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## **SINO BIOPHARMACEUTICAL LIMITED**

**中國生物製藥有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

### **DISCLOSABLE TRANSACTION**

#### **Establishment of a sino-foreign equity joint venture in the PRC**

The Directors are pleased to announce that on 1 August, 2001, CTL, a wholly-owned subsidiary of the Company, entered into the JV Contract and JV Articles with Jiangsu Agribusiness and Golden Bloom to establish a sino-foreign equity joint venture company, Nanjing Tianqing in Nanjing, the PRC. Jiangsu Agribusiness and Golden Bloom are two independent third parties not connected with any of the directors, chief executives, substantial shareholders and management shareholders of the Company or any of their respective associates for the purpose of the GEM Listing Rules.

Pursuant to the JV Contract, Nanjing Tianqing will be owned as to 51% by CTL, 31% by Jiangsu Agribusiness and 18% by Golden Bloom.

Entering into the JV Contract and the JV Articles constitutes a disclosable transaction for the Company under the GEM Listing Rules as the amount of the registered capital of Nanjing Tianqing will represent more than 15% of the net tangible assets of the Group.

As required under GEM Listing Rules, a circular containing further information will be sent to the Shareholders on or before 22 August, 2001.

## **JV Contract and JV Articles**

- Date:** 1 August, 2001
- Parties:** (1) CTL;  
(2) Jiangsu Agribusiness; and  
(3) Golden Bloom.
- Business:** To develop, produce and sell cardio-cerebral and anti-cancer intravenous injections, other medicines and health-care products.
- Registered capital:** US\$5,050,000 (approximately HK\$39,289,000) of which:–
- (1) 51% (being US\$2,575,500, approximately HK\$20,037,390) will be contributed in cash by CTL;
  - (2) 31% (being US\$1,565,500, approximately HK\$12,179,590) will be contributed in cash by Jiangsu Agribusiness; and
  - (3) 18% (being US\$909,000, approximately HK\$7,072,000) will be contributed in cash by Golden Bloom.

Each of CTL, Jiangsu Agribusiness and Golden Bloom will initially contribute 60% of their respective portions of capital contribution in cash on or before 31 October, 2001. The remaining 40% of their respective portions of capital contribution will be made by each of them within three years from 31 October, 2001. The Directors have confirmed with PRC lawyers that the schedule of capital injection is in compliance with applicable PRC law.

The total investment of Nanjing Tianqing is US\$10,000,000 (approximately HK\$77,800,000) but, apart from the registered capital, the parties to the JV Contract have not currently determined the method and timing for the financing of the remaining US\$4,950,000 (approximately HK\$38,511,000). The Directors have also confirmed with PRC lawyers that there is no requirement under applicable PRC law that the parties to the JV Contract are obliged to make contributions as to the said remaining amount.

- Board of directors:** The board of directors of Nanjing Tianqing will comprise five directors. CTL is entitled to appoint three directors and Jiangsu Agribusiness is entitled to appoint two directors.
- Term:** 50 years from the date of issue of the business licence of Nanjing Tianqing which will be issued after all necessary PRC regulatory approvals have been obtained. Such term may be extended by unanimous resolution of the board of directors of Nanjing Tianqing six months prior to the expiry of the JV Contract and subject to obtaining the necessary approval from the relevant PRC authorities.

Profits: Profits will be distributed to CTL, Jiangsu Agribusiness and Golden Bloom in proportion to their equity interests in Nanjing Tianqing.

Dissolution: At the end of the term of the joint venture, the remaining assets of Nanjing Tianqing (after the payment of its debts) will be distributed to CTL, Jiangsu Agribusiness and Golden Bloom in proportion to their equity interests in Nanjing Tianqing.

### **Conditions**

The JV Contract and JV Articles are conditional upon all necessary approvals from the relevant PRC authorities having been obtained.

The Directors currently expect that approvals from the relevant PRC authorities will be obtained by the end of this year.

### **Reasons for establishment of Nanjing Tianqing**

Nanjing Tianqing will be principally engaged in development, production and sale cardio-cerebral and anti-cancer intravenous injections, other medicines and health-care products. Nanjing Tianqing, when established, will become a subsidiary of the Company.

The establishment of Nanjing Tianqing as a subsidiary of the Company is consistent with the company's strategy of focusing its core business on the development of innovative biopharmaceuticals and modernized Chinese medicines. The establishment of Nanjing Tianqing as a joint venture company provides a further opportunity for the Company to develop and expand its business in Jiangsu Province in the PRC and dedicate its efforts to develop new and improved treatments for a range of diseases. Nanjing Tianqing will specialize in producing cardio-cerebral and anti-cancer intravenous injections and the PