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## **SINO BIOPHARMACEUTICAL LIMITED**

**中國生物製藥有限公司**

*(Incorporated in Cayman Islands with limited liability)*

### **ANNUAL RESULTS ANNOUNCEMENT (For the year ended 31 December, 2000)**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast further profitability.**

**Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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*This announcement, for which the directors (the “Directors”) of Sino Biopharmaceutical Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS**

- Profit attributable to shareholders grew by approximately 27%, and was approximately 17% higher than the HK\$39 million forecast in the listing prospectus.
- Turnover grew by approximately 29%
- Gross profit margin increased to 78.8% from approximately 73.1%
- The Directors recommended a final dividend of HK5 cents per ordinary share

## **CHAIRMAN’S STATEMENT**

This is the first time the Company reports its annual result since its listing on the GEM of the Stock Exchange. The results were considerably better than the profit forecast as set out in the prospectus of the Company dated 22 September, 2000 (“the Prospectus”). For the year ended 31 December, 2000, the Company and its subsidiaries (the “Group”) achieved the following outstanding results:–

The Group’s audited turnover was HK\$393,235,000, representing an increase of approximately 29% over the amount for the previous year.

Overall gross profit margin increased to 78.8% from 73.1% in the previous year.

Attributable profit amounted to HK\$45,522,000, representing an increase of approximately 27% over the attributable profit recorded in previous year and an approximately 17% higher than the forecasted figure of HK\$39 million as stated in the Prospectus.

Earnings per share was HK17.8 cents, representing an approximately 17% increase over the forecasted figure of HK15.2 cents as stated in the Prospectus.

The Directors recommended a final dividend of HK5 cents per ordinary share.

The Directors are of the view that such significant increase in the attributable profit over the forecasted figure as stated in the Prospectus was principally due to (i) the increase in the gross profit margin of the Group than forecasted as a result of the product-mix adjustment of the Group to focus on high-margin products during the second half of 2000; (ii) the decrease in the account receivable and inventory level of

the Group as a result of enhanced credit control and inventory management; (iii) a tax rate reduction of CTT from 12% to 7.5% as a result of a more favourable tax bracket of granted by the State Tax Bureau in November, 2000.

## **Business Review**

The outstanding results achieved by the Group last year can be attributed to the unique insights and strategic decision-making of its executive leadership, who were supported by dedicated, innovative and high-calibre research and development, production, sales and marketing and financial management professionals. The proprietary products and technologies owned by the Group were also critical to its success. The Group subscribes to the belief that “delegating responsibility, and setting up a motivational mechanism”, will nurture and cultivate its human capital. It believes that “success comes from team work and dedication”, and that this precept holds the key to bringing out the best in its employees, allowing the Group to maximize the utility from its human capital. In addition to creating a favourable working environment, the Group pays special attention to the out-of-work life of its staff, to communicating with and training its staff, and educating staff in the Group’s operational objectives and strategies. This has encouraged employees to tie their career development to the development of the Group. The Group and its employees thus grow together, and the cohesiveness of its workforce is enhanced.

In January, 2001 the Group first issued options under its employee stock option scheme, so that its staff may share the success of the Group.

The Group’s earnings are derived primarily from the operations of Shandong Chia Tai Freda Pharamaceutical Ltd. and Lianyungang Chia-tai Tianqing Pharmaceutical Ltd..

