interest rate	(8,873)	(10,656)
– as a result of decrease in interest rate	<u>8,873</u>	<u>10,656</u>

(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 41. 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 RMB248,571,000 (2013: RMB268,457,000) 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 RMB91,300,000 (2013: RMB119,383,000) 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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

37 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(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 2014, the Group has available unutilised borrowing facilities of approximately RMB4,607,328,000 (2013: RMB5,033,809,000). Details of which are set out in note 31.

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.

	Weighted average effective interest rate %	More than Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	Total 2 years but less than 3 years RMB'000	More than 3 years RMB'000	undiscounted cash flow RMB'000	Carrying amount RMB'000
2014							
Non-derivative financial liabilities							
Trade and other payables (excluding advances from customers)		4,283,702	–	–	–	4,283,702	4,283,702
Amounts due to holding companies		26,532	–	–	–	26,532	26,532
Amounts due to fellow subsidiaries		79,541	–	–	–	79,541	79,541
Amounts due to associates		66,730	–	–	–	66,730	66,730
Obligations under finance leases	6.17	225	158	158	64	605	548
Borrowings							
Fixed rate	5.99	1,344,337	223,178	1,357,147	–	2,924,662	2,701,000
Variable rate *	5.74	1,075,097	–	–	–	1,075,097	1,043,850
		<u>6,876,164</u>	<u>223,336</u>	<u>1,357,305</u>	<u>64</u>	<u>8,456,869</u>	<u>8,201,903</u>
	Weighted average effective interest rate %	More than Within 1 year or demand RMB'000	More than 1 year but less than 2 years RMB'000	Total 2 years but less than 3 years RMB'000	More than 3 years RMB'000	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>

* 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 2014

37 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 and trust investments 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 (2013: 15% higher/lower), PAT for the year ended 31 December 2014 would increase/decrease by RMB66,395,000 (2013: increase/decrease by RMB 27,452,000). 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
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37 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(vi) Fair values (continued)

(a) Financial instruments carried at fair value (continued)

2014

	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	589,850	–	589,850
– unlisted securities – trust investments	5,452,385	–	5,452,385
Available-for-sale financial assets			
– listed securities	338,311	–	338,311
– unlisted securities – trust investments	–	236,956	236,956
	<u>6,380,546</u>	<u>236,956</u>	<u>6,617,502</u>

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>

During the year ended 31 December 2014 and 2013, 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 2014 and 2013.

(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 2014

38 BUSINESS COMBINATIONS

(a) Acquisitions of subsidiaries

On 16 September 2013, the Group acquired 48.46% controlling interest in Beijing Jingwei Gallant Joint Medical Technology Ltd. (Formerly known as Fuzhou Gallant Joint Medical Technology Ltd.) (“Jingwei 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 Jingwei Gallant was 24.70%. Jingwei Gallant is principally engaged in development and design of medical machinery and the provision of advisory services. (Please refer to note 45 for details)

On 10 May 2013, the Group acquired 51.00% controlling interest in TAM-DURABUS, Proizvodnja gospodarskih vozil, d.o.o. (Formerly known as DURABUS, Proizvodnja vozil, d.o.o.) (“TAM-DURABUS”) through the Group’s non-wholly-owned subsidiary, Hubei Xinchufeng Automobile Co., Ltd. (“Hubei Xinchufeng”), at a consideration of EUR1,326,000 (Equivalent to RMB11,676,000), so as to expand the Group’s business scope. Upon completion of the acquisition, the effective shareholding the Group has in TAM-DURABUS was 40.94%. TAM-DURABUS is principally engaged in manufacture and sale of automobiles and related components. (Please refer to note 45 for details)

(i) Assets acquired and liabilities recognised as at the date of acquisition were as follows:

	2013		
	Jingwei Gallant <i>RMB'000</i>	TAM- DURABUS <i>RMB'000</i>	Total <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	1,042	730	1,772
Intangible assets	14,222	259	14,481
Current assets			
Inventories	–	31,714	31,714
Trade and other receivables	218	4,271	4,489
Cash and cash equivalents	15,003	6,130	21,133
Current liabilities			
Trade and other payables	(1,212)	(16,594)	(17,806)
Obligations under finance lease	–	(87)	(87)
Non-current liabilities			
Obligations under finance lease	–	(407)	(407)
Fair value of net identifiable assets acquired	29,273	26,016	55,289
Non-controlling interests	(15,087)	(12,748)	(27,835)
Net identifiable assets attributable to the equity interest acquired by the Group	<u>14,186</u>	<u>13,268</u>	<u>27,454</u>

