

Changes in Share Capital and Shareholders

I. CHANGES IN SHARE CAPITAL

1. Movement in share capital and its components

| | Before change | | Change (+/-) | | | | | After change | |
|---|--------------------------|----------------|--------------|----------------------|----------------------|----------|---------------------|--------------------------|----------------|
| | Number of shares (share) | Percentage (%) | New issues | Bonus issues (share) | Reserves capitalized | Others | Sub-total (share) | Number of shares (share) | Percentage (%) |
| I. Shares subject to selling restrictions | | | | | | | | | |
| 1. State-owned shares | 513,000,000 | 63.26 | — | (23,400,000) | — | — | (23,400,000) | 489,600,000 | 60.38 |
| 2. Shares held by State-owned legal entities | — | — | — | — | — | — | — | — | — |
| 3. Other domestic shares | | | | | | | | | |
| Including: Shares held by | | | | | | | | | |
| domestic legal entities | — | — | — | — | — | — | — | — | — |
| Shares held by | | | | | | | | | |
| domestic natural persons | — | — | — | — | — | — | — | — | — |
| 4. Shares held by foreign capital | — | — | — | — | — | — | — | — | — |
| Including: Shares held by | | | | | | | | | |
| overseas legal entities | — | — | — | — | — | — | — | — | — |
| Shares held by | | | | | | | | | |
| overseas natural persons | — | — | — | — | — | — | — | — | — |
| Total shares subject to selling restrictions | 513,000,000 | 63.26 | — | (23,400,000) | — | — | (23,400,000) | 489,600,000 | 60.38 |
| II. Shares not subject to selling restrictions | | | | | | | | | |
| 1. Renminbi-denominated ordinary shares | 78,000,000 | 9.62 | — | 23,400,000 | — | — | 23,400,000 | 101,400,000 | 12.50 |
| 2. Domestically listed foreign capital shares | — | — | — | — | — | — | — | — | — |
| 3. Overseas listed foreign capital shares | 219,900,000 | 27.12 | — | — | — | — | — | 219,900,000 | 27.12 |
| 4. Others | — | — | — | — | — | — | — | — | — |
| Total shares not subject to selling restrictions | 297,900,000 | 36.74 | — | 23,400,000 | — | — | 23,400,000 | 321,300,000 | 39.62 |
| III. Total shares | 810,900,000 | 100 | — | — | — | — | — | 810,900,000 | 100 |

On 12 April 2006, the Relevant A Shareholders' Meeting of the Company approved the Share Reform Plan of the Company, pursuant to which the holders of circulating A shares were offered 3 shares for every 10 A shares held.

2. Issuance and listing of shares

The Company issued 219,900,000 H shares in Hong Kong in October 1997. In January 2001, the Company issued 78,000,000 A shares in the PRC. As at 31 December 2006, the total number of shares issued by the Company amounted to 810,900,000 shares, out of which 60.38% were State-owned shares, approximately 12.50% were A shares and the approximately 27.12% were H shares.

3. The inner staff shares

The Company does not have any inner staff shares.



Changes in Share Capital and Shareholders

II. INTRODUCTION OF SHAREHOLDERS

1. Number of shareholders as at the end of the Reporting Period

As at 31 December 2006, there were 29,932 shareholders in total, out of which 2 shareholders holding the State-owned shares, 29,902 shareholders holding the A shares and the remaining 28 shareholders holding the H shares.

2. Shareholders' interests and short positions in the shares and underlying shares of the Company

As at 31 December 2006, the interests and short positions held by the persons (not being the Directors, Supervisors and Senior Management of the Company) in the shares and underlying shares of the Company which were notified to 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 (Chapter 571 of the laws of Hong Kong) (the "SFO") and as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

