

**III. MOVEMENTS IN SHARE CAPITAL AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS****1. Movements in share capital:**

	Number of shares at beginning of the period	Change in number of shares during the period	Number of shares at end of the period
A. Shares not permitted to be traded			
1. Shares held by the Promoter	220,000,000	—	220,000,000
Including:			
State-owned shares	—	—	—
Shares owned by domestic legal persons	220,000,000	—	220,000,000
Shares owned by foreign legal persons	—	—	—
Others	—	—	—
2. Subscriber legal person shares	—	—	—
3. Employee shares (A Shares)	—	—	—
4. Preferential shares or other shares	—	—	—
Sub-total	<u>220,000,000</u>	<u>—</u>	<u>220,000,000</u>
B. Shares permitted to be traded			
1. Domestically listed domestic shares (A Shares)	203,000,000	—	203,000,000
2. Domestically listed foreign shares	—	—	—
3. Overseas listed foreign shares	180,800,000	—	180,800,000
4. Others	—	—	—
Sub-total	<u>383,800,000</u>	<u>—</u>	<u>383,800,000</u>
C. Total number of shares in issue	<u>603,800,000</u>	<u>—</u>	<u>603,800,000</u>

**2. Shareholdings of substantial shareholders**

As at 30th June 2001, the ten largest shareholders of the Company were as follows:

Name of Shareholder	Class	Number of shares held	As percentage of total issued share capital
China National Textile Machinery (Group) Company Limited	A Shares	220,000,000	36.44
HKSCC Nominees Limited	H Shares	175,162,000	29.01
上海久企貿易實業有限公司	A Shares	3,941,975	0.65
北京鐵路局石家莊鐵路分局	A Shares	2,723,783	0.45
重慶成長實業有限公司	A Shares	2,000,000	0.33
湘證證券投資基金	A Shares	1,500,065	0.25
北航城鄉科技實業有限公司	A Shares	1,500,000	0.25
Huaxia Securities Company Limited	A Shares	1,100,000	0.18
邗江縣虎豹服裝輔料有限公司	A Shares	1,000,000	0.17
西藏諾迪康藥業股份有限公司	A Shares	1,000,000	0.17

*Notes:*

- The H Shares registered in the name of HKSCC Nominees Limited as at 30th June 2001 were held on behalf of various clients and none of them held 5% or more interest in the Company's H Shares in issue.
- There was no change in the shareholding of China National Textile Machinery (Group) Company Limited ("CNTMC") in the Company's shares during the period and none of these shares held were under pledge.

**3. Shareholdings of directors, supervisors and senior management**

Name	Position	As at 1st January 2001	As at 30th June 2001
Yin Shouen	Chairman	0	0
Liu Shitong	Vice-chairman	12,800	12,800
Fan Xinmin	Vice-chairman	0	0
Li Shaoping	Director	0	0
Ye Maoxin	Director and General Manger	10,214	10,214
Yao Yuming	Director and Executive Deputy General Manager	9,200	9,200
Liu Haitao	Director	0	0
Gong Enqing	Director	0	0
Liu Xianming	Director	0	0
Zhang Jianguo	Director	0	0
Wang Weizhi	Director	0	0
Wang Zengjing	Independent Director	0	0
Kon Hiu King, Kenneth	Independent Director	0	0
Lu Yunliang	Chairman of the supervisory committee	0	0
Tu Kelin	Supervisor	0	0
Bao Shanjun	Supervisor	0	0
Yang Enchange	Supervisor	0	0
Cong Yongfa	Supervisor	7,000	7,000
Lin Jianwang	Deputy general manager	0	0
Shu Hong	Deputy general manager	0	0
Zhang Qingxi	Deputy general manager	2,370	2,370
Ye Xuehua	Secretary to the Board	0	0

*Note:* All shares held by the directors, supervisors and senior management of the Company are A Shares and there have been no changes in their respective shareholdings during the period.

Save as disclosed above, none of the directors, supervisors and their respective spouses or children under the age of 18 had any interest in the shares, bonds or other securities of the Company or its associates (as defined in the Securities Ordinance), nor had any of them subscribed for any interest in the shares or bonds of the Company or its associates (as defined in the Securities Ordinance).

**IV. OPERATION REVIEW AND OUTLOOK****(I) Operation Review for the First Half-Year**

The Company is one of the largest textile machinery manufacturers in the PRC. It is principally engaged in the manufacture and sale of textile machinery and components and special parts.

In 2001, with the rapid growth of the national economy and the structural change in the textile industry, there were new requirements for technology innovation of the textile machinery sector, which also offered new opportunities for the Company. Under the leadership of the Company's management, we made use of such opportunities to increase our investments, reinforced our business co-operations and development. The Company has enhanced the structure of operations, product mix, corporate organization and investment adjustment. In addition, the Company succeeded in improving its resources deployment and strengthening its management. Stringent quality control was imposed and more effort was put in the expansion of both the domestic and overseas markets. As a result, all business and financial indicators showed a marked improvement as compared with the corresponding period last year and indeed achieved the best results over the past periods.

In the first half of the year, revenue derived from the principal operations of the Company was Rmb1,234,290,247, up 48.42% over the corresponding period last year. Net profit was Rmb90,487,841 (or Rmb50,588,530 based on HK GAAP), an increase of 37.79% compared with last year, of which:

Revenue generated from the parent company was Rmb445,382,626, 9.51% higher than last year. Net profit amounted to Rmb 90,177,162, representing an increase of 37.97%.

As for the subsidiaries,

Turnover and net profit from Zhengzhou Hongda New Textile Machinery Company Limited (鄭州宏大紡織機械公司) amounted to Rmb168,587,368 and Rmb6,627,296 respectively.

Turnover and net profit from Qingdao Hongda Textile Machinery Company Limited (青島宏大紡織機械公司) amounted to Rmb334,598,023 and Rmb14,500,280 respectively.

Turnover and net profit from Shenyang Hongda Textile Machinery Company Limited (瀋陽宏大紡織機械公司) amounted to Rmb75,899,054 and Rmb5,952,917 respectively.

Turnover and net profit from Tianjin Hongda Textile Machinery Company Limited (天津宏大紡織機械公司) amounted to Rmb155,490,641 and Rmb7,488,387 respectively.