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

38 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisitions of subsidiaries (continued)

(ii) Goodwill/(gain on bargain purchase) arising from acquisition

	2013	
	Jingwei Gallant <i>RMB '000</i>	TAM- DURABUS <i>RMB '000</i>
Consideration transferred		
Cash paid	15,000	11,676
Net identifiable assets attributable to the equity interest acquired by the Group	(14,186)	(13,268)
Goodwill/(gain on bargain purchase)	814	(1,592)

Goodwill arose from these acquisitions because of the economies of scale 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 TAM-DURABUS in 2013. The main reason was the acquired company experienced significant losses over several years, leading to a depressed market value of the business. All the gain from bargain purchase was recognised in other income. (note 7)

(iii) Acquisition-related costs

Acquisition-related costs amounting to RMBNil (2013: RMB456,000) 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 Total <i>RMB '000</i>
Consideration paid	(26,676)
Cash and cash equivalents of the subsidiaries acquired	21,133
Cash outflow on acquisition	(5,543)



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

38 BUSINESS COMBINATIONS (CONTINUED)

(b) Transactions with non-controlling interests

During the year ended 31 December 2014, the Group acquired additional/disposed of partial interests in a number of subsidiaries which did not result in control change:

	Date of acquisition/ disposal	Changes in equity interest
Held by the Company		
Shanxi Jingwei Textile Machinery and Special Parts Company Limited (“Shanxi Special Parts”)	18 March 2014	Disposed of 34.79%
Held by wholly owned subsidiary		
TAM-DURABUS	9 October 2014	Acquired further 57.99%
Held by non-wholly owned subsidiary		
China Hi-Tech (International) Limited	25 April 2014	Disposed of 38.53%
Jingwei Textile Machinery Yuci Material Company Limited (“Jingwei Yuci”)	18 March 2014	Disposed of 0.28%
Xianyang Jingwei Textile Machinery Company Limited (“Xianyang Textile”)	11 March 2014	Acquired further 2.64%

During the year ended 31 December 2013, the Group acquired additional interests in a number of subsidiaries which did not result in change control change:

	Date of acquisition	Changes in equity interest
Held by the Company		
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”)	20 March 2013	Acquired further 60.94%
Hubei Xinchufeng	19 September 2013	Acquired further 5.28%

The details of the change in the ownership interests in these subsidiaries are summarised as follows:

	2014 RMB'000	2013 RMB'000
Carrying amounts of non-controlling interests acquired	(2,443)	51,915
Net consideration paid to non-controlling interests	(10,505)	(123,675)
	<u>(12,948)</u>	<u>(71,760)</u>
Carrying amounts of non-controlling interests disposed of	(12,796)	–
Net consideration received from non-controlling interests	17,293	–
	<u>4,497</u>	<u>–</u>
Net effect in parent’s equity	<u><u>(8,451)</u></u>	<u><u>(71,760)</u></u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

38 BUSINESS COMBINATIONS (CONTINUED)

(b) Transactions with non-controlling interests (continued)

As a result of the above transactions, a total amount of RMB15,239,000 (2013: RMB51,915,000), being the carrying amount of non-controlling interest disposed/acquired, has been transferred from non-controlling interest.

The net consideration received from/paid to non-controlling interest over the carrying amount of non-controlling interests disposed/acquired of RMB8,451,000 (2013: RMB71,760,000) has been charged to equity attributable to the owners of the Company.

39 DEEMED DISPOSAL/DISPOSAL OF SUBSIDIARIES

In September 2014, the Company and 2 subsidiaries of the Group, Beijing New Technology and Beijing Jingpeng, entered into an agreement with independent third parties, pursuant to which the independent third parties agreed to make a capital contribution of RMB122,220,000 to Beijing Jingpeng in cash. Upon completion of the transaction, the registered capital of Beijing Jingpeng increased from RMB100,000,000 to RMB222,220,000 and the equity interest in Beijing Jingpeng held by the Group was diluted from 99.54% to 45% (see note 20(b)).

