

## DISCLOSURE OF SIGNIFICANT EVENTS

### 1 Corporate governance

The Company has operated strictly in compliance the PRC Company Law, the Securities Law, Code of Corporate Governance for Listed Companies, Listing Rules of the Shanghai Stock Exchange, the Listing Rules, and other relevant rules and regulations issued by the China Securities Regulatory Commission (the "CSRC"), the HKSE and the SSE, in order to continually improve the corporate governance, standardise its operation and perfect the Company governance structure to meet the requirements.

### 2 Proposed scheme of profit distribution and increase in share capital from capital reserve or issue of new shares

- (a) Pursuant to the resolutions passed in the 2002 Annual General Meeting ("AGM") which was held on 16th May 2003, the approved 2002 final dividend was Rmb0.06 per share (including withholding tax for A shares), based on the total 810,900,000 shares as at 31st December 2002.
- (b) According to the announcement for 2002 final dividend published in "Shanghai Securities" on 26th May 2003, the registration date for A shares shareholders for the final dividend was on 29th May 2003, the closing date was on 30th May 2003 and the dividend payment date was on 6th June 2003.
- (c) During the reporting period, the Company did not propose any increase in share capital.

**3** The Board does not recommend the payment of a dividend for the six months ended 30th June 2003 nor propose any increase in share capital from the capitalisation of capital reserve.

**4** During the reporting period, the Group has no significant litigation or arbitration.

**5** During the reporting period, there was no significant disposal of assets, or merger and acquisition activities occurred in the Company, subsidiaries or associated companies.

## **6 Connected transactions**

Guangzhou Hanfang Contemporary Chinese Medicine Research and Development Co., Ltd. (“Guangzhou Hanfang”) is a subsidiary in which the Company originally had 97.44% interest. With the approval from the board of directors of Guangzhou Hanfang on 26th February 2003, Guangzhou Hanfang increased its registered capital with contribution by some new investors. In accordance with the Subscription Agreement signed by the new shareholders including GZPHL. GZPHL made an investment of Rmb25,634,300 in the form of revalued fixed assets. Huadong Chinese Patent Medicine Engineering Holdings Company Limited made cash investment of Rmb5,000,000. Liu Ju Yan, Mo Shang Zhi, Cai Xin Chun, Zhao Xiang Yong and Ge Fa Huan, directors and senior managements of Guangzhou Hanfang totally made cash investment of Rmb2,650,000. Guangzhou Hanfang completed its change of business registration on 17th April 2003. After the completion of capital contribution, the Company directly and indirectly holds 58.49% interest in Guangzhou Hanfang.

According to the relevant rules and regulations of SSE and HKSE, the above capital contribution is considered as connected transactions. This transaction was approved by the independent non-executive directors at the Board meeting held on 7th August 2003. Details of the connected transactions were disclosed in the announcement of the Company published in “Hong Kong Economic Times”, “The Standard” and “Shanghai Securities” on 12th August 2003.

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

Details of other related party transactions during the reporting period are disclosed in the notes to the interim financial report prepared in accordance with PRC accounting standards and systems.

## **7 Major contracts and their implementation**

- (a) During the reporting period, the Group did not hold on trust, sub-contract or rent assets of other companies or vice versa, which generated profit that accounted for 10% or more of the total profits for the period.
- (b) During the reporting period, the Company did not provide any guarantee in favor of any third parties.
- (c) During the reporting period, the Group has not had any trusted fund management activities.

**8** During the reporting period, the Company or its shareholders holding shares of 5% or above did not make any commitment, which had significant impact on the Company’s operation and the state of affairs.

## **9 Purchase, sale or redemption of shares**

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

## **10 Bank loans, overdraft and other loans**

As at 30th June 2003, details of bank loans and overdrafts and other loans are set out on page 47, 49, 50 and 74. Up to 30th June 2003, long-term bank loans and current portion of long term liabilities is respectively increased by Rmb17,500,000 and Rmb10,000,000. Short term loans decreased by Rmb4,800,000 in comparison with 2002.

## **11 Gearing ratio**

Up to 30th June 2003, there have been no material adverse changes in the gearing ratio of the Group in comparison with 2002.

## **12 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 to the Listing Rules of HKSE.

**13** The Audit Committee and the management has reviewed the accounting policies, accounting regulations and methods adopted by the Group, and discussed with management about the audit, internal controls and financial reporting. The Committee also reviewed the unaudited interim financial reports for the six months ended 30th June 2003.

## 14 The interim financial reports are unaudited.

15 During the reporting period, no punishment was imposed on the Company, the Board or any of its Directors by the CSRC and other supervisory bodies.

16 Save as those disclose above, the Group did not have any other significant event during the reporting period.

## 17 Index to the important disclosed information:

Disclosed information	Newspaper and the order	Date	Website and address
Announcement of accounting treatment on medical insurance for past services of its retired and retiring employees, as required by the Provisional Rules of Medical Insurance issued by the Guangzhou People's Municipal Government, and according to the accounting treatment under HKGAAP.	Page 21 on "Shanghai Securities" A44 on "Hong Kong Economic Times" Page 37 on "The Standard"	24th January 2003	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement on 2002 annual report, resolutions passed at the 22nd meeting of the Board of the 2nd term and 12th meeting of the Supervisory Committee of the 2nd term	Page 8 on "Shanghai Securities" A34 - 35 on "Hong Kong Economic Times" N2-N8 on "The Standard"	24th March 2003	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Announcement on 2003 first quarter report	Page 29 on "Shanghai Securities" A33 on "Hong Kong Economic Times" N48 on "The Standard"	28th April 2003	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Influences of SARS	Page 40 on "Shanghai Securities" A31 on "Hong Kong Economic Times" C25 on "The Standard"	13th May 2003	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
Resolutions passed at 2002 AGM	Page 12 on "Shanghai Securities" A34 on "Hong Kong Economic Times" C31 on "The Standard"	19th May 2003	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
The implementation of 2002 final dividend	Page 8 on "Shanghai Securities"	26th May 2003	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Announcement on connected party transactions undertaken by a subsidiary of the Guangzhou Pharmaceutical Company Limited	Page 5 on "Shanghai Securities" A14 on "Hong Kong Economic Times" C24-25 on "The Standard"	12th August 2003	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>