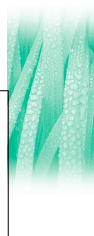


1. The Company was not engaged in any litigation or arbitration during the report period.
2. During the report period, the Company, its directors and management, have not incurred any penalties imposed by any of the regulatory bodies.
3. There was no change in the shareholdings of the Company's directors, supervisors and management during the report period. The members' tenure of the first term of the board of directors ended in year 2000. The EGM held on 18 October 2000 agreed that Xiao Cheng, Li Xinghua, Li Guoju, Liao Jingguang, Su Degui and Zhu Baihua resigned from the office of the Company's directors and re-elected Cai Zhixiang, Li Yimin, Chen Xiangzhi, Feng Zansheng, Zhu Youlin, Zhang Bohua, Liu Jinxiang, Wu Zhang and Huang Buren to hold the office of directors of the second term of the board. The member's tenure of the first term of supervisory committee ended on 31 December 2000. The EGM held on 18 October 2000 agreed that Mai Qijie and Wen Xinmin resigned from the duty of the Company's supervisors and re-elected Chen Canying, Tan Sima and Luo Jidong as the supervisors of the second term supervisory committee. The first meeting of the second term of the Supervisory Committee elected Chen Chanying as the Chairman of the second term Supervisory Committee.

In the first meeting of the second term of the board of directors, Cai Zhixiang and Li Yimin were elected as the Chairman and Vice-chairman respectively. Chen Xiangzhi was appointed general manager. Li Decheng and Xiao Cheng were appointed vice general managers. He Shuhua was re-appointed as the Company Secretary.

4. There were no material purchases, sale of assets, or merger and acquisition activities during the report period.
5. Please refer to page 84 and page 85 for details of significant connected party transactions of the Company during the report period.



6. The company is independent from its ultimate holding company, GPHCL, in human resources, holdings of assets and financing arrangement. The details are as follows:
  - There are no duplicated appointments of senior management and the management of labor and payroll is separated;
  - The Company maintains its own production, purchasing and sales system. The Company uses 38 trademarks legally registered in name of GZPHL. Pursuant to the Trademark Licence Agreement entered into between the Company and GZPHL on 1 September 1997, GZPHL has granted 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 from 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 in name of the Company.
  - 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 report 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 year.
8. Guangzhou Yangcheng Certified Public Accountants Co Ltd and PricewaterhouseCoopers were re-appointed as domestic and international auditors of the Company.
9. The Company did not guarantee for any other companies during the report period.
10. There was no change in the name and trading codes of the share of the Company during the report period.
11. Pursuant to a letter of intention of issue of new shares issued by the Board issued on 31 December 2000, the Company has made provision for all debts aged over 3 years. The Board of Directors has fulfilled this promise. Details have been set out in the accounts prepared in accordance with PRC accounting rules and regulations.