

To the shareholders of Guangzhou Pharmaceutical Company Limited:

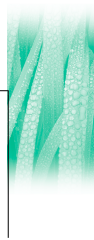
On behalf of the Supervisory Committee of the Company (the “Supervisory Committee”), I report for your review, the duties performed by the Supervisory Committee during the year ended 31 December 2000 (“the year”) in accordance with the articles of association.

DETAILS OF DUTIES OF THE SUPERVISORY COMMITTEE

Four meetings were held by the Supervisory Committee during the report period, details of which are as follows:

- The Supervisory Committee was present at the 1999 AGM on 26 May 2000. At the 1999 AGM, the Report of the Supervisory Committee for the year ended 31 December 1999 was discussed and approved.
- The Supervisory Committee was present at the 1999 AGM on 26 May 2000, at which it discussed and approved the Board of Directors to proceed with a rights issue and public offer for the issuance of new shares of the Company in compliance with related law and regulations, make appropriate and necessary amendments to the articles of association, and obtain a necessary business license.
- The first meeting of the second term of the Supervisory Committee was held on 18 October 2000. At the meeting, a new chairman of the Supervisory Committee was elected.
- The Supervisory Committee was present at the second 2000 EGM on 18 October 2000. At the second 2000 EGM, discussion and comments were made in relation to the public offering of A shares.

During the year ended 31 December 2000, all the Supervisors of the Company have complied with the PRC Company Law, the Company’s Articles of Association and the Hong Kong Listing Rules, fulfilled their responsibilities, protected the interests of the Company and the shareholders, abided by the principal of honesty and trustworthiness, and devoted themselves to working cautiously and diligently.



The Supervisory Committee's evaluation of the Company's performance is as follows:

- The operation decisions made by management of the Company during the year are in compliance with the laws and regulations of the State, the Articles of Association, the Hong Kong Listing Rules, and are in the interests of the Company's prospects and its shareholders. The Company's Directors and management have not committed any acts in breach of laws and regulations, the Articles of Association, nor have they engaged in any acts involving the infringement of the Company's interest or infringement of shareholder interests.
- The domestic and international auditors have issued unqualified audit reports on the Company's accounts for the year ended 31 December 2000. They confirmed that the accounts fairly present the financial position and operating results of the Company.
- The use of the net proceeds from issue of shares is in line with the plans for the utilisation of proceeds as disclosed in the prospectus of public offering.
- The connected transactions are on an arms-length basis and do not involve any action which may harm the interests of the Company.

On behalf of the Supervisory Committee

Chen Canying

Chairman of the Supervisory Committee

20 April 2001