### **Shandong Chia Tai Freda Pharmaceutical Co. Ltd. (“CTF”)**

Based in Jinan, Shandong Province, CTF produces a series of products which are bolstered by biotechnology and use hyaluronic acid (HA) – a naturally occurring biological substance as substrates. With world class expertise in HA applications, CTF has developed a range of HA-based products for ophthalmic diseases (including MOISTEN and MIOCLEAR eye-drops), for treating osteoarthritis (including SOFAST Sodium Hyaluronate injection) and for dermatitis applications (including HEPUDIOD cream). In June last year, CTF’s range of proprietary HA-based products were especially awarded second prize, in research and development (“R&D”) and production, by the Shandong Provincial Party Committee and Shandong Provincial Government for Scientific Achievement. CTF was further designated by the provincial government as one of the “Top Ten High-Technology Enterprises” in the province. CTF’s operations grew at a rapid pace during the year. Its core product – MOISTEN eye-drops, has established its position as an eminent ophthalmic brand in the PRC. Meanwhile, CTF’s new eye-care product – MIOCLEAR eye-drops, for treating strained and fatigued eyes – received an overwhelming response from the market. The Directors believe this product will become a new profit driver for the Group. Besides its ophthalmic products, CTF’s osteoarthritis medication SOFAST Sodium Hyaluronate injection and its dermatitis product HEPUDIOD cream have also seen robust growth. On the R&D front, with the exception of the composite tobramycin gel project, all other projects proceeded according to plan. The R&D of composite tobramycin gel was abandoned as another company had already registered its application with the State Drug Administration (SDA). During the year, the registered capital of CTF was approved to increase from RMB20 million to RMB28 million by way of capitalisation of the general reserve fund and enterprise expansion fund at an aggregate amount of RMB8 million.

## **Lianyungang Chia-tai Tianqing Pharmaceutical Co. Ltd. (“CTT”)**

Based in Lianyungang, Jiangsu Province, CTT is a leading developer of modernised Chinese medicine, focused on therapeutics for liver disease and age-related disease. CTT’s operations experienced steady growth during the year. CTT’s product-mix strategy – to focus on high-margin products – enabled the division to further increase its overall gross margin. Its main product – DIAMMONII GLYCYRRHIZINATIS – a modernised Chinese medicine for treating hepatitis, once again achieved a new sales record. Other products, such as anti-virus injection Foscarnet Disodium injection, urinary tract drug ZEGUI LONGSHUANG capsules and osteoporosis medication ETIDRONATE capsules also achieved stellar growth. During the year, CTT’s powder injection workshop, large-volume injection workshop and small-volume injection workshop were granted GMP certification. Furthermore, a number of products being developed by CTT saw their R&D timetables move ahead of schedule. Netimycin Sulfate and Sodium Chloride injection (product name: JUNXIN) and Puerarin capsules (product name: SPRING) have both received new medicine certification and production approval six months ahead of schedule, and have now commenced commercial production. Both of these products are expected to become significant revenue streams for the Group in the future. Furthermore CTT was classified by the Jiangsu Provincial government as a “High and New Technology Enterprise” and a “Technology-Intensive and Knowledge-Intensive Enterprise”. In November, 2000, formal approval from the State Tax Bureau has been granted to CTT for a more favourable tax bracket of 15%. For the financial years of 2000 through 2002, CTT is also permitted a 50% tax reduction. Thus, during this period CTT will be subject to income tax at a rate of 7.5%, half of the normal rate for its designated tax bracket (As stated in the Prospectus, CTT was subject to profit tax at a rate of 24%, discounted to 12% for 2000 through 2002).

### **Production Facilities and GMP certification**

All of the Group’s major production facilities, including – tablet, capsule, eye-drops, powder injection, large-volume injection, small-volume injection – have now attained GMP certification from the SDA. Products manufactured by GMP certified workshops now account for more than 95% of the products manufactured by the Group. GMP compliance will benefit the Group’s overall development and confers a significant competitive advantage. It provides a strong assurance for the quality of the Group’s products and will help boost sales volumes. GMP compliance also bodes well for product pricing, providing further assurance that the Group will be allowed to maintain its current price levels, or possibly raise the prices of its products. Furthermore, it provides a strong foundation for the R&D and commercialisation of new products. More importantly, obtaining GMP compliance has to a very large extent reduced the GMP-associated risks faced by investors in the PRC pharmaceuticals sector.

