



Chapter III Movements in Share Capital and Information on Shareholders

Section 1 Changes in the number of shares during the year

(Unit : share)

		Before change		Increase/(decrease)					After change	
		Number of shares	Proportion	New issue	Bonus shares (Note 1)	Conversion from statutory surplus reserve	Increase in share-holding (Note 2)	Sub-total	Number of shares	Proportion
A.	Restricted floating shares subject to terms of lock-up	220,000,000	36.44%	–	(24,360,000)	–	8,615,248	(15,744,752)	204,255,248	33.83%
	1. State-owned shares	–	–	–	–	–	–	–	–	–
	2. Shares owned by State legal person	220,000,000	36.44%	–	(24,360,000)	–	8,615,248	(15,744,752)	204,255,248	33.83%
	3. Other domestic shares	–	–	–	–	–	–	–	–	–
	Of which,									
	Shares owned by domestic legal persons	–	–	–	–	–	–	–	–	–
	Shares owned by domestic natural persons	–	–	–	–	–	–	–	–	–
	4. Foreign shares	–	–	–	–	–	–	–	–	–
	Of which,									
	Shares owned by foreign legal persons	–	–	–	–	–	–	–	–	–
	Shares owned by foreign natural persons	–	–	–	–	–	–	–	–	–
B.	Unrestricted floating shares not subject to terms of lock-up	383,800,000	63.56%	–	24,360,000	–	(8,615,248)	15,744,752	399,544,752	66.17%
	1. Domestically listed domestic shares (A Shares)	203,000,000	33.62%	–	24,360,000	–	(8,615,248)	15,744,752	218,744,752	36.23%
	2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
	3. Overseas listed foreign shares (H Shares)	180,800,000	29.94%	–	–	–	–	–	180,800,000	29.94%
	4. Others	–	–	–	–	–	–	–	–	–
C.	Total number of shares	603,800,000	100.00%	–	–	–	–	–	603,800,000	100.00%

Notes1: On 17th July 2006, the holders of A Shares considered and approved the Share Segregation Reform Proposal in respect of the Company proposed by China Textile Machinery (Group) Company Limited, the holder of originally non-floating shares, at the relevant meeting for holders of A Shares, whereby as part of the considerations for the implementation of the Share Segregation Reform, China Textile Machinery (Group) Company Limited arranged the transfer of an aggregate of 24,360,000 A Shares to all the holders of A Shares whose names appeared on the register of members of the Company at close of business of the Shenzhen Stock Exchange on 8th August 2006, on basis of 1.2 A shares for every 10 A Shares held by such holders of A Shares, as a consideration for conferring the right to list and float on the non-floating shares held by China Textile Machinery (Group) Company Limited.

2: Please refer to the table below

Listing and trading time for restricted floating shares subject to terms of lock-up

Time	Number of additional shares to be listed and traded upon the expiry of lock-up period (Share)	Balance of number of restricted floating shares subject to terms of lock-up (Share)	Balance of number of unrestricted floating shares not subject to terms of lock-up (Share)	Description
23rd March 2007	8,615,248	195,640,000	408,160,000	(1) In order to stabilize the prices of secondary market of A Shares and to ensure the controlling shareholder status of China Textile Machinery (Group) Company Limited for a period of two months after the implementation of the Share Segregation Reform Proposal, China Textile Machinery (Group) Company Limited undertakes to either use no less than RMB30 million to increase its shareholdings through the secondary market of A Shares, or to acquire no less than 10 million floating A Shares. China Textile Machinery (Group) Company Limited further undertakes not to dispose of any of such Shares acquired in such connection within a period of six months after the implementation of plan to increase its shareholdings. As at 22nd September 2006, China Textile Machinery (Group) Company Limited completed the plan of acquisition and increased its shareholding of the Company by 8,615,248 shares.
8th August 2009	58,692,000	136,948,000	466,852,000	(2) China Textile Machinery (Group) Company Limited 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 CTMC 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 re-allocation of capital reserve fund to share capital).
8th August 2011	136,948,000	—	603,800,000	

The shareholding of holder of restricted floating shares of the Company and terms of lock-up

Name of the holder of restricted floating shares	Number of restricted floating shares held (share)	Time for listing and trading	Number of additional shares to be listed and traded (share)	Terms of lock-up
China Textile Machinery (Group) Company Limited	204,255,248	23rd March 2007	8,615,248	Nil
		8th August 2009	58,692,000	Sale price shall not be less than RMB7 per share
		8th August 2011	136,948,000	Nil

Section 2 Issue and listing of shares

- The Company has not issued any new shares or derivative securities over the three years preceding the end of the reporting period.
- The Share Segregation Reform Proposal of the Company was approved at the relevant meeting for holders of A Shares on 17th July 2006. Pursuant to the Share Segregation Reform Proposal, the only holder of non-floating shares, China Textile Machinery (Group) Company Limited, arranged the transfer of A Shares and payment of cash as consideration to all holders of A Shares whose names appeared on the register of members after close of business of Shenzhen Stock Exchange on the record date (i.e. 8th August 2006), on basis of 1.2 A Shares and RMB2.50 cash for every 10 floating A Share held by such holders of A Shares. On 8th August 2006, the non-floating shares held by the holder of originally non-floating shares changed to restricted floating A shares subject to terms of lock-up, and the shareholding was also changed (Please refer to “Changes in the number of shares during the year” in Section 1, Chapter 3 for details). Save as disclosed in this annual report, there were no changes in the number of class shares or structure in the Company in the past three years.

**Section 3 Information on Shareholders****1. Shareholdings of substantial shareholders**

As at 31st December 2006, the Company's top ten registered shareholders and the top ten holders of unrestricted floating shares not subject to terms of lock-up are as follows:

Total number of shareholders:	73,146 shareholders including one legal-person promoter shareholder, 73,085 shareholders of domestically listed domestic shares held by the public (A shares), 60 shareholders of overseas listed foreign shares (H Shares)				
Shareholding of top ten registered shareholders As at 31st December 2006					
Name of shareholder	Type of shareholder	Percentage to total share capital (%)	Total number of shares held (shares)	Number of restricted floating shares held (shares)	Number of shares under pledge or lock-up (shares)
China Textile Machinery (Group) Company Limited (<i>Note i (1)</i>)	Holder of State-owned legal person shares	33.83	204,255,248	204,255,248	0
HKSCC Nominees Limited (<i>Note i (2)</i>)	Holder of H Shares	29.59	178,643,899	0	Unknown
National Social Security Fund 101 Portfolio	Holder of A Shares	0.45	2,746,244	0	Unknown
Xiang Menghua	Holder of A Shares	0.14	826,885	0	Unknown
Zheng Weifang	Holder of A Shares	0.10	630,942	0	Unknown
Poon Chiu Leung	Holder of H Shares	0.10	618,000	0	Unknown
Yue Wei	Holder of A Shares	0.07	406,000	0	Unknown
Nie Jihua	Holder of A Shares	0.07	400,000	0	Unknown
Zhan Lan	Holder of A Shares	0.06	374,224	0	Unknown
Chen Qunying	Holder of A Shares	0.06	352,959	0	Unknown
Shareholdings of the top ten shareholders of unrestricted floating shares not subject to terms of lock-up As at 31st December 2006					
Name of shareholder	Number of unrestricted floating shares not subject to terms of lock-up held as at the end of the period (shares)			Class of shares	
HKSCC Nominees Limited (<i>Note i (2)</i>)	178,643,899			H Shares	
National Social Security Fund 101 Portfolio	2,746,244			A Shares	
Xiang Menghua	826,885			A Shares	
Zheng Weifang	630,942			A Shares	
Poon Chiu Leung	618,000			H Shares	
Yue Wei	406,000			A Shares	
Nie Jihua	400,000			A Shares	
Zhan Lan	374,224			A Shares	
Chen Qunying	352,959			A Shares	
Chen Jie	350,000			A Shares	
Connected relationship among the above shareholders or any party acting in concert	Among the top ten registered shareholders of the Company aforesaid, China Textile Machinery (Group) Company Limited is not connected with any of the other shareholders, nor is it a party acting in concert with any of them as defined in Administrative Measures for Information Disclosure of the Movement in Shareholdings of Listed Companies. It is not known whether other holders of floating shares as aforesaid 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 Movement in the Shareholdings of Listed Companies.				

