

## DISCLOSURE OF SIGNIFICANT EVENTS

1. The Board does not recommend the payment of a dividend for the six months ended 30 June 2001 nor propose any increase in share capital from the capitalisation of capital reserve.
2. Proposed scheme of profit distribution of year 2000

In accordance with the PRC accounting rules and regulations, net profit of the Group for 2000 was Rmb146,234,183. The Company and its subsidiaries respectively transferred 10% of its net profit to the statutory public welfare fund and the statutory surplus reserve fund, totalling Rmb29,246,000. The Board had recommended a final dividend of Rmb0.05 per share (including withholding tax for A share) for the year totalling Rmb38,985,000. The above scheme of profit distribution has completed, during the reporting period. There was no capitalisation of capital reserve in 2000.

3. During the reporting period, the Group has not engaged in any litigation or arbitration.
4. During the reporting period, the Group has not undergone any merger and acquisition and assets restructuring processes.
5. During the reporting period, the Group has no significant connected party transaction.
6. The company is independent from its ultimate holding company, Guangzhou Pharmaceutical Holdings Limited, in human resources, holdings of assets and financing arrangements. The details are as follows:
  - There is no duplicated appointment of senior management and the management of labour and payroll is separated. Managerial staff is remunerated by the listed Company;
  - The company maintains its own production, purchase and sales system. The Company uses 38 trademarks that are legally registered in the name of GZPHL. Pursuant to the Trademark Licence Agreement entered into between the Company and GZPHL on 1 September 1997, GZPHL has granted to the Company and its subsidiaries, an exclusive right to use the 38 trademarks for a term of 10 years. According to a confirmation letter concerning an extension of term for using the trademark issued by GZPHL to the Company on 21 November 2000, GZPHL agreed to grant an extension period of 10 years for the Company to use the 38 trademarks after the expiration of the said Trademark Licence Agreement. In addition, the Company owns 6 trademarks registered under its name.
  - The finance department is separated from other departments. Separate accounting and finance management systems have been set up. The Company has its own bank accounts.

7. During the reporting period, the Company did not hold on trust, sub-contract or rent assets of other companies or vice versa, which have generated profit that accounted for 10% or more of the total profits for the period.
8. The 2000 AGM passed the resolution to approve the re-appointment of Guangzhou Yangcheng Certified Public Accountants Co Ltd and PricewaterhouseCoopers as the domestic and international auditors of the Company respectively.
9. During the reporting period, the Company did not enter into any material contracts.
10. The Company did not guarantee for any other companies during the reporting period.
11. There was no change in the name and trading codes of the listed shares of the Company during the reporting period.
12. Purchase, sale or redemption of shares

The Company or any of its subsidiaries has not redeemed, purchased, sold or cancelled any of the Company's listed shares during the reporting period.

13. Rights of shareholders, supervisors and chief executives to purchase or sale of shares

The interest of the directors, supervisors and chief executives or their spouses and children under 18 years of age in the Shares, warrants and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) ("SDI Ordinance") during the reporting period remain unchanged from those as disclosed in the Company's 2000 annual report. Apart from the above, as at 30 June 2001, none of the above persons has notified the Company pursuant to section 29 of the SDI Ordinance of any other interests in the equity or debt securities of the Company or its associated corporations, nor has been granted, or exercised any rights to subscribe for equity or debt securities of the Company.

14. There has been no significant change in the following matters since the reporting date of the last annual report:
  - the Group's bank loans and other loans
  - number of employees and remuneration policies
  - charges on the Group's assets
15. The Group has no material exposure to fluctuation in exchange rate.
16. Compliance with the code of best practice

Throughout the period, the Company was in compliance with the Code of Best practice as set out in Appendix 14 of the Listing Rules.

17. Local tax privilege

Pursuant to a document [2000] 1063 issued by the Guangzhou Finance Bureau, enterprise income tax of listed companies in Guangzhou city in 2001 will be initially based on the unified tax rate of 33% and the portion over 15% of the tax attributed to local government (i.e. 60% of 18%) shall be refunded by the relevant local finance authority. Accordingly, the effective local tax refund rate is 10.8%. The Company and its major subsidiaries will effectively be taxed at 22.2% in the year 2001. It is estimated that the local tax refund shall be amounted to Rmb15,000,000. As the application for the refund is still in progress as at the date of this report, the estimated tax refund has not been accounted for in the profit and loss account for the period.

18. The Audit Committee has reviewed with management of the Company the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2001 with the directors.

19. During the reporting period, there were no entrusted investment matters. On 25th July, 2001, the fifth directors' meeting of the second term approved by way of written resolution the appointment of Nanfang Securities Company to act as securities agent of the Company and its subsidiaries to invest in government treasury bonds and others securities. The appointment was in compliance with relevant legal procedures. Details of which have been published in the announcement of the Company posted respectively on "China Securities", "Hong Kong Economic Daily" and "Hong Kong iMail" on 27 July 2001.