To satisfy the strong growth in demand for MIOCLEAR and the Group’s other eye-drops products, CTF invested HK\$11.84 million in total during the year in a new eye-drops production line with a production capacity of 12 million bottles a year and in expanding storage space and in new sterilization equipment and cooling equipment needed in the production of eye-drops. Meanwhile, CTT invested HK\$9.49 million to upgrade its facilities to comply with GMP specifications. The above mentioned investments have been reflected in the Group’s financial statements for the year ended 31 December, 2000. These investments were financed by the internally generated resources of HK\$85.8 million, which as stated in the Prospectus have been earmarked for expanding CTF and CTT’s production facilities for the years 2000 through 2002.

To fully exploit the so-called “two-year free, three-year half” tax concessions offered to sino-foreign joint ventures (“JV”), in particular, the benefits given to foreign investors for reinvesting their return of investment, Sino Concept Technology Limited, a wholly-owned subsidiary of the Company, set up a new JV with existing JV partner in CTF – Chia Tai Freda New Packaging Resources Limited – with a registered capital of RMB8 million. Sino Concept Technology Limited. invested RMB 4.4 million (approximately HK\$4.15 million) in the new JV for a 55% stake. The Group’s investment was derived from the attributable profits of CTF. The new JV will manufacture high quality, high visual-appeal eye-drops bottles for CTF. Besides ensuring the quality of CTF’s products, this initiative will also help to save production costs.

## **Sales and Marketing**

The Group adopts a meritocratic system in which the able advance and the mediocre are relegated. This has now been generally implemented in the Group’s sales and marketing departments. While focusing on staff training and building the Group’s sales network, the Group has also placed more emphasis on market research and analysis to better discover market potentials and better cultivate its markets. Furthermore, extra emphasis has been placed on brand-building, improving post sales service and increasing receptiveness to customer feedback. This is helping to further enhance the Group’s positive image in the industry and is adding to its brand equity. Throughout the year, the Group had focused on and had been successful in maintaining good relationships with its more than 3,000 institutional customers.

At the end of last year, the Group had 60 sales offices spread across the PRC and had expanded its sales force to around 900 salesmen, most of whom are doctors, pharmacists and healthcare professionals. The Group had also invested substantially in advertising its products on television, in specialized journals, newspapers, and on billboards and public transport and has organized and sponsored various academic conferences and academic exchanges to promote its products and brands. All together, these initiatives aim at ensuring the widespread market penetration of the Group’s products.

The Company’s website ([www.sinobiopharm.com](http://www.sinobiopharm.com)) has now been set up and has been linked with the revamped websites of CTF ([www.cp-freda.com](http://www.cp-freda.com)) and CTT ([www.zdtqzy.com](http://www.zdtqzy.com)). This enables the Group to promote its products on the internet and provides the foundation for the Group’s possible push into B2B e-commerce in the future. On account of its website, CTT was chosen by the Jiangsu Provincial government authorities as an “Advanced Enterprise” in the corporate image category of its “Enterprise Going On-line Program”.

## **Research and Development**

Besides the progress achieved in the ongoing R&D projects stated in the Prospectus, CTF has further embarked on a new anti-bacterial medicine Helen eye-drops. This R&D project creates the foundation for the optimization and innovation of CTF’s anti-bacterial eye-drops line. CTT has also embarked on several new projects, involving the development of a Category 2 Chinese Medicine for treating liver fibrosis, a Category 2 chemical medicine for treating hepatic coma and a Category 2 Chinese medicine for treating cardiovascular and cerebralvascular diseases. The R&D projects for liver disease and liver fibrosis will further enhance the Group’s position as one of the leading developers of liver disease therapeutics in the PRC. Meanwhile, Chinese medicine project further attests to the Group’s innovative R&D capabilities in the realm of modernised Chinese medicine.

