

# CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

## 1. Changes in Share Capital

### (1) Table of changes in share capital of the Company

Unit: share

|                                   | Beginning of the year |                | Allotment | Increase/(decrease) during the year |          |          |          | Sub-total | End of the year    |                |
|-----------------------------------|-----------------------|----------------|-----------|-------------------------------------|----------|----------|----------|-----------|--------------------|----------------|
|                                   | Number of shares      | Proportion (%) |           | Bonus shares                        | Transfer | Others   |          |           | Number of shares   | Proportion (%) |
| A. Non-circulating shares         |                       |                |           |                                     |          |          |          |           |                    |                |
| 1. Promoter's share               |                       |                |           |                                     |          |          |          |           |                    |                |
| Including:                        |                       |                |           |                                     |          |          |          |           |                    |                |
| State-owned shares                | 31,345,554            | 12.79          | -         | -                                   | -        | -        | -        | -         | 31,345,554         | 12.79          |
| Domestic legal person share       | -                     | -              | -         | -                                   | -        | -        | -        | -         | -                  | -              |
| Overseas legal person shares      | -                     | -              | -         | -                                   | -        | -        | -        | -         | -                  | -              |
| Others                            | 71,052,146            | 29             | -         | -                                   | -        | -        | -        | -         | 71,052,146         | 29             |
| 2. Legal person shares            | 17,609,700            | 7.19           | -         | -                                   | -        | -        | -        | -         | 17,609,700         | 7.19           |
| 3. Internal employees shares      | -                     | -              | -         | -                                   | -        | -        | -        | -         | -                  | -              |
| 4. Preference shares or others    | -                     | -              | -         | -                                   | -        | -        | -        | -         | -                  | -              |
| Total non-circulating shares      | <u>120,007,400</u>    | <u>48.98</u>   | <u>-</u>  | <u>-</u>                            | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u>  | <u>120,007,400</u> | <u>48.98</u>   |
| B. Circulating shares             |                       |                |           |                                     |          |          |          |           |                    |                |
| 1. Renminbi ordinary shares       | 60,000,000            | 24.49          | -         | -                                   | -        | -        | -        | -         | 60,000,000         | 24.49          |
| 2. Domestic listed foreign shares | -                     | -              | -         | -                                   | -        | -        | -        | -         | -                  | -              |
| 3. Overseas listed foreign shares | 65,000,000            | 26.53          | -         | -                                   | -        | -        | -        | -         | 65,000,000         | 26.53          |
| 4. Others                         | -                     | -              | -         | -                                   | -        | -        | -        | -         | -                  | -              |
| Total circulating shares          | <u>125,000,000</u>    | <u>51.02</u>   | <u>-</u>  | <u>-</u>                            | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u>  | <u>125,000,000</u> | <u>51.02</u>   |
| C. Total                          | <u>245,007,400</u>    | <u>100</u>     | <u>-</u>  | <u>-</u>                            | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u>  | <u>245,007,400</u> | <u>100</u>     |

### (2) Issue and listing of shares

#### 1) Issue of share in the previous last 3 year

There is no issue and listing of share including issue of new shares and allotment of shares up to the reported date.

#### 2) Number and structure of shares

There are no changes in the number and structure of shares due to bonus shares and allotment of shares up to the reported date.

On 22nd December, 2006, Share increase with capital reserve Proposal ("Share Increase") (1.5606 new shares would be allocated for every 10 existing shares) and Share Reform Proposal (holders of non-circulating shares would pay 2.7 shares for every 10 existing shares to holders of circulating A shares as consideration for non-circulating shares becoming listed and tradable) were considered and approved at the Extraordinary General Meeting ("EGM") and Shareholders' Meeting in relation to A Share market respectively. By 31st December, 2006, those proposals were not implemented.

On 30th January, 2007, the above two proposals were approved by relevant government departments. The record date of Share Increase was 26th February, 2007. After implementation the Share Increase, the total issued share capital of the Company is 283,243,255 shares. On 7th March, 2007, Share Reform Proposal was implemented in A Share market and on 8th March, 2007, newly H Shares were listed and tradable.

#### 3) Internal employees shares

There are no employees shares in the Company up to the reported date.

# CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

## 2. Shareholding of the Company

### (1) Shareholding of the Company

Unit: share

Number of shares at the end of the year: 17,596 (Including: 17,734 A shares shareholders, 138 H shares shareholders)

#### The top ten shareholders in the Company

| Name of shareholder  | Nature of shareholders | Proportion (%) | Number of shares held at the end of the year | Increase/Decrease | Class (Trading/Non-trading) | Number of non-trading shares | Number of shares pledged or frozen |
|--|------------------------|----------------|--|-------------------|-----------------------------|------------------------------|------------------------------------|
| Shenyang Machine Tool (Group) Co., Ltd.                          | State-owned            | 29             | 71,052,146                                   | 71,052,146        | Non-trading                 | 71,052,146                   |                                    |
| HKSCC Nominees Ltd.  | Foreign                | 26.05          | 63,843,998                                   | 27,000            | Trading                     | –                            |                                    |
| Yunnan Provincial Government                                     | State-owned            | 12.79          | 31,345,554                                   | –                 | Non-trading                 | 31,345,554                   |                                    |
| Kunming Jinghua Company  | Others                 | 7.19           | 17,609,700                                   | –                 | Non-trading                 | 17,609,700                   |                                    |
| China Construction Bank-Securities Investment Fund               | Others                 | 3.10           | 7,598,858                                    | 7,598,858         | Trading                     | –                            |                                    |
| Jingyang Securities Investment Fund                              | Others                 | 0.89           | 2,192,577                                    | 2,192,577         | Trading                     | –                            |                                    |
| Dacheng Growth Securities Investment Fund                        | Others                 | 0.53           | 1,298,745                                    | 1,298,745         | Trading                     | –                            |                                    |
| Chian Construction Bank-Stable Growth Securities Investment Fund | Others                 | 0.47           | 1,151,438                                    | 1,151,438         | Trading                     | –                            |                                    |
| Nanjing Securities Co., Ltd.                                     | Others                 | 0.29           | 700,000                                      | 700,000           | Trading                     | –                            |                                    |
| Orient Securities Co., Ltd.                                      | Others                 | 0.22           | 549,040                                      | 549,040           | Trading                     | –                            |                                    |

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## The top shareholders of trading shares in the Company

| Name  | Number of trading shares | Type of shares                 |
|---|--------------------------|--------------------------------|
| HKSCC Nominees Ltd.   | 63,843,998               | Overseas listed foreign shares |
| CCB-ICBC Credit Suisse Selected and Balance Investment Fund | 7,598,858                | Renminbi ordinary share        |
| Jingyang Securities Investment Fund                         | 2,192,577                | Renminbi ordinary share        |
| Dacheng Value Increasing Investment Fund                    | 1,298,745                | Renminbi ordinary share        |
| CCB-ICBC Credit Suisse Stable Growth Investment Fund        | 1,151,438                | Renminbi ordinary share        |
| Nanjing Securities Co.,Ltd.                                 | 700,000                  | Renminbi ordinary share        |
| Orient Securities Co.,Ltd.                                  | 549,040                  | Renminbi ordinary share        |
| Industrial Bank-Global View Investment Fund                 | 499,938                  | Renminbi ordinary share        |
| Gen Yucheng   | 450,806                  | Renminbi ordinary share        |
| Yunnan Power Group Ltd.                                     | 441,000                  | Renminbi ordinary share        |

Explanation of the connected relationship or consistent action relationship among the above shareholders

The Company was not notified of any connected relationship and consistent action regulated by "Information Disclosure Management Procedure to changes of Shareholding of List Company" among the top ten shareholders of circulating shares of the Company. None of the top ten largest shareholders of the Company have relationship with each other and the Company was not notified by its shareholders that there is any relationship between the shareholders of non-circulating shares, the shareholders of the state-owned shares and the public shareholders.

Other than the substantial shareholders disclosed above as at 31st December, 2006, there were no other shareholders whose shareholdings exceeded the amount required to be disclosed under Article 60 of "Administration of the Issuing and Trading of Shares Provisional Regulations" of the PRC and Issue No. 2 of "The Content and Format of Disclosure of Information of Annual Report of the Listed Companies" (Amended in 2005) and the register of substantial shareholders maintained under the requirement of reporting; and under Issue No. 16(1) of the Securities (Disclosure of Interests) Ordinance under the Hong Kong Exchanges and Clearing Limited, the Company was not notified of any interests representing 10% or more of the issued share capital of the Company.

Among top ten shareholders, there are four holding 5% or more of the Company's shares. They are Shenyang Machine Tool (Group) Co., Ltd., which holds the state-owned legal person shares, Yunnan Provincial Government holds the state-owned shares, Kunming Jinghua Company holds the legal person shares. All of the shares held by these shareholders are non-circulating and are not pledged, frozen, mortgaged, nor designatged. The overseas listed shares (H Shares) of the Company are held by HKSCC Nominee Ltd.

# CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(2) HKSCC Nominees Limited holds shares on behalf of clients. The Company did not receive notification from HKSCC Nominees Limited that any single H shareholder who held more than 10% in total share capital of the Company and did not received notification from HKSCC Nominees Ltd. that any single H shareholder who held more than 5% in total H share capital of the Company. On 6th March 2007, the Company was notified that the shareholder Keywise Capital Management (HK) Ltd. held H shares of the Company from 3,336,000 shares to 5,440,199 shares.

