

Other Events

(I) SIGNIFICANT LITIGATION OR ARBITRATION

The Group had no significant litigation or arbitration during the Reporting Period.

(II) THE COMPANY'S PURCHASE AND DISPOSAL OF ASSETS (INCLUDING SUBSIDIARIES OR ASSOCIATED COMPANIES) OR MERGER AND ACQUISITION ACTIVITIES DURING THE REPORTING PERIOD

The Company entered into an equity transfer agreement with Hong Kong Xin Lian Hua Industrial Company Limited ("Xin Lian Hua") on 24 March 2006 in respect of a transfer of the 21.42% shareholding of the Company in Nanfang Packaging Co., Limited (佛山市南方包装有限公司) to Xin Lian Hua at a consideration of RMB30,000,000. The equity transfer was completed.

(III) CONNECTED TRANSACTIONS

1. Certain entities under the Company and Baiyunshan Co., Ltd together with six of its subsidiaries agreed to contribute jointly RMB20,000,000 in cash for the establishment of GPSC. On 23 February 2006, the parties entered into an Agreement for the Establishment of GPSC. According to the respective listing rules of SSE and HKEx, the transaction constituted a connected transaction. The agreement was considered at the 19th meeting of the Third Session of the Board held on 23 February 2006, and in respect of which, the Independent Non-executive Directors expressed their independent opinion.

For details, please refer to the announcements published in Shanghai Securities in the PRC, and Hong Kong Economic Times and The Standard in Hong Kong on 24 February 2006.

2. On 15 June 2006, the Company and GPSC entered into a Continuing Connected Transaction of Advertising Agreement. According to the respective listing rules of SSE and HKEx, the transaction constituted a connected transaction. The agreement was considered at the 23rd meeting of the Third Session of the Board held on 15 June 2006, and in respect of which, the Independent Non-executive Directors expressed their independent opinion.

For details, please refer to the announcements published in Shanghai Securities in the PRC, and Hong Kong Economic Times and The Standard in Hong Kong on 16 June 2006.

3. The Company acquired an aggregate of 9.64% shareholding in Zhong Yi Pharmaceutical jointly held by a subsidiary, Pharmaceuticals Corporation, and 33 natural persons with its own capital of RMB36,814,400. All parties entered into an equity transfer agreement on 26 July 2006. According to the respective listing rules of SSE and HKEx, the acquisition of shareholding from seven of the natural persons by the Company constituted a connected transaction. The agreement was considered at the 24th meeting of the Third Session of the Board held on 26 July 2006, and in respect of which, the Independent Non-executive Directors expressed their independent opinion. Mr. Feng Zansheng, a connected director, had abstained from voting in respect of this resolution.

For details, please refer to the announcements published in Shanghai Securities in the PRC, and Hong Kong Economic Times and The Standard in Hong Kong on 27 July 2006.

All of the above-mentioned connected transactions have been considered and passed at Board meetings of the Company, and the Independent Non-executive Directors of the Company have issued independent opinions thereon. All of the connected transactions mentioned above have complied with the relevant laws and regulations and relevant procedures have been completed.

Details of the connected transactions were set out on page 118 to 127.



Other Events

(IV) MAJOR CONTRACTS AND THEIR PERFORMANCE

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 Year.

Save as the aforementioned, the Company was not involved in other major contracts during the Reporting Period.

(V) DURING THE REPORTING PERIOD, THE COMPANY HAS NOT HAD ANY ENTRUSTED INVESTMENT ACTIVITIES.

(VI) PERFORMANCE OF THE UNDERTAKINGS DURING THE REPORTING PERIOD

In order to strengthen the confidence of the holders of circulating shares, and subject to relevant laws and regulations, GPL and Greatwall Corporation, being holders of shares subject to selling restrictions, has undertaken to strictly comply with the relevant requirements of "Administrative Measures for the Reform of the Segmented Share Structure of Listed Companies" and the original shares subject to selling restrictions held by GPL and Greatwall Corporation shall not be listed and traded, nor transferred within 12 months from the date of implementation of the share reform plan (being 24 April 2006). During the Reporting Period, GPL and Greatwall Corporation complied with the above undertakings (details are set out on page 11).

(VII) AS AT 31 DECEMBER 2006, THE CONSTRUCTION AND EQUIPMENT COMMITMENTS THAT WERE CONTRACTED BY THE GROUP BUT NOT PROVIDED FOR WAS RMB12,677,000. THE LEASE COMMITMENTS THAT WERE CONTRACTED BUT NOT PROVIDED FOR AMOUNTED TO RMB90,738,000.