Furthermore, in the second half of 2001 CTT is planning to invest RMB4 million to establish a research laboratory in Nanjing, Jiangsu Province, to support its existing in-house R&D activities. At the same time, the Group is in talks with a number of leading research institutions in Beijing to form co-operative partnerships in product R&D and strategic alliances which would further strengthen the Group's R&D capabilities, and ensure the Group's continued development.

## **Business Strategy**

With the rapid advances being made in sciences and biotechnology catching newspaper headlines, the world's attention has become evermore focused on the resulting breakthroughs in the field of medicine, and the accelerating growth it has stoked in the pharmaceuticals industry. Meanwhile, economic growth, improvement in living standards and advancement in healthcare services have offered the backdrop to a new global trend – “the return to nature”. Demand for traditional Chinese medicine, based on natural herbal ingredients, has grown at an astonishing pace. The application of modern technological know-how and hardware, furthermore, has aided a rapid development in the modernization of traditional Chinese medicine.

Given this background, the Group's strategies for 2001 will be as follows:

1. Further strengthen the innovative ability of the Group's subsidiaries. With biotechnology and modern medical science as the central focus, the Group will import state-of-the-art medicinal preparation technologies to further enhance the quality of its preparation. The Group will continue to make its contribution in innovative biopharmaceuticals and modernised Chinese medicine to satisfy the ever-growing demand of patients in the PRC.
2. The institutional reforms in the PRC's scientific research institutions have brought new opportunities for both enterprises and research bodies, who can now benefit from each others strengths through mutually complimentary co-operation. The Group is, and will continue to, seek co-operative partnerships with research institutes which possess proprietary know-how in natural medicine, pharmaceuticals and biotechnology. This will provide further human resource and product innovation support to aid the Group's future development.
3. Through mergers, acquisitions and strategic alliances, form tie-ups with reputable international and PRC-based corporations with mutually complimentary strengths, to further expand and rationalize the Group's core-business.

## **Outlook**

Within the pharmaceuticals industry, biopharmaceuticals and modernised Chinese medicine are both hi-tech and high growth sub-sectors. The Group has now established a profitable track record in both of these sectors, and possesses well-established brand names and relatively stable market shares. With further progress in the R&D of new products and the continued expansion and consolidation of the Group's sales and distribution network, the Directors are confident that the Group will outpace growth in the PRC pharmaceuticals sector, and generate lucrative returns for its shareholders.

On behalf of the Board of Directors ("the Board"), I would like to take this opportunity to thank our shareholders for their continued support and our staff for their dedicated efforts.

**Tse Ping**

*Chairman*

**Sino Biopharmaceutical Limited**

19 March, 2001

## COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

**Business objectives up to  
31 December, 2000 as stated  
in the Prospectus**

**Actual business progress up to  
31 December, 2000**

### 1. Research & Development

*i. Establish Research and development Centre in Beijing*

1. Complete feasibility study of the R&D Centre;
2. identify scientific research organizations to cooperate on research and development projects

1. Completed feasibility study
2. Identified and initiated talks with five research organisations

*ii. Plan of new product research and development of CTF*

Jingfu Eye drops

Apply for approval from SDA to commence clinical trial

Applied in November, 2000

Composite Tobramycin Gel

Pre-clinical trial study reviewed by provincial level SDA

Project abandoned as product application already filed with SDA by another company

Butenafine Hydrochloride Gel

Complete pre-clinical trial study

Ahead of schedule completed pre-clinical trial study; received approval for clinical trials and commenced clinical trials

*iii. Plan of new product research and development of CTT*

Oxymatrine Capsules and Oxymatrine Glucose injection

Obtain production approval from SDA

Deferred due to requests from SDA to re-establish quality standards. Expect to obtain approval in the second half of 2001

Diammonii Glycyrrhizinatis Sodium Chloride and Glucose Injection

Apply for production approval

Applied in October, 2000

Puerarin glucose injection

Apply and obtain production approval from SDA

Obtained production approval from SDA in November, 2000 and commenced commercial production in January, 2001



	<b>Business objectives up to 31 December, 2000 as stated in the Prospectus</b>	<b>Actual business progress up to 31 December, 2000</b>
Buyang Huanwutang injections	Continued with pre-clinical trial study	Pre-clinical trial study in the final stage
Roloxifene Hydrochloride and tablets	Pre-clinical trial study reviewed by provincial level SDA	Review completed by provincial level SDA ahead of schedule and the Group applied to SDA for clinical trials
Sotalol Hydrochloride injection	Prepare for commercial production	Ahead of schedule Commenced commercial production
Clindamycin Phosphate powder injections	Obtain production approval from SDA	Completed approval hearing in November 2000, awaiting approval documents
Sanzi Kechuan capsules	Complete pre-clinical trial study	Completed
Netimycin Sulfate and Sodium Chloride injection	Apply for production approval	Obtained new medicine certification and production approval in October 2000
Puerarin capsules	Complete clinical trial	Completed

## **2. Production of pharmaceutical Products**

<i>i. Forming alliance with reputable producers of biopharmaceuticals, Chinese medicine or natural herbal products</i>	Continue to identify and assess suitable cooperative partners; Commence negotiations with cooperative partners	Under negotiation with a few cooperative partners
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**Business objectives up to  
31 December, 2000 as stated  
in the Prospectus**

**Actual business progress up to  
31 December, 2000**

*ii. Expansion of production facilities of CTF*

(a) Factory	Located in Jinan, Shandong Province, the PRC, with a total gross floor area of 8,700 sq.m.	As stated in the Prospectus
(b) GMP compliance	Canned injection workshop and eye drops workshop comply fully with GMP procedures;	Fully complied with GMP
	Ointment workshop commences installation of air purification system and GMP complying equipment	Installed

*iii. Expansion of productions facilities of CTT*

(a) Factory	Located in Lianyungang, Jiangsu Province, the PRC with a gross floor area of 15,800sq.m	As stated in the Prospectus
(b) GMP compliance	Large-volume injection workshop and small-volume injection workshop fully comply with GMP	Fully complied with GMP

**3. Marketing and Sales**

<i>i. Establishment of the Group's website with the medium-term aim of commencing e-commerce of pharmaceuticals</i>	Edit CTT's website (www.zdtqzy.com) improve website content to include more information about the CTT and products; promote CTT's products as well as website; launch CTF's website (www.cp-freda.com)	CTT's website upgraded – CTT named “Advanced Enterprise” in the Jiangsu provincial government authority's “Enterprise Going On-line Program”; CTF's website launched
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**Business objectives up to  
31 December, 2000 as stated  
in the Prospectus**

**Actual business progress up to  
31 December, 2000**

*ii. Expansion and consolidation  
of the PRC distribution network*

(a) The expansion plan of the  
sales network of CTF

No. of representative offices	30	30
No. of sales staff	330	332

(b) The expansion plan of the  
sales network of CTT

No. of representative offices	30	30
No. of sales staff	550	557

**USE OF NET PROCEEDS FROM THE PLACING**

	<b>Amount to be used in 2000 as disclosed in the Prospectus HK\$'M</b>	<b>Actual amount used up to 31 December 2000 HK\$'M</b>
For the research and development activities including the establishment of a research and development center in Beijing	5.0	Nil
For the establishment of business alliances with pharmaceutical enterprises in the field of biopharmaceutical, Chinese medicine and/or natural herbal products	Nil	Nil
For the expansion of the distribution networks of the Group	5.0	Nil
For the establishment of the Group's website and commencement of e-commerce	1.0	0.1
General working capital	4.0	3.0
<b>TOTAL</b>	<b>15.0</b>	<b>3.1</b>

## RESULTS

The Board announces the audited consolidated results of the Group for the year ended 31 December, 2000 together with the comparative audited combined results for 1999 as follows:-