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.

Assets and liabilities as at the date of deemed disposal/disposal were as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Non-current assets		
Property, plant and equipment	4,577	4,517
Current assets		
Inventories	–	3,267
Trade and other receivables	103,539	54,327
Current tax assets	124	4
Cash and cash equivalents	122,528	822
Current liabilities		
Trade and other payables	(130,693)	(28,143)
Current tax liabilities	–	(172)
Net assets disposed of	<u>100,075</u>	<u>34,622</u>

(Losses)/gains on deemed disposal/disposal of subsidiaries:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Consideration receivable	–	35,636
Fair value of interest retained	100,000	–
Net assets disposed of	<u>(100,075)</u>	<u>(34,622)</u>
	<u>(75)</u>	<u>1,014</u>

Net cash outflow on deemed disposal/disposal of subsidiaries:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Consideration received in cash	–	–
Less: cash and cash equivalents of the subsidiaries disposed	<u>(122,528)</u>	<u>(822)</u>
	<u>(122,528)</u>	<u>(822)</u>



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

40 COMMITMENTS

(a) Capital commitments

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– Authorised but not contracted for	79,636	89,012
– Contracted but not provided for	121,402	209,081
Equity investment (note)	750,000	–
	<u>951,038</u>	<u>298,093</u>

Note: At the end of the reporting period, the Group's capital commitment in respect of equity investment is the commitment to invest in a joint venture, China Trust Insurance Funds Limited Liability Company ("China Trust").

(b) Lease commitments

(i) The Group as lessor

At the end of the reporting period, the Group had total future minimum lease rental receivables under non-cancellable operating leases with their tenants falling due as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within one year	3,693	5,477
In the second to fifth year inclusive	1,066	1,493
	<u>4,759</u>	<u>6,970</u>

The Group leases certain buildings, plant, machinery and equipment and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years (2013: 1 to 4 years).

(ii) The Group as lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Land and buildings		
Within one year	104,454	51,509
In the second to fifth year inclusive	126,640	27,090
Five years or above	4,626	–
	<u>235,720</u>	<u>78,599</u>

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 (2013: 1 to 5 years) and rentals are fixed for an average of 2 years (2013: 2 years).

41 CONTINGENT LIABILITIES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Guarantees for bank loans of third party	<u>150,000</u>	<u>150,000</u>

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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

42 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 Zhongong 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 a fiduciary capacity, but not recognised in the consolidated statement of financial position, are as follows:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trusted assets	<u>666,622,871</u>	<u>478,534,904</u>

43 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% (2013: 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 RMB119,893,000 (2013: RMB112,410,000) represents contributions payable to these plans by the Group at rates specified in the rules of plans.

At 31 December 2014, contributions totalling RMB34,273,000 (2013: RMB27,414,000) 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 2014 to reduce future contributions (2013: RMBNil).

(b) Retirement and supplemental benefit obligations

The Group paid post-retirement supplemental benefits to its qualifying retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to the dependents of certain deceased employees in accordance with various employee benefit schemes adopted by the Group.

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit plans as follows:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Present value of unfunded defined benefit obligations and liabilities arising from these obligations	<u>27,240</u>	<u>26,780</u>

Movements in the present value of the retirement and supplemental benefit obligations during the year are as follows:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the reporting period	26,780	31,344
Interest costs	1,170	1,070
Past service cost	–	(1,690)
Remeasurement for the year	920	(1,980)
Benefits paid	<u>(1,630)</u>	<u>(1,964)</u>
At the end of the reporting period	<u>27,240</u>	<u>26,780</u>

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
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43 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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Past service cost	–	(1,690)
Interest costs	1,170	1,070
Components of defined benefit costs recognised in profit or loss	<u>1,170</u>	<u>(620)</u>
Remeasurement on the defined benefit obligations:		
– Actuarial loss/(gain) recognised	920	(1,980)
Component of defined benefit costs recognised in other comprehensive income/(loss)	<u>920</u>	<u>(1,980)</u>
Total	<u><u>2,090</u></u>	<u><u>(2,600)</u></u>

Past service costs and interest costs for the year are included in staff costs in profit or loss.