| Shareholders | Nature of shares held | Number of shares held (share) | % of total issued State-owned Shares (%) | % of total issued H shares (%) |
|--|-----------------------|----------------------------------|---|-----------------------------------|
| Guangzhou Pharmaceutical Holdings Limited ("GPHL") | State-owned shares | 468,603,509 | Approximately 95.71 | — |
| China Greatwall Asset Management Corporation ("Greatwall Corporation") | State-owned shares | 20,996,491 | Approximately 4.29 | — |
| The Hongkong and Shanghai Banking Corporation Limited (Note 1) | H shares | 61,604,000 | — | Approximately 28.01 |
| Standard Chartered Bank (Hong Kong) Ltd. (Note 1) | H shares | 54,434,000 | — | Approximately 24.75 |
| Greenwoods Asset Management Limited Morgan Stanley Dean Witter | H shares | 24,828,000 | — | Approximately 11.29 |
| Hong Kong Securities Ltd (Note 1) | H shares | 14,171,000 | — | Approximately 6.44 |
| Wellington Management Company, LLP | H shares | 12,356,000 | — | Approximately 5.62 |
| Value Partners Limited (Note 2) | H shares | 11,142,000 | — | Approximately 5.07 |
| Cheah Cheng Hye (Note 2) | H shares | 11,142,000 | — | Approximately 5.07 |

Notes: 1. As notified by HKSCC Nominees Limited, as at 31 December 2006, the H shares held by each corporation in its securities account with the Central Clearing and Settlement System amounted to more than 5% of the total issued H shares of the Company.

2. According to the corporate substantial shareholder notice from Value Partners Limited, 11,142,000 H shares were held by it in its capacity as an investment manager.

According to the individual substantial shareholder notice from Mr. Cheah Cheng Hye, 11,142,000 H shares were held by him by virtue of his interests in Value Partners Limited.

As far as the Directors are aware, as at 31 December 2006, other than those listed above, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of any class of the issued share capital of the Company.



Changes in Share Capital and Shareholders

II. INTRODUCTION OF SHAREHOLDERS *(continued)*

3. The top ten shareholders of the Company

The top ten shareholders of the Company as at 31 December 2006 are set out as follows:

| Shareholders | Nature of shares | No. of shares held (share) | Number of shares subject to selling restrictions (share) | % of total issued share capital (%) | Number of pledged or locked shares (share) |
|--|--------------------|-------------------------------|---|--|---|
| GPHL | State-owned shares | 468,603,509 | 468,603,509 | Approximately 57.79 | Note (1) |
| HKSCC Nominees Limited | H shares | 218,760,299 | — | Approximately 26.98 | Unknown |
| Greatwall Corporation | State-owned shares | 20,996,491 | 20,996,491 | Approximately 2.59 | Unknown |
| Bank of China-E Fund Steady Growth Securities Investment Fund | A shares | 8,323,466 | — | Approximately 1.03 | Unknown |
| Bank of Communications-Ke Hui Securities Investment Fund | A shares | 5,038,021 | — | Approximately 0.62 | Unknown |
| Western Securities Co., Limited | A shares | 4,265,538 | — | Approximately 0.53 | Unknown |
| ICBC-Kai Yuan Securities Investment Fund | A shares | 3,871,582 | — | Approximately 0.48 | Unknown |
| Bank of China-E Fund Strategic Growth No. 2 Mixed Securities Investment Fund | A shares | 1,399,801 | — | Approximately 0.17 | Unknown |
| ICBC-E Fund Value Selective Stock Securities Investment Fund | A shares | 1,199,936 | — | Approximately 0.15 | Unknown |
| National Social Security Fund 109 Group | A shares | 1,034,508 | — | Approximately 0.13 | Unknown |

Notes:

- (1) During the Reporting Period, the controlling shareholder of the Company, namely GPHL, applied part of its shares of the Company for debt restructure of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. ("Baiyunshan Co., Ltd"). The total number of shares involved was 115,440,000 shares, among which 12,480,000 shares were intended to be transferred to Baiyunshan Co., Ltd. There were still 102,960,000 shares being pledged (including 65,110,000 shares that continued to be frozen on 15 May 2006) as at 31 December 2006.
- (2) According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.
- (3) Among the top ten shareholders of the Company, GPHL was not connected with the other nine shareholders and were not persons acting in concert as stipulated in the "Rules Governing the Disclosure of Change in Shareholders' Shareholding in Listed Companies". The Company was not aware of any connection among the other nine shareholders, or whether they were persons acting in concert as stipulated in the "Rules Governing the Disclosure of Change in Shareholders' Shareholding in Listed Companies".



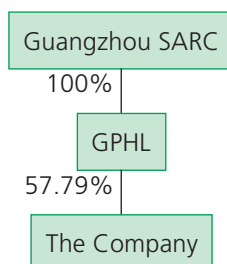
Changes in Share Capital and Shareholders

II. INTRODUCTION OF SHAREHOLDERS *(continued)*

4. Information of the corporate shareholder holding 10% or more of the Company's total issued shares

| | |
|------------------------------|--|
| Name of shareholder | Guangzhou Pharmaceutical Holdings Limited |
| % of shares held | 57.79% |
| Legal representative | Yang Rongming |
| Date of establishment | 7 August 1996 |
| Registered capital | RMB1,007.7 million |
| Business scope | To invest in and manage State-owned assets, to sell and manufacture chemical medicine, Chinese and western medicine, Chinese raw medicine, bio-tech products, medical apparatus, packing materials for pharmaceutical products, health drinks and food, hygienic materials and pharmaceutical related merchandise; to undertake medicine related import and export affairs and to develop real estate. |

As at the end of the Reporting Period, the controlling shareholder of the Company was GPL, the beneficial owner of which was the State-owned Assets Regulatory Commission of Guangzhou ("Guangzhou SARC").



5. Other shareholders holding 10% or more of the Company's total issued shares

As at the end of the Reporting Period, the Company had no other shareholders holding 10% or more of the Company's total issued shares.

6. As at 31 December 2006, the Company's top ten shareholders holding the shares not subject to selling restrictions and their shareholdings were as follows:

| Shareholders | No. of shares not subject to selling restrictions held (share) | Nature of shares |
|--|--|------------------|
| HKSCC Nominees Limited | 218,760,299 | H shares |
| Bank of China-E Fund Steady Growth Securities Investment Fund | 8,323,466 | A shares |
| Bank of Communications-Ke Hui Securities Investment Fund | 5,038,021 | A shares |
| Western Securities Co., Limited | 4,265,538 | A shares |
| ICBC-Kai Yuan Securities Investment Fund | 3,871,582 | A shares |
| Bank of China-E Fund Strategic Growth No. 2 Mixed Securities Investment Fund | 1,399,801 | A shares |
| ICBC-E Fund Value Selective Stock Securities Investment Fund | 1,199,936 | A shares |
| National Social Security Fund 109 Group | 1,034,508 | A shares |
| HSBC Nomiees (Hong Kong) Limited | 866,000 | H shares |
| Zhou Zhiping | 833,115 | A shares |

Note: (1) According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.

(2) The Company was not aware of any connection among the above-mentioned ten shareholders holding the shares not subject to selling restrictions, or whether they are persons acting in concert as stipulated in the "Rules Governing the Disclosure of Change in Shareholders' Shareholding in Listed Companies".



Changes in Share Capital and Shareholders

II. INTRODUCTION OF SHAREHOLDERS *(continued)*

7. The top ten shareholders holding shares subject to selling restrictions of the Company as at the end of the Reporting Period

| No. | Name of holders of shares subject to selling restrictions | Number of shares subject to selling restrictions held (share) | Listing and trading of shares subject to selling restrictions | | Undertakings |
|-----|---|--|---|---|--------------|
| | | | Listing and trading date | Number of additional tradable shares (share) | |
| 1 | GPHL | 468,603,509 | 24 April 2007 | 40,545,000 | Note (1) |
| | | 428,058,509 | 24 April 2008 | 40,545,000 | |
| | | 387,513,509 | 24 April 2009 | 387,513,509 | |
| 2 | Greatwall Corporation | 20,996,491 | 24 April 2007 | 20,996,491 | Note (2) |

Note (1) *The shares subject to selling restrictions held by GPHL shall not be listed and traded, nor transferred within 12 months from the date of implementation of the reform plan. Upon the expiry of such 12 months period, GPHL will not dispose of its shares (which are originally shares subject to selling restrictions) which exceeds 5% and 10% of the total number of the issued shares of the Company in The Shanghai Stock Exchange in the following 12 months and 24 months respectively.*

(2) *The shares held by Greatwall Corporation shall not be within 12 months from the implementation of the Share Reform Plan.*

8. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the Reporting Period.

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

III PUBLIC FLOAT

Based on the publicly available 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 report.

IV PRE-EMPTIVE RIGHTS

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

