

3. CHANGE IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

3.1 CHANGE IN SHARE CAPITAL

During the Reporting Period, there was no change in the capital structure of the Company.

3.2 SHAREHOLDINGS OF MAJOR SHAREHOLDERS

3.2.1 As at 30 June 2005, there were 41,690 shareholders in total, including two shareholders holding the state-owned shares, 41,651 shareholders holding the Renminbi denominated domestic shares (A shares) and 37 shareholders holding the overseas listed foreign shares (H shares).

3.2.2 As at 30 June 2005, the ten largest shareholders of the Company and their shareholdings were as follows:

Shareholders	Changes in no. of shares held during the Reporting Period	No. of shares held as at 30 June 2005	Type of shares	% of the issued share capital	Nature of shares
Guangzhou Pharmaceutical Holdings Limited (“GPHL”) (Note 1)	0	491,000,000	Unlisted	Approximately 60.55	State-owned shares
HKSCC Nominees Limited (Note 2)	36,000	218,214,999	Listed	Approximately 26.91	H shares
China Greatwall Asset Management Corporation	0	22,000,000	Unlisted	Approximately 2.71	State-owned shares
Yulong Securities Investment Fund	1,996,542	1,996,542	Listed	Approximately 0.25	A shares
Bank of China – China AMC Return Fund	1,713,043	1,713,043	Listed	Approximately 0.21	A shares
Shenyin Wanguo – Citibank – UBS Limited	1,432,329	1,432,329	Listed	Approximately 0.18	A shares
China Merchants Securities – Stanchart – ING Bank N.V.	1,044,212	1,044,212	Listed	Approximately 0.13	A shares
Guotai Junan – CCB – The Hongkong and Shanghai Banking Corporation Limited	940,290	940,290	Listed	Approximately 0.12	A shares
HSBC Nominees (Hong Kong) Limited	3,000	866,000	Listed	Approximately 0.11	H shares
Chen Shao Bin	799,999	799,999	Listed	Approximately 0.10	A shares

Notes:

- 1) During the Reporting Period, GPHL, the controlling shareholder of the Company, disposed of part of its interests in the Company’s shares for the purpose of financing the debt restructuring of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (“BYSC”). The total number of the shares involved was 115,440,000 shares, in which 12,480,000 shares were planned to be transferred to BYSC and the relevant procedures had been underway. 56,010,000 shares which were previously pledged were frozen on 11 April 2005 (The frozen period was from 11 April 2005 to 10 April 2006). At present, 102,960,000 shares of the Company held by GPHL are still pledged.
- 2) As notified by HKSCC Nominees Limited, the H shares under its name were held on behalf of its several clients.
- 3) The Company is not aware of any connection among the above shareholders, or whether they are persons acting in concert as stipulated in the “Rules Governing the Disclosure of Change in Shareholders’ Shareholding in Listed Companies”.

- 3.2.3 As at 30 June 2005, the interests and short positions of persons (not being the Directors, Supervisors or Senior Management of the Company) in the shares and underlying shares of the Company, which were required to notify the Company and The Stock Exchange of Hong Kong Limited (the “HKEX”) pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws in Hong Kong) and which have to be recorded in the register maintained by the Company under section 336 of the SFO were as follows:

Shareholders	Nature of shares	No. of shares held (share)	% of total issued state – owned shares	% of total issued H shares
GPHL	State-owned shares	491,000,000	95.71%	—
China Greatwall Asset Management Corporation	State-owned shares	22,000,000	4.29%	—
The Hong Kong and Shanghai Banking Corporation Limited	H shares	46,562,694	—	21.17
Shenyin Wanguo Securities (Hong Kong) Limited	H shares	18,326,000	—	8.33
HSBC Broking Securities (Hong Kong) Limited	H shares	16,170,000	—	7.35
Guotai Junan Securities (Hong Kong) Limited	H shares	15,698,000	—	7.14
Citibank N. A.	H shares	13,408,000	—	6.10
Morgan Stanley Dean Witter Hong Kong Securities Ltd	H shares	13,166,870	—	5.99

As far as the Directors are aware and other than those listed above, there was no other person or body corporation having an interest or short position in the shares and underlying shares of the Company as at 30 June 2005 which represents 5% or more of any class of the issued share capital of the Company.

- 3.2.4 As at 30 June 2005, the ten largest shareholders holding the listed shares of the Company and their shareholdings were as follows:

Shareholders	No. of listed shares held	Nature of shares
HKSCC Nominees Limited	218,214,999	H shares
Yulong Securities Investment Fund	1,996,542	A shares
Bank of China - China AMC Return Fund	1,713,043	A shares
Shenyin Wanguo - Citibank-UBS Limited	1,432,329	A shares
China Merchants Securities - Stanchart - ING Bank N.V.	1,044,212	A shares
Guotai Junan - CCB -The Hongkong and Shanghai Banking Corporation Limited	940,290	A shares
HSBC Nominees (Hong Kong) Limited	866,000	H shares
Chen Shao Bin	799,999	A shares
Shenyin Wanguo - HSBC - Merrill Lynch International	790,438	A shares
Jingye Securities Investment Fund	776,700	A shares

Notes:

- As notified by HKSCC Nominees Limited, the H shares under its name were held on behalf of its several clients.
- The Company is not aware of any connection among the above ten shareholders, or whether they are persons acting in concert as stipulated in the “Rules Governing the Disclosure of Change in Shareholders’ Shareholding in Listed Companies”.

- 3.2.5 During the Reporting Period, there was no change in the controlling shareholder of the Company.

3.3 PUBLIC FLOAT

Based on the available public information and to the best knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the date of this interim report.

3.4 PRE-EMPTIVE RIGHTS

According to the laws of the PRC and the Articles of Association of the Company, there is no pre-emptive right which would oblige the Company to issue new shares to the existing shareholders on a pro-rata basis.

3.5 NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES HAD PURCHASED, SOLD OR REDEEMED ANY OF THE COMPANY'S SHARES DURING THE REPORTING PERIOD.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

4.1 DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTEREST IN SHARES

4.1.1 As at 30 June 2005, the Directors', Supervisors' and Senior Management's interest in A Shares of the Company were as follows:

Name	Position	Shares held as at 1 January 2005 (share)	Shares held as at 30 June 2004 (share)	Reason for change
Yang Rongming	Chairman	—	—	—
Zhou Yuejin	Vice Chairman	28,900	28,900	—
Xie Bin	Director, General Manager	1,000	1,000	—
Feng Zansheng	Director	—	—	—
Wu Zhang	Independent Director	—	—	—
Wong Hin Wing	Independent Director	—	—	—
Zhang Heyong	Independent Director	—	—	—
Chen Canying	Chairman of the Supervisory Committee	9,800	9,800	—
Ouyang Qiang	Supervisor	10,100	10,100	—
Zhong Yugan	Supervisor	—	—	—
He Shuhua	Deputy General Manager and Company Secretary	27,700	27,700	—
Su Guangfeng	Deputy General Manager	—	—	—
Gao Fang	Financial Controller	—	—	—

Note: According to the long-term incentive scheme approved at the Company's first Extraordinary General Meeting of 2002, Senior Management of the Company is entitled to an incentive bonus, provided that the targeted operating profit of the relevant year is achieved. Part of the bonus has been used to subscribe for the Company's RMB denominated ordinary shares (A shares) and such tradings have been reported to the Shanghai Stock Exchange ("SSE") in accordance with relevant rules and regulations.