

Major Events

1. Significant litigation or arbitration

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

2. Significant disposal of assets, merger and acquisition

During the Reporting Period, there was no significant disposal of assets, merger or acquisition activities occurred in the Company, subsidiaries or associated companies.

3. Significant connected transactions

During the Reporting Period, Guangzhou Han Fang, in which the Group originally owned 97.44% equity interest, increased its registered capital with contributions by some new investors upon the approval by the board of directors of Guangzhou Han Fang. GPLH, the Company's controlling shareholder, made an investment of RMB25,634,300 in the form of revalued fixed assets to Guangzhou Han Fang. Huadong Chinese Patent Medicine Engineering Holdings Limited made cash investment of RMB5,000,000 to Guangzhou Han Fang while Liu Ju Yan, Mo Shang Zhi, Cai Xing Chun, Zhao Xiang Yong and Ge Fa Huan, directors and senior management of Guangzhou Han Fang totally made cash investment of RMB2,650,000. The change of business registration was completed on 17 April 2003. Upon the completion of capital contribution, the Company directly and indirectly holds 58.66% equity interest in Guangzhou Han Fang. Details of the above connected transaction were published on Shanghai Securities, Hong Kong Economic Daily and The Standard on 12 August 2003.

Post the Reporting Period and up to the date of this report, the following connected transactions have been entered into by the Company:

- (1) The Company acquired 51% of the equity interest held by GPLH in Guangzhou Pharmaceutical Ying Bang Marketing Co., Ltd at the consideration of RMB3,888,713.99. Upon the completion of the transaction, the Company holds 51% equity interest in Guangzhou Pharmaceutical Ying Bang Marketing Co., Ltd.
- (2) The connected transactions in relation to the lease of 2nd and 3rd Floor, Rear portion, 45 Shamian North Street, Guangzhou from GPLH by the Company and renewal of the lease of 2nd Floor, Front portion, 45 Shamian North Street, Guangzhou from GPLH by the Company.

Details of the above connected transactions were published on Shanghai Securities, Hong Kong Economic Daily and The Standard on 9 February 2004.

The above connected transactions were in accordance with the requirements of relevant rules and regulations.

Details of the connected transactions were set out in the notes to the financial accounts prepared in accordance with PRC accounting standards and systems.

4. Major contracts and their performance

- (1) 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.
- (2) The Group did not provide any guarantee in favor of any third parties during the Reporting Period.
- (3) Trusted fund management

During the Reporting Period, the Group has not had any trusted fund management activities.

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

5. **As at 1 December 2003, capital commitments and lease commitments that were contracted but not provided for by the Company amounted to RMB231,101,000 and RMB69,360,000 respectively. During the Reporting Period, the contracted projects were completed as scheduled.**
6. **In 2003, the Group paid auditors's remuneration of RMB910,000 and RMB2,270,000 to Guangzhou Yangcheng Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers, respectively. Of the amount paid to Guangzhou Yangcheng Certified Public Accountants Co., Ltd., RMB800,000 was for the 2002 annual audit, RMB100,000 was for the 2003 interim review and RMB10,000 was for capital verification. An amount of RMB1,940,000 paid to PricewaterhouseCoopers was for the 2002 annual audit and RMB330,000 was for the 2003 interim review. Both the domestic and international auditors have provided audit services to the Group for 7 years.**
7. **No punishment was imposed on the Company or any of its Directors, Supervisors or Senior Management by the regulatory bodies during the Reporting Period.**
8. **Save as those disclosed above, the Group did not have any other major event during the Reporting Period.**