

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

1. SHARE CAPITAL STRUCTURE

	As at 31 December 2001 Number of Shares	Issue of new A Shares on 3 September 2001 Number of Shares	As at 1 January 2001 Number of Shares
I. Unlisted Shares			
1. Issuers' shares	214,440,000	(3,000,000)	217,440,000
- State-owned shares (A Shares)			
2. Domestic legal person shares (A Shares)	16,719,500	-	16,719,500
Total number of unlisted shares	231,159,500	(3,000,000)	234,159,500
II. Listed Shares			
1. Domestic listed ordinary shares (A Shares)	76,153,330	33,000,000	43,153,330
2. Overseas listed foreign shares (H Shares)	150,000,000	-	150,000,000
Total number of listed shares	226,153,330	33,000,000	193,153,330
III. Total Number of Shares	457,312,830	30,000,000	427,312,830

2. SHARE ISSUES AND LISTING

The Company offered and issued 33,000,000 A Share (including the offering of 3,000,000 State-owned shares) on 3 September 2001 at a price of RMB13 per share, which were approved for listing on the Shenzhen Stock Exchange on 19 September 2001.

3. SUBSTANTIAL SHAREHOLDERS

- (i) As at 31 December 2001, the Company had on record a total of 35,794 shareholders, including 92 holders of H Shares (as recorded in its register required to be kept under section 16(1) of the Securities (Disclosure of Interests) Ordinance) and 35,702 holders of A Shares.
- (ii) As at 31 December 2001, the ten largest shareholders of the Company were as follows:

No.	Name of Shareholder	Class of shares	Number of shares held	% of the total share capital
1.	Shandong Xinhua Pharmaceutical Group Company Limited	State-owned A Shares	214,440,000	46.89
2.	HKSCC (Nominees) Limited	Listed H Shares	144,011,999	31.49
3.	Jiangsu Software Industry Company Limited	Listed A Shares	4,323,144	0.95
4.	Hubei Changxin Investment Company Limited	Listed A Shares	2,276,856	0.50
5.	Shanghai Zhengda Investment Company	Legal person A Shares	2,100,000	0.46
6.	China Medical Industrial Company	Legal person A Shares	1,540,000	0.34
7.	Qingdao Medical Supply Company	Legal person A Shares	1,100,000	0.24
8.	China Medical Foreign Trading Corporation	Legal person A Shares	1,000,000	0.22
9.	Shandong Huanzhong Pharmaceutical Co., Ltd.	Legal person A Shares	1,000,000	0.22
10.	Hong Kong & Shanghai Banking Corporation (Nominees) Limited A/C BR-79	Listed H Shares	902,000	0.20

Note:

1. The number of A Shares of the Company held by Shandong Xinhua Pharmaceutical Group Company Limited ("SXPGC"), the sole domestic shareholder with a shareholding of more than 5% of the total number of the Company's shares, was reduced by 3,000,000 A Shares on 3 September 2001. There was no mortgage over or freezing of the remaining shareholding in the Company of SXPGC during the year 2001;
2. There was no change of controlling shareholder of the Company during the year;
3. There is no association amongst the ten largest shareholders.

(iii) Information about the controlling shareholder

SXPGC, being the controlling shareholder of the Company, was approved by The Zibo Municipal State-owned Assets Management Commission with the issue of Ziguoziwei[1995]No.1. SXPGC was established as a wholly State-owned company, founded on the basis of the former Shandong Xinhua Pharmaceutical Factory (the "Factory") on 15 June 1995. The registered capital of SXPGC is RMB301,500,000 and its legal representative is Mr. He Duanshi. SXPGC is mainly engaged in the business of pharmaceutical industry, chemical industry, packaging, manufacture of chemical equipment, trading, industrial design, production and installment of instruments, education, hospital,

real estate, food and beverage services and the production of capsules.

Xinhua Lukang Pharmaceutical Group Corporation ("XLPGC"), a wholly State-owned company, the controlling shareholder of SXPGC and the ultimate controlling shareholder of the Company, was established on 1 December 1998. The registered capital of XLPGC is RMB495,490,000 and its legal representative is Mr. He Duanshi. XLPGC is mainly engaged in the business of investment in pharmaceutical enterprises.