Notes:

i Particulars of shareholders holding 5% or more of the shares in the Company:

- (1) The shares held by China Textile Machinery (Group) Company Limited are state owned legal person shares. Pursuant to arrangements in the Company's Share Segregation Reform Proposal, China Textile Machinery (Group) Company Limited transferred and paid to the holders of floating A shares such number of A Shares and cash on 8th August 2006 as consideration and in exchange for which, the originally non-floating shares held by China Textile Machinery (Group) Company Limited were transferred into restricted floating A Shares subject to terms of lock-up on the same day. Upon the aforesaid change, China Textile Machinery (Group) Company Limited held 195,640,000 shares of floating A shares in total. On 22nd September 2006, China Textile Machinery (Group) Company Limited completed the plan of acquisition and increased its shareholding of 8,615,248 shares of the Company and the number of shares held thereby reached 204,255,248.

The legal representative of China Textile Machinery (Group) Company Limited is Wang Tiankai and it was established on 28th December 1983, with a registered capital of RMB 2,735,820,000. China Textile Machinery (Group) Company Limited is principally engaged in the manufacture and sale of textile machinery.

On 26th October 2005, China Textile Machinery (Group) Company Limited pledged 110,000,000 state-owned legal person shares of the Company to China Hengtian Group Company, its controlling shareholder. The pledge was released on 2nd August 2006.

On 15th January 2007, China Textile Machinery (Group) Company Limited pledged 204,255,248 shares of the Company (representing 33.83% of the Company's total share capital, including the 100% state-owned legal person shares) held by it to China Hengtian Group Company as a security for the guarantee in the amount of RMB 1.494 billion given by China Hengtian Group Company. The pledge period commences from the effective date of the registration of the pledge of shares (15th January 2007) and ends on the date falling two years after the expiry date of the guarantee period according to in the guarantee agreement.

China Textile Machinery (Group) Company Limited is a controlled subsidiary of China Hengtian Group Company. The legal representative of China Hengtian Group Company is Wang Tiankai and it was established in September 1998 with a registered capital of RMB1,801,950,000. China Hengtian Group Company is principally engaged in the design, production and sale of full set of textile machinery and part components and other machinery equipment.

The structure of controlling relationship between the beneficial controller of China Textile Machinery (Group) Company Limited, being the largest shareholder of the Company, the largest shareholder and the Company is shown as follows:

The State-owned Assets Supervision and Administration Commission of the State Council	
	100%
China Hengtian Group Company	
	87.57%
China Textile Machinery (Group) Company Limited	
	33.83%
The Company	

- (2) The H shares held by HKSCC Nominees Limited were held in the capacity of nominee on behalf of various respective clients, and HKSCC Nominees Limited itself has not held 5% or more of the Company's total share capital.



- ii. As at 31st December 2006, so far as the Directors, Supervisors and senior management of the Company are 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 Hong Kong Securities and Futures Ordinance were as follows:

Long positions in the H shares of the Company:

	Capacity	Number of H shares	Approximate % of total issued H share capital	Approximate % of total issued share capital
Everbest Investments Limited	Beneficial Owner	59,580,000	32.95	9.87
Platinum Asset Management Limited as trustee for the Platinum Asset Management Trust	Trustee (other than a bare trustee)	10,980,000	6.07	1.82
Zhang Sheng Hang	Beneficial Owner	10,240,000	5.00 (note)	1.70

Note: Such information is extracted from the individual substantial shareholder notice of Zhang Sheng Hang filed on 21 October 2003 as shown on the website of the Stock Exchange. However, the number of H Shares held by Zhang Sheng Hang stated in such notice was 10,240,000, 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 31st December 2006. Zhang Sheng Hang had not filed any individual substantial shareholder notice with the Company from 21 October 2003 to present. 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 31st December 2006.

Long positions in the A shares of the Company:

	Capacity	Number of A shares	Approximate % of total issued A share capital	Approximate % of total issued share capital
China Textile Machinery (Group) Company Limited	Beneficial Owner	203,155,963 (note)	48.03	33.65

Note: China Hengtian Group Company held 87.57% equity interests in China Textile Machinery (Group) Company Limited and was deemed to be interested in all the shares of the Company held by China Textile Machinery (Group) Company Limited by virtue of the Securities and Futures Ordinance.

Save as disclosed above, in accordance with the register required to be kept under Section 336 of Part XV of the Hong Kong Securities and Futures Ordinance, the Company had not received any notice regarding the interests or short positions owned in the shares and underlying shares of the Company as at 31st December 2006.