(3) Save as disclosed above, the Directors were not notified by any person (who is not the Director or chief executive officer) who owns the interest or short position in the shares or underlying shares of the Company and shall be disclosed to the Company in compliance with the requirements contained in Division 2 and 3 of Part XV of Securities and Future Ordinance ("SFO"), the interest or short position that shall be included in the prescribed register in accordance with section 336 of SFO.

(4) **Substantial shareholders and beneficial controller**

1) *Substantial Shareholder*

Substantial Shareholder: Shenyang Machine Tools (Group) Company Limited

Legal Representative: Chen Huiren

Registered Capital: RMB712,840,000

Date of Incorporation: 18th December 1995

Principle operating or managing activities: manufacturing and sales of metal cutting machine, CNC machine and mechanical equipment.

2) *Beneficial controller*

Beneficial controller: Shenyang State-owned Assets Supervision and Administration Commission

3) *Changes of substantial shareholder and beneficial controller*

On 16th September, 2005, the Company received written notices from the Company's largest shareholder Xi'an Jiaotong University Industrial (Group) Incorporation, and Shenyang Machine Tool (Group) Co., Ltd. Respectively, the contents of the notice as below:

On 15th September, 2005, Xi'an Jiaotong University Industrial (Group) Incorporation and Shenyang Machine Tool (Group) Co., Ltd. entered into an agreement in regarding transfer of shares. Shenyang Machine Tool (Group) Co., Ltd agreed to buy 71,052,146 shares of Jiaoda Kunji High-Tech Co., Ltd. from Xi'an Jiaotong University Industrial (Group) Incorporation, representing 29% of the total 245,007,400 shares. The transfer price of the shares was RMB183, 000,000.

Later, the Company received a written reply in relation to the state-owned shares transfer issued by the State-owned Assets Supervision and Administration Commission under the State Council which agreed Xi'an Jiaotong University Industrial (Group) Incorporation to transfer its 71,052,146 shares of the Company to Shenyang Machine Tool (Group) Co., Ltd.. The shares remained state-owned shares after transferred. China Securities Regulatory Commission approved the transfer by issued "The opinions in regarding to the information disclosure of Shenyang Machine Tool (Group) Company Limited purchases equities of Jiaoda Kunji High-Tech Company Limited" (file no. 證監公司字[2006]255號)

# CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

On 2nd December 2006, the Company has received the Transfer Registration Confirmation of State-owned Legal Person Shares (《國有法人股轉讓過戶登記確認書》) (the "Confirmation") issued by China Securities Depositories & Clearing Corporation Limited (Shanghai Branch) confirming that Shenyang Machine Tool (Group) Company Limited has completed the share transfer registration of transferring 71,052,146 state-owned legal person shares of the Company held by Xi'an Jiaotong University Industrial (Group) Incorporation. From the date of registration, 1st December 2006, Shenyang Machine Tool (Group) Company Limited has held 71,052,146 state-owned legal person shares of the Company, representing 29% of the total issued share capital.

After the transfer, Shenyang Machine Tool (Group) Company Limited has been the largest shareholder of the Company.

New substantial shareholder: Shenyang Machine Tool (Group) Company Limited

Beneficial controller: Shenyang State-owned Assets Supervision and Administration Commission

The date of change of substantial shareholders: 1st December, 2006

Designated newspapers for substantial shareholder disclosing this issue: China Securities Daily, Shanghai Securities Daily, Hong Kong Wen Wei Po and The Standard

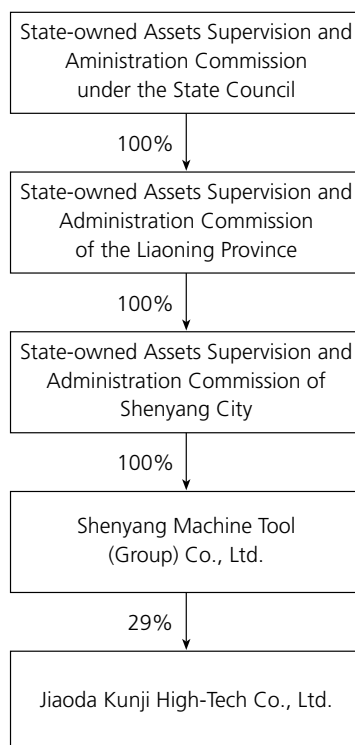
Disclosure date: 5th December, 2006

## **Description of agreed term of shareholding in respect of strategic investors and general legal persons' participation in issue of new shares**

| <b>Name of shareholders</b>  | <b>Agreed term of shareholding</b> |
|--|------------------------------------|
| Shenyang Machine Tool (Group) Company Limited                                      | 31st December, 2010                |
| Yunnan Provincial Government (Yunnan State-owned Assets Operation Company Limited) | 31st December, 2010                |

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## 4) *Flowchart for the relationship between actual holders and the Company*



## (5) **Other shareholder who hold 10% or more of the issued share capital of the Company**

As at the report date, there is no other shareholders holds more 10% shares of the Company.