(VIII) DURING THE REPORTING PERIOD, THE GROUP HAS PAID AUDITOR'S REMUNERATION OF RMB988,000 AND RMB2,500,000 TO GUANGDONG YANGCHENG CERTIFIED PUBLIC ACCOUNTANTS CO., LTD., AND PRICEWATERHOUSECOOPERS RESPECTIVELY. OF THE AMOUNT PAID TO GUANGDONG YANGCHENG CERTIFIED PUBLIC ACCOUNTANTS CO., LTD., RMB880,000 WAS FOR THE 2005 ANNUAL AUDIT, AND RMB108,000 WAS FOR THE 2006 INTERIM REVIEW. AN AMOUNT OF RMB2,148,000 PAID TO PRICEWATERHOUSECOOPERS WAS FOR THE 2005 ANNUAL AUDIT AND RMB352,000 WAS FOR THE 2006 INTERIM REVIEW. BOTH THE DOMESTIC AUDITORS AND INTERNATIONAL AUDITORS HAVE PROVIDED AUDIT SERVICES TO THE COMPANY FOR 9 YEARS.

(IX) DURING THE REPORTING PERIOD, NO INVESTIGATION, ADMINISTRATIVE PUNISHMENT OR PUBLIC REPRIMAND BY THE CSRC, AND NO PUNISHMENT BY HKEX WERE MADE AGAINST AND IMPOSED ON THE COMPANY, THE BOARD OR DIRECTORS.

(X) THE COMPANY DID NOT HAVE ANY OTHER SIGNIFICANT EVENT DURING THE REPORTING PERIOD.



Other Events

(XI) SUBSEQUENT EVENTS

1. A Share Transfer Arrangement was entered into between the Company as a transferee and GPHL, Anhui Huadong Chinese Medical Engineering Corporation Limited and five natural persons including Liu Juyan as transferors on 10 January 2007 in relation to a total of 26.04% equity interests in Guangzhou Han Fang;

On the same day, Guangzhou Han Fang and Guangzhou Huan Ye, a wholly owned subsidiary of the Company, entered into a Merger Agreement (the "Agreement"), pursuant to which both parties have agreed to the merger of Guangzhou Han Fang and Guangzhou Huan Ye through the injection of the entire business, assets and liabilities of Guangzhou Huan Ye into Guangzhou Han Fang. Guangzhou Huan Ye will be terminated whereas the enlarged Guangzhou Han Fang will continue to exist on an ongoing basis after the Merger. Pursuant to the requirements under the Listing Rules of HKEx, the Company was transferred the equity interests in Guangzhou Han Fang held by GPHL and five natural persons including Liu Juyan, and the transaction between Guangzhou Han Fang and Guangzhou Huan Ye constituted connected transactions. The Board of the Company held the 29th Meeting of the Third Session on 10 January 2007, at which the aforesaid connected transactions were considered, and the Independent Non-Executive Directors expressed their independent opinions on such connected transactions. Mr. Feng Zansheng abstained from voting in respect of the relevant resolution. Currently, the relevant procedures for approvals of the above transactions are under way.

2. On 17 January 2007, the Company agreed to purchase the Sui Kang Mansion from its subsidiary, Pharmaceuticals Corporation, at a consideration of RMB41,116,178. The relevant procedures in relation to the purchase were completed on 29 March 2007.

3. On 27 January 2007, Contract for the Transfer of Capital Contribution of Guangzhou Pharmaceuticals Corporation was entered into between Jing Xiu Tang and Pan Gao Shou, both of which are subsidiaries of the Company, and 33 natural persons and Alliance BMP Limited ("Alliance BMP"). On the same day, the Company and Alliance BMP entered into a Capital Increase Contract for Guangzhou Pharmaceuticals Corporation, JV Contract and the Articles of Association of Guangzhou Pharmaceuticals Corporation (Revised and restated). The Board of the Company held the 30th meeting of the Third Session of the Board on 26 January 2007, at which the equity transfer and capital increase (the "Event") were considered, and Mr. Feng Zansheng abstained from voting in respect of the relevant resolution.

The Event has been submitted at the First Extraordinary General Meeting of the Company in 2007 and the First Class Meeting of the Holders of Overseas-listed Foreign Shares in 2007 and the First Class Meeting of Holders of Domestic Shares in 2007 according to the standard procedures for consideration and approval, as it has resulted in a material dilution of the Company's interests in Pharmaceuticals Corporation. The Event has been approved successfully.

4. After the Reporting Period, the changes of shareholdings in all tradable shares held by the shareholders of the Company subject to selling restrictions are set as follows:

Shareholder's name	Number of shares held before change (share)	Number of shares held involved in the change (share)	Reason of the change	Date of the change (share)	shares held after change
GPHL	468,603,509	(56,090,000)	—	—	412,513,509
Guangzhou Beicheng Rural Credit Cooperative	0	46,670,000	Transferred by way of court ruling	23 March 2007	46,670,000
Guangzhou Xinjiao Rural Credit Cooperative	0	4,220,000	Transferred by way of court ruling	9 February 2007	4,220,000
Guangzhou Xinfeng Rural Credit Cooperative	0	3,480,000	Transferred by way of court ruling	9 February 2007	3,480,000
Guangzhou Baiyun Rural Credit Cooperative	0	1,720,000	Transferred by way of court ruling	23 March 2007	1,720,000

