

## DISCLOSURE OF SIGNIFICANT EVENTS

### 1. Corporate Governance

During the reporting period, the Company closely observed the regulations of the CSRC in order to continuously improve its corporate governance. The Company prepared the following documents for this purpose, "The Roles of Shareholders' Meeting", "The Rules of Directors' Meetings", "The Rules for Supervisory Committee", "The Rules for Independent Directors", "The Rules for Information Disclosure", "Working Regulations of General Manager", and "Regulations for Internal Finance Management of the Company", 'Amendments to the Company's Articles of Association' and "The Report of Listing Company Established Modern Corporate System".

2. Pursuant to the 2001 Shareholders' meeting held on 7th June 2002, the approved profit appropriation was dividend per share of Rmb0.06 (including withholding tax for A shares). The above scheme of profit distribution was completed during the reporting period. There was no capitalisation of capital reserve in 2001.

3. The Board does not recommend the payment of a dividend for the six months ended 30th June 2002 nor propose any increase in share capital from the capitalisation of capital reserve.

4. During the reporting period, the Group has not engaged in any litigation or arbitration.

5. During the reporting period, the Group has not undergone any merger and acquisition and assets restructuring processes.

### 6. Connected transactions

During the reporting period, the Group has no significant connected party transactions.

Subsequent to 30th June 2002, GZ Baidi has purchased assets from one of its shareholders, Guangzhou Pharmaceutical Industrial Research Institute. The assets involved are land use rights, buildings and machinery located at Zhongchun, Panyu District of Guangzhou City. Details of this transaction were disclosed in China Securities Daily, Shanghai Securities, Hong Kong Economic Times and The Standard on 16th July 2002.

Guangzhou Pharmaceutical Industrial Research Institute is applying for permission to conduct this connected party transaction.

Details of other connected party transactions during the reporting period are disclosed in the financial reports.

7. During the reporting period, the Group did not hold on trust, rent assets of other companies or vice versa, which generated profit that accounted for 10% or more of the total profits for the period.

8. During the reporting period, the Company did not enter into any material contracts.

9. During the reporting period, there was no commitment made by the Company or shareholders holding shares of 5% or above or made in the previous period but still had impact to the current period, affecting the Company's operating result and financial status significantly.

### 10. Purchase, sale or redemption of shares

Neither the Company nor any of its subsidiaries has redeemed, purchased, sold or cancelled any of the Company's listed shares during the reporting period.

### 11. Rights of shareholders, supervisors and chief executives to purchase or sell shares

The interests of the directors, supervisors and chief executives, their respective spouses and children under 18 years of age in the equity and debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") during the reporting period remain unchanged from those disclosed in the Company's 2001 annual report. Apart from the above, as at 30th June 2002, according to the register maintained under section 29 of the SDI Ordinance, no director, supervisor, chief executive or their respective spouses and children under 18 years of age had any interests in the equity or debt securities of the Company and its associated corporations, nor has been granted, or exercised any rights to subscribe for equity or debt securities of the Company.

### 12. Bank loans, overdraft and other loans

As at 30th June 2002, details of bank loans and overdrafts and other loans are set out on pages 44, 46, and 68. Up to 30th June 2002, long-term bank loans increased by Rmb32 million and short-term bank loans increased by Rmb55.26 million in comparison to last year.

13. Gearing ratio  
Up to 30th June 2002, there were no material adverse changes in the gearing ratio of the Group in comparison to last year.
14. Compliance with the Code of Best Practice  
None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the reporting period, in compliance with the Code of Best Practice set out in Appendix 14 to the Listing Rules.
15. 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 30th June 2002 with the directors.
16. Assets held on trust  
There were no new assets held on trust during the reporting period.  
GZ Chen Li Ji entrusted Northeast Securities Co., Ltd. to manage its investment. The entrusted amount was Rmb20 million. GZ Yang Cheng and GZ Pan Gao Shou entrusted Dapeng Securities Co., Ltd. to invest in government bonds. The entrusted amount was Rmb20 million and Rmb25 million respectively. The entrusted period ended on 26th July 2002 and the three companies received principal and investment income totalling Rmb70.15 million (including investment income of Rmb5.15 million). At the time of publication of the interim report, there were no other assets held on trust.
17. During the reporting period, a regulation "Measures Concerning Employee Medical Insurance in Guangzhou" was issued by the Guangzhou Municipal Government and took effect on 1st December 2001. Management is assessing the financial impact of such employee medical insurance to the Company.
18. During the reporting period, the Company did not provide any guarantee in favor of any third party.
19. Other matters  
The Company's Level I American Depository Receipts ("ADRs") Program became effective on 21st June 2002. The ADRs are publicly traded in the over-the-counter markets in the United States. The stock code is 40066D108, and the ADRs code is "GZPGY". The nominal value of each H share is Rmb1. The Company's ADRs program has registered 10,000,000 American Depository Shares ("ADS"). Each ADS represents 20 H shares.