	<i>Notes</i>	<b>2000</b> <i>HK\$'000</i>	<b>1999</b> <i>HK\$'000</i>
Turnover	(2)	393,235	305,776
Costs of sales		(83,222)	(82,161)
Gross profits		310,013	223,615
Selling expenses		(163,740)	(112,838)
Administrative expenses		(54,987)	(41,547)
Finance costs		(2,483)	(3,721)
Other operating income		2,314	881
Other operating expenses		(5,400)	(4,976)
Profit before taxation		85,717	61,414
Taxation	(3)	(6,767)	(2,611)
Profit before minority interests		78,950	58,803
Minority interests		(33,428)	(22,969)
Profit attributable to the Group		45,522	35,834
Dividends	(4)	15,000	24,820
Earnings per share – basic	(5)	HK17.8 cents	HK14.9 cents

*Notes:*

### (1) Group reorganization and basis of preparation

The Company was incorporated in the Cayman Islands on 2 February, 2000 as an exempted company with limited liabilities under the Companies Law (2000 Revision) of the Cayman Islands. Pursuant to a reorganization scheme (the “Group Reorganization”) to rationalize the structure of the Group in preparation for the public listing of its shares in September 2000, the Company became the holding company of the companies now comprising the Group on 19 September, 2000. The trading of the Company’s shares on the GEM of the Stock Exchange began on 29 September, 2000.

The Group’s financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the revaluation of certain fixed assets as further explained in note 13 to financial statements.

The consolidated financial statements have been prepared using the merger basis accounting as a result of the Group Reorganisation completed on 19 September, 2000 as set out above. Under this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganisation for the financial years presented rather than from the date of their acquisition through the Group Reorganisation. Accordingly, the consolidated results of the Group for the years ended 31 December, 2000 and 1999 include the results of the Company and its subsidiaries with effect from 1 January, 1999 or since their respective dates of incorporation, where this is a shorter period.

## (2) Turnover

Turnover represents the invoiced value of goods sold, net of discounts and returns and dividend income. All significant intra-Group transactions have been eliminated on consolidation/combination.

The Group's turnover arose from the following activities:

	<b>2000</b> <i>HK\$'000</i>	<b>1999</b> <i>HK\$'000</i>
Sales of goods	388,520	298,570
Dividend income	4,715	7,206
	<hr/>	<hr/>
Total	<b>393,235</b>	<b>305,776</b>

## (3) Taxation

	<b>2000</b> <i>HK\$'000</i>	<b>1999</b> <i>HK\$'000</i>
Hong Kong	—	—
PRC income tax	6,767	2,611
	<hr/>	<hr/>
Total	<b>6,767</b>	<b>2,611</b>

No Hong Kong profits tax has been provided for the year ended 31 December, 2000 as there was no assessable profit arising in or derived from Hong Kong during the year. (1999:Nil)

PRC income tax is provided at the rates applicable to enterprises in the PRC on the income for statutory reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretation thereof.

Pursuant to the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws (the "Income Tax Laws"), joint venture companies are subject to the statutory income tax rate of 33 per cent. (30 per cent. state income taxes plus 3 per cent. local income taxes) unless the enterprise is qualified as an "High and New Technology Enterprises" or located in specially designated regions or cities for which more favorable effective tax rates apply. The Group's principal operating subsidiaries are qualified "High and New Technology Enterprise" for which a preferential tax rate of 15 per cent. applies and are entitled to an income tax exemption for two years commencing from the first profitable year (after deducting losses carried forward), and a 50 per cent. reduction for the succeeding three years.

As of 31 December, 2000, the Group's principal subsidiaries are subject to income tax rate of 7.5%. (1999: CTF: 7.5%, CTT: Tax free period)

There are no material potential deferred tax liabilities for which provision has not been made.

(4) **Dividends**

The Board of Directors recommended a final dividend of HK5 cents per ordinary shares for the year ended 31 December, 2000. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the dividend will be paid to shareholders whose names appeared on the Register of Members of the Company on 18th April, 2001, Wednesday, dividend for 1999 represented amounts paid or declared by the Company's subsidiaries to their shareholders before the Group's reorganization. The rates of dividends and the number of shares ranking for dividends are not presented, as such information is not meaningful with regard to the purpose of this announcement.

Register of members of the Company will be closed from 12th April, 2001 (Thursday) to 18th April, 2001 (Wednesday), both days inclusive during which period no transfer of Share will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tengis Limited, 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong by 4:00 p.m. on 11th April 2001, Wednesday.

(5) **Earnings per share**

The calculation of the basic earnings per share is based on profit from the ordinary activities attributable to shareholders for the year ended 31 December, 2000 of HK\$45,522,000 and the weighted average of 255,737,705 ordinary shares issued during the year. The basic earnings per share for the year ended 31 December, 1999 is based on profit of HK\$35,834,000 and on the assumption that 240,000,000 shares had been in issued throughout the year.

Diluted earnings per share for the year has not been calculated because no diluting events existed during the two years ended 31st December, 2000.

(6) **Reserves**

Movement in the reserves of the Group during the year were as follows:

	<b>2000</b> <i>HK\$'000</i>	<b>1999</b> <i>HK\$'000</i>
<b>Contributed surplus</b>		
Balance brought forward and carried forward	52,605*	52,605
<b>Share premium</b>		
Addition	55,973	–
<b>Capital reserve</b>		
Transfer from general reserve fund and enterprise expansion fund	4,149	–
<b>Asset revaluation reserve</b>		
Addition	2,546	–
<b>General reserve fund</b>		
Balance brought forward	3,311	2,116
Addition	2,530	1,195
Transfer to capital reserve	(1,494)	–
Balance carried forward	4,347	3,311
<b>Enterprise expansion fund</b>		
Balance brought forward	5,028	3,628
Addition	2,273	1,400
Transfer to capital reserve	(2,655)	–
Balance carried forward	4,646	5,028
<b>Exchange fluctuation reserve</b>		
Balance brought forward	115	117
Addition	383	(2)
Balance carried forward	498	115

- \* The amount of contributed surplus disclosed in the Company's third quarter results announcement published on 9 November 2000 ("3Q Report") was HK\$183,894,000. The Company hereby clarifies that the Group's contributed surplus should have been HK\$52,605,000 as disclosed above. The contributed surplus of HK\$183,894,000 stated in the 3Q Report represented the aggregate amount of the respective contributed surplus accounts of the Company and the subsidiaries acquired pursuant to the Group Reorganisation as disclosed in the Prospectus. The difference of HK\$131,289,000 represents the fair value of the acquired subsidiaries as at the date of acquisition. This amount should have been accounted for in consolidating the financial statements of the Company and its subsidiaries to arrive at the Group contributed surplus of HK\$52,605,000.

This accounting entry to eliminate the fair value of the acquired subsidiaries has no impact on the Group's result for the nine months ended 30 September 2000.

The Company has issued a clarification announcement on the GEM website on 19th March, 2001 on the above matter.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December, 2000, the interests of the Directors and their associates in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Notes	Number of issued ordinary shares of HK\$0.10 each in the Company held and nature of interest				Total
		Personal	Family	Corporate	Other	
Mr. Tse Ping	(1)	–	–	231,120,000	–	231,120,000
Mr. Wang Jinyu	(2)	–	–	8,880,000	–	8,880,000

Notes:–

- (1) The shareholding interest attributable to Mr. Tse Ping in the Company is held through Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited. Each of Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited is an investment holding company wholly owned by Mr. Tse Ping who is the chairman and an executive director of the Company.
- (2) The shareholding interest attributable to Mr. Wang Jinyu in the Company is held through Discover Profits Limited. Discover Profit Limited is an investment holding company wholly owned by Mr. Wang Jinyu who is an executive director of the Company.

Save as disclosed above, as at 31 December, 2000, none of the Directors or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

From 29 September, 2000 (date of listing) to 31 December, 2000, no share option was granted to any of the Directors, their respective spouses, or their children under 18 years of age.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2000 the following interests of 10 per cent. or more in the issued share capital of the Company were recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance:

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of shareholding</b>
Mr. Tse Ping	231,120,000	77.04
Conspicuous Group Limited	108,000,000	36.00
Remarkable Industries Limited	57,317,760	19.11
Validated Profits Limited	65,802,240	21.93

Save as disclosed as above, no persons, other than the Directors, whose interests are set out above, had registered an interest in share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## COMPETING INTERESTS

As at 31 December, 2000 and disclosed in the prospectus issued by the Company on 22 September, 2000, Mr. Tse Ping owns controlling interests or investment interests in Xian C.P. Pharmaceutical Co., Ltd. (“CT Xian”), Ankang Chia Tai Pharmaceutical Co., Ltd. (“CT Anknag”), Hainan Tigerlily Pharmaceutical Co., Ltd. (“HTPC”) and ABH Nature’s Products Inc. (“ABH”).

CT Xian is a medicine producing enterprise principally engaged in the production and distribution of anti-cancer medicines, gastrointestinal medicines, gynaecological medicines and dermatitis medicine for psoriasis. CT Ankang is principally engaged in the production and distribution of medicine reducing blood-fat level, gynaecomastia medicines and other chemical medicines. HTPC is a trading company engaged in the import and export of medicines, including vitamins, anti-biotics and gastro medicines from Europe, the United States, Korea and other countries. ABH is principally engaged in the re-processing of natural medicines and vitamins in the U.S.

There is no law or regulation or agreement which prohibits or restricts the entry of the above enterprises into the business which compete directly or indirectly with the Group. Currently, the above enterprises do not have any business which constitute competition, whether directly or indirectly, with the Group’s business.

Mr. Tse Ping has signed a deed of non-competition undertaking to the Company dated 19 September, 2000 and has undertaken that, for so long as Mr. Tse Ping, together with his associated, shall remain beneficially interested, directly or indirectly, in shares with at least 35 per cent. of the voting rights of the Company, neither Mr. Tse Ping nor any of the companies or other entities of which more than 50 per cent. of the issued shares or equity of other nature carrying voting rights are directly or indirectly owned by Mr. Tse Ping or regarding which companies or entities Mr. Tse Ping is entitled to control the board of



directors or management body of similar nature (the “Mr. Tse Ping’s Companies”) (excluding for this purpose the Group) will:–

- (a) within the areas of Hong Kong, Shandong Province and Jiangsu Province of the PRC, carry on, become engaged or otherwise become interested (save through Mr. Tse Ping’s interest in the Company), directly or indirectly, in any business activities involving the business of the Company, and
- (b) in the PRC, other than within the areas of Hong Kong, Shandong Province and Jiangsu Province of the PRC, (save through Mr. Tse Ping’s interest in the Company) become engaged or otherwise become interested, directly or indirectly, in or otherwise commence any business activities involving the business of the Company if to do so will result in competition or likely to compete with any part of the business of the Company already carried on by the Group in such territory at the time Mr. Tse Ping and/or Mr. Tse Ping’s Companies (excluding for this purpose the Group) propose to invest in such business activities.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which compete with the business of the Group.

#### **SPONSORS’ INTERESTS**

As at 31 December, 2000, DBS Asia Capital Limited (the “Sponsor”), its directors, employees or associates, did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

#### **AUDIT COMMITTEE**

The Company set up an Audit Committee (the “Committee”) on 19 September, 2000 with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

From 29 September, 2000 (date of listing) to 31 December, 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

By order of the Board  
**Sino Biopharmaceutical Limited**  
**Tse Ping**  
*Chairman*

Hong Kong, 19 March, 2001

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, : (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that the fair and reasonable.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the day of its posting.*