The remeasurement of the defined benefit obligations is included in other comprehensive income/(loss).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014 %	2013 %
Discount rate	3.75	4.5
Medical cost trend (Civil Retirees/Retirees)	8.00/6.00	8.00/6.00
Cost of living adjustment for beneficiaries (note)	Not applicable	Not applicable
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 expired.

An increase of one percentage point in the assumed medical cost trend rates:

- (i) would result in an increase of RMB127,000 (2013: RMB126,000) on the aggregate of the current service cost and interest cost components of net periodic post-employment medical costs for the year.
- (ii) would result in an increase of RMB3,015,000 (2013: RMB2,824,000) on the accumulated post-employment benefit obligations for medical costs for the year.

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44 RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by China Hengtian, which is a state-owned enterprise established in the PRC. China Hengtian itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (revised) *Related Party 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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	81,411	43,269
Sale of materials, parts and components	1,423	3,031
Other supporting services income	221	280
Rental income	2,005	2,726
Interest income	4,000	—
	4,000	—
Purchases of goods and services		
Purchase of finished goods	224,707	402,659
Purchase of materials, parts and components	2,321	4,643
Purchase of energy	15	28
Processing fee expenses	36	43
Transportation services expenses	2,543	3,242
Repairs and maintenance services expenses	1,241	188
Other supporting services expenses	1,906	4,220
Rental expenses	90	351
	90	351

(a) (ii) Transactions with associates

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	698,303	786,365
Sale of materials, parts and components	58,813	58,034
Processing fee income	365	327
Rental income	100	—
Other supporting services income	4,240	1,971
Interest income	7,427	—
	7,427	—
Purchases of goods and services		
Purchase of finished goods	169	—
Purchase of materials, parts and components	162,561	134,995
Processing fee expenses	29	9
Repairs and maintenance service expenses	2,709	4,134
Other supporting services expenses	827	610
	827	610

**Notes to the Consolidated Financial Statements
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44 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (iii) **Transactions with companies in which certain key management personnel of the Group have influence in:**

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	30,600	1,082
Sale of materials, parts and components	1,333	10,063
Rental income	1,890	1,836
Interest income	3,595	–
	3,595	–
Purchases of goods and services		
Purchase of finished goods	391	37,714
Purchase of materials, parts and components	149,004	281,507
Processing fee expenses	9,968	15,337
Other supporting services expenses	2,022	2,085
Rental expenses	4,918	5,280
	4,918	5,280

The above transactions were made on similar terms as the Group granted to/received from other customers/suppliers.

(b) **Transactions with other state-owned entities**

During the years ended 31 December 2014 and 2013, the Group's significant transactions with other state-owned entities (excluding China Hengtian and its subsidiaries) are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Sales of goods and services		
Sale of finished goods	130,149	159,896
Sale of materials, parts and components	358	27,301
Processing fee income	5	47
Other supporting services income	144	9
Interest income	4,943	26,462
	4,943	26,462
Purchases of goods and services		
Purchase of materials, parts and components	36,992	14,139
Purchase of energy	63,981	65,649
Purchase of property, plant and equipment	340	–
Delivery fee expenses	279	–
Borrowings raised from state-owned banks	1,282,000	1,147,604
Other supporting services expenses	7,906	3,355
Interest expenses	4,790	41,723
Rental expenses	1,124	196
	1,124	196

In addition, substantially all restricted deposits, time deposits, cash and cash equivalents and borrowings as of 31 December 2014 and 2013 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**

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Salaries and other short-term employee benefits	21,780	21,274
Post-employment benefits	657	494
	22,437	21,768

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

45 SUBSIDIARIES

The following table lists the subsidiaries of the Group at 31 December 2014 and 2013 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	2014		2013		Principal activities
			Attributable equity interest of the Group		Attributable equity interest of the Group		
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Jingwei Yuci (note 38(b))	the PRC 9 July 1996	RMB 5,000,000	0.44	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	RMB 5,000,000	–	100.00	–	100.00	Manufacture and sales of transformers and electrical components
Qingdao Hongda Textile Machinery Company Limited	the PRC 16 August 1999	RMB 114,000,000	–	97.66	–	97.66	Manufacture, sales and leasing of textile machinery and related components
Tianjin Hongda Textile Machinery Company Limited (“Tianjin Hongda”)	the PRC 17 August 1999	RMB 96,084,000	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	RMB 74,500,000	–	98.00	–	98.00	Development and manufacture of textile machinery and related components
Shenyang Hongda Textile Machinery Company Limited	the PRC 16 August 1999	RMB 81,994,300	–	98.00	–	98.00	Development, manufacture and processing of textile machinery and related components
Changde Textile Machinery Company Limited	the PRC 5 January 2002	RMB 42,349,900	25.00	70.00	25.00	70.00	Manufacture and trading of textile machinery and other machinery
Beijing New Technology	the PRC 2 March 2000	RMB 100,000,000	1.40	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	RMB 16,000,000	10.00	90.00	9.99	90.00	Manufacture and development of textile machinery, automobile component and general machinery
Beijing Jingpeng (note 39)	the PRC 30 July 2001	RMB 222,220,000	–	–	3.94	96.00	Investment management, sales of electronic and chemical products
Shanghai Chuangan (note 38 (b))	the PRC 29 September 2001	RMB 5,000,000	0.94	96.00	0.94	96.00	Trading of textile, electronic products and chemical products
Shanghai Jingwei Protti Textile Machinery Company Limited	the PRC 5 September 2001	RMB 50,000,000	22.00	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	RMB 75,950,000	21.82	78.18	33.43	66.55	Manufacture and sales of textile products; research and development of technology relating to textile machinery and equipment
Tianjin Jingwei New Type Textile Machinery Company Limited	the PRC 16 August 2005	RMB 16,000,000	25.00	75.00	25.00	75.00	Development and processing textile machinery and related components



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

45 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2014		2013		Principal activities
			Attributable equity interest of the Group		Attributable equity interest of the Group		
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Shenyang Hongda Huaming Textile Machinery Company Limited	the PRC 13 July 2005	RMB 40,000,000	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	RMB 5,600,000	0.36	99.64	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	RMB 20,000,000	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	RMB 20,000,000	25.00	75.00	25.00	75.00	Development and processing of textile machinery and related components
Shanxi Special Parts (note 38(b))	the PRC 24 September 1993	RMB 100,000,000	–	54.86	–	89.65	Manufacture of textile machinery components
Hongkong Huaming Co. Limited (“Hongkong Huaming”) (note (c))	Hong Kong 31 December 2000	USD 23,710,000	–	100.00	–	100.00	Export and import trading of textile machinery and automobiles
Shanxi Heli (note 38(b) and note (a))	the PRC 26 February 2003	RMB 100,000,000	–	39.83	–	39.83	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	RMB 5,256,800	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	the PRC 6 August 2009	RMB 25,000,000	–	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	RMB 32,000,000	–	45.00	–	45.00	Development and processing of textile machinery and related component
Hubei Xinchufeng	the PRC 22 March 2007	RMB 311,420,000	–	80.28	–	80.28	Manufacture and sales of heavy and medium commercial automobiles
Zhongrong Trust (note (a))	the PRC 30 June 1987	RMB 1,600,000,000	–	37.47	–	37.47	Provision of trust and fiduciary services
Anshan Jingwei Haihong Agricultural Machinery Company Limited (“Anshan Jingwei”) (note (b))	the PRC 3 November 2008	RMB 40,000,000	–	51.00	–	51.00	Manufacture and sales of agricultural machinery and equipment
Shanghai Huayuan (note (b))	the PRC 1 November 2004	RMB 20,000,000	51.00	–	50.97	–	Manufacture and sales of hyperthermia products



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

45 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2014		2013		Principal activities
			Attributable equity interest of the Group		Attributable equity interest of the Group		
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Xianyang Textile (note 38(b))	the PRC 22 October 2010	RMB 50,000,000	2.64	97.36	–	97.36	Manufacture of weaving machines and equipment, and provision of relevant consulting service
Jinzhong Jingwei Chemical Fiber Machinery Company Limited	the PRC 8 October 2002	RMB 31,000,000	–	65.48	–	65.48	Manufacturing of textile machinery components
Hengtian Motor Vehicles Co., Limited	the PRC 5 May 2011	RMB 50,000,000	76.27	5.00	81.26	–	Manufacture and sales of heavy and medium commercial automobiles
Beijing Zhongrong Dingxin Investment Management Company Limited *	the PRC 13 December 2011	RMB 1,000,000,000	37.47	–	37.47	–	Investment holding, provision of asset management and business advisory services
China Hi-Tech New Energy Auto Company Limited (note (c))	Hong Kong 24 March 2011	HKD 4,974,976	80.28	–	80.28	–	Investment holding, manufacture and sales of heavy and medium commercial automobiles
Hubei Hengtian Motor Co., Ltd *	the PRC 7 February 2012	RMB 43,550,000	48.17	–	48.17	–	Manufacture and sales of heavy and medium commercial automobiles
Jinzhong Jingwei Hengxin Machinery Co., Ltd. (note (b))	the PRC 25 June 2009	RMB 7,900,000	–	51.00	–	51.00	Manufacturing of textile machinery components
Shanghai Shenxin Medical Investment Management Co., Ltd (Formerly known as Shanghai Shenxin Medical Machinery Technology Co., Ltd) *	the PRC 6 April 2012	RMB 2,000,000	51.00	–	50.97	–	Manufacture and sales of medical products
Beijing Jingwei Huaqing Medical Technology Co., Ltd. ("Jingwei Huaqing") (note (f))	the PRC 9 September 2012	RMB 1,000,000	–	–	50.97	–	Manufacture and sales of medical products
Yichang Jingwei Machinery Company Limited	the PRC 8 March 2012	RMB 78,927,593	–	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	RMB 126,000,000	–	51.00	–	51.00	Manufacture of textile machinery and related components
JW-PROTTI MACCHINE TESSIL I.S.R (note (c))	Italy 21 December 2012	EUR 1,000,000	–	94.05	–	94.05	Development, manufacture, sales of textile machinery and related components
Zhongrong Fund Management Co., Ltd (Formerly known as SSGA Fund Management Co., Ltd) ("Zhongrong Fund") * (note (b))	the PRC 31 May 2013	RMB 300,000,000	19.11	–	19.11	–	Provision of asset management services and sales of funds
Zhongrong (Beijing) Assets Management Co., Ltd (Formerly known as SSGA Assets Management Co., Ltd) ("Zhongrong Assets") *	the PRC 26 September 2013	RMB 50,000,000	19.11	–	19.11	–	Provision of asset management services



Notes to the Consolidated Financial Statements For the year ended 31 December 2014

45 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation and operation/date of establishment	Issued and fully paid share capital	2014		2013		Principal activities
			Attributable equity interest of the Group		Attributable equity interest of the Group		
			Indirectly	Directly	Indirectly	Directly	
			%	%	%	%	
Huangshi Heng Tian Jingwei Textile Machinery Company Limited *	the PRC 21 October 2013	RMB 10,000,000	42.75	–	42.75	–	Manufacture and sales of textile, chemical, petroleum and environmental equipment
Jingwei Gallant* (note 38(a) and note (b))	the PRC 5 September 2007	HKD 38,805,000	24.70	–	24.70	–	Development and design of medical machinery and provision of advisory services
TAM-DURABUS* (note 38(a) and note (b) and (c))	Slovenia 16 June 2011	EUR 4,800,000	98.93	–	40.94	–	Manufacture and sales of automobiles and related components
Beijing Hi-tech Xinneng New Energy Auto Technology Co., Ltd. ("Xinneng New Energy") (note (a) and (e))	the PRC 15 July 2014	RMB 60,000,000	–	40.00	–	–	Sales of automobiles
Jingwei Software & Information Technology Wuxi Co, Ltd. ("Jingwei Software") (note (e))	the PRC 23 June 2014	RMB 9,800,000	51.00	–	–	–	Development of information technology
Zhongrong Changhe Capital Investment Management Co., Ltd. ("Zhongrong Changhe") * (note (e))	the PRC 5 September 2014	RMB 50,000,000	37.47	–	–	–	Investment holding, provision of asset management and business advisory service
Shanghai Longshan Investment Management Co., Ltd. ("Shanghai Longshan") * (note (e))	the PRC 8 May 2014	RMB 20,000,000	37.47	–	–	–	Investment holding, provision of asset management and business advisory service
Zhongrong International Holdings Limited ("Zhongrong International Holdings") * (note (c) and (e))	British Virgin Islands 12 May 2014	USD 10,000,000	37.47	–	–	–	Investment holding, provision of asset management and business advisory service
Zhongrong International Capital Management Limited* (note (c) and (e))	Hong Kong 30 May 2014	HKD 20,000,000	37.47	–	–	–	Investment holding, provision of asset management and business advisory service
America Jingwei Textile Machinery LLC ("America Jingwei") * (note (c) and (e))	U.S.A. 10 August 2014	USD 1,000,000	60.00	–	–	–	Sales of textile machinery and related components
Beijing Zhongrong Huizhi Human Resources Co., Ltd. ("Zhongrong Huizhi") * (note (e))	the PRC 10 December 2014	RMB 10,000,000	37.47	–	–	–	Investment holding, provision of asset management and business advisory service
Shenzhen Zhongrong Baosheng Capital Management Co., Ltd. ("Zhongrong Baosheng") * (note (e))	the PRC 24 June 2014	RMB 10,000,000	37.47	–	–	–	Investment holding, provision of asset management and business advisory service
Shanghai Reyond Investment Management Co., Ltd. ("Shanghai Reyond") * (note (e))	the PRC 4 July 2014	RMB 2,000,000	37.47	–	–	–	Investment holding, provision of asset management and business advisory service

* 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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2014

45 SUBSIDIARIES (CONTINUED)

Notes:

- (a) The shareholdings and voting rights that the Group has in Wuxi Special Parts, Shanxi Heli, Huangshi Jingwei, Zhongrong Trust and Xinneng New Energy 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, Jingwei Gallant, TAM-DURABUS and Zhongrong Fund directly or through other non-wholly-owned subsidiaries are equal to or less than 51%. However, 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 these subsidiaries which were incorporated and operated in Hong Kong or overseas with limited liability, 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 2011, the Group 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 actual control over the Company. Therefore, Shanghai WSP is included in the consolidated financial statements.
- (e) These subsidiaries were incorporated during the year. 51% equity interest in Jingwei Software was held by Beijing New Technology. 60% equity interest in America Jingwei was held by Hongkong Huaming. 100% equity interests in Zhongrong Changhe, Shanghai Longshan, Zhongrong International Holdings, Zhongrong International Capital, Zhongrong Huizhi and Zhongrong Baosheng were indirectly held by Zhongrong Trust.
- (f) Jingwei Huaqing was deregistered during the year.
- (g) On 31 October 2014, the Group obtained 100% controlling interests in Shanghai Reyond through the Group's non-wholly-owned subsidiary, Zhongrong International Capital, so as to enlarge the Group's business scope. No consideration was paid for this transaction due to Shanghai Reyond was a newly incorporated company and no assets were acquired as at the acquisition date, also no paid-in capital was injected by its former shareholders. Upon the completion of the transaction, the effective shareholding the Group has in Shanghai Reyond was 37.47%. Shanghai Reyond is dormant during the year.

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	
		2014	2013	2014	2013	2014	2013
				RMB'000	RMB'000	RMB'000	RMB'000
Zhongrong Trust	The PRC	62.53%	62.53%	1,525,352	1,237,472	6,063,952	4,726,189
Individually immaterial subsidiaries with non-controlling interests						364,618	360,010
Total						<u>6,428,570</u>	<u>5,086,199</u>

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.



Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

45 SUBSIDIARIES (CONTINUED)

Zhongrong Trust

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current assets	<u>9,135,689</u>	<u>8,375,504</u>
Non-current assets	<u>2,921,578</u>	<u>1,207,506</u>
Current liabilities	<u>(2,359,599)</u>	<u>(2,024,735)</u>
Equity attributable to owners of the Company	<u>3,633,716</u>	<u>2,832,086</u>
Non-controlling interests	<u>6,063,952</u>	<u>4,726,189</u>
Revenue	<u>5,090,450</u>	<u>4,942,602</u>
Expenses	<u>(2,219,475)</u>	<u>(2,119,632)</u>
Profit for the year	<u>2,413,082</u>	<u>2,091,516</u>
Profit attributable to owners of the Company	904,182	783,691
Profit attributable to the non-controlling interests	<u>1,508,900</u>	<u>1,307,825</u>
Profit for the year	<u>2,413,082</u>	<u>2,091,516</u>
Other comprehensive income/(loss) attributable to owners of the Company	9,858	(42,159)
Other comprehensive income/(loss) attributable to the non-controlling interests	<u>16,452</u>	<u>(70,353)</u>
Other comprehensive income/(loss) for the year	<u>26,310</u>	<u>(112,512)</u>
Total comprehensive income attributable to owners of the Company	914,040	741,532
Total comprehensive income attributable to the non-controlling interests	<u>1,525,352</u>	<u>1,237,472</u>
Total comprehensive income for the year	<u>2,439,392</u>	<u>1,979,004</u>
Dividends paid to non-controlling interests	<u>187,590</u>	<u>156,325</u>
Net cash (outflow)/inflow from operating activities	<u>(2,619,771)</u>	<u>2,696,861</u>
Net cash outflow from investing activities	<u>(1,272,566)</u>	<u>(166,358)</u>
Net cash (outflow)/inflow from financing activities	<u>(300,000)</u>	<u>750,000</u>
Net cash (outflow)/inflow	<u>(4,192,336)</u>	<u>3,280,503</u>

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2014**

46 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries	3,632,924	3,562,083
Investments in associates	211,453	95,453
Amounts due from subsidiaries	2,056,314	1,678,018
Amounts due from fellow subsidiaries	53,558	1,490
Amounts due from associates	257,342	5,753
Other assets	2,274,625	3,028,914
Total assets	8,486,216	8,371,711
Amounts due to subsidiaries	793,548	422,394
Amounts due to holding companies	2,600	-
Amounts due to fellow subsidiaries	51,494	10,550
Amounts due to associates	36,123	96,246
Other liabilities	4,347,477	4,504,574
Total liabilities	5,231,242	5,033,764
NET ASSETS	3,254,974	3,337,947
Capital and reserves		
Share capital	704,130	704,130
Reserves (note 35(a))	2,550,844	2,633,817
	3,254,974	3,337,947

47 EVENTS AFTER THE END OF THE REPORTING PERIOD

Further to the notices dated 10 December 2013 and 20 February 2014 received by the Board of Directors of the Company from, China Hengtian, ultimate holding company of the Company, 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 proceeds 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 2014.

According to the seventh board of directors meeting, the resolution of disposal of a land parcel of Tianjin Hongda, a wholly-owned subsidiary of the Company, has been passed and the board of directors agreed to the terms and conditions of the Building Relocation and Compensation Agreement in the meeting. The agreement between Tianjin Hongda, Tianjin Social Security Housing Construction and Tianjin Hebei Construction Development Company was entered on 12 January 2015. Pursuant to the agreement, Tianjin Hongda disposed of the idle land parcel located at No.56 Wanliucun Street, Hebei District, Tianjin at the price of RMB 232,660,000. This transaction does not constitute a material asset restructuring.

According to the extraordinary general meeting held on 11 March 2015, a resolution of an investment in China Trust by Zhongrong Trust has been passed during this extraordinary general meeting. The investment refers to China Trust which will be formed by Zhongrong Trust and 13 other companies which are non-banking financial institutions incorporated in the PRC. Pursuant to which Zhongrong Trust will make the contribution of RMB 1,500,000,000 in cash to be used as the registered capital of China Trust. Upon the establishment, Zhongrong Trust will own 13.04% of the equity interest in China Trust.

Chapter XIV Documents Available for Inspection

The following documents are available for inspection at the Office of 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. 2014 annual report (both English and Chinese versions).



中国恒天
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Friend of Worldwide Textile Industry
Pride of China Manufacturing Industry

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