

## DISCLOSURE OF SIGNIFICANT EVENTS

1. The Group had no significant litigation or arbitration during the reporting period.
2. During the reporting period, there is no significant disposal of assets, or merger and acquisition activities occurred in the Company, subsidiaries or associated companies.
3. Details of significant connected transactions of the Company during the reporting period are as follows:

During the reporting period, there are no significant connected transactions.

Baidi purchased assets from one of its shareholders, GPIRI. The assets involved are land use rights, buildings and machinery located at Zhongchun, Panyu District of Guangzhou City. The details of this connected transactions were disclosed in China Securities, Shanghai Securities, Hong Kong Economic Daily and The Standard on 16 July 2002.

The deal was in accordance with the requirements of relevant rules and regulations. The Company has completed the change of property registration for the transaction.

#### 4. *Major contracts and their implementation*

- (1) During the reporting period, the Company 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.
- (2) The Company did not guarantee for any other company during the reporting period.
- (3) Trusted fund management

In 2001, Chen Li Ji entrusted Northeastern Securities Co., Ltd. to manage a fund of Rmb20 million. Yang Cheng and Pan Gao Shou also entrusted Dapeng Securities Co., Ltd. to invest in government bonds and the entrusted amount was Rmb20 million and Rmb25 million respectively. The above trusted fund management were due on 26 July 2002 and a total of Rmb70,150,000 have been received, of which Rmb5,150,000 is the investment yield. Up to the date of this annual report, the Group have not had any trusted fund management activities.

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

5. 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.

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6. In 2002, the Company paid auditors's remuneration of Rmb848,000 and Rmb2,338,700 to Guangzhou Yangcheng Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers, respectively. Of the amount paid to Guangzhou Yangcheng Certified Public Accountants Co., Ltd., Rmb700,000 was for 2001 annual audit, Rmb100,000 for the 2002 interim review and Rmb48,000 for capital verification. An amount of Rmb1,993,900 paid to PricewaterhouseCoopers was for the annual audit and Rmb344,800 was for the 2002 interim review. Both the domestic and international auditors have provided audit services to the Company for 6 years.
7. No punishment was imposed on the Company or any of its Directors, Supervisors or Senior Management by the supervisory bodies during the reporting period.

In compliance with the "Inspection Method for Listed Companies", the CSRC GZ branch paid a visit to the Company during the period from 23 September to 27 September in 2002. In general, the result of their visit is satisfactory. The Company's Articles of Association have incorporated the requirements of PRC Company Law according to the condition of the Company. Internal control system was carried out effectively. The Board of Directors, Supervisory Committee and Audit Commission were properly operating. Files were well kept. The information was adequately disclosed. However, the inspection identified some weaknesses. For example, there was no internal audit policy and department. The relationship with controlling shareholder needs further normalisation. Connected transaction management should be improved. The Company has made corrections to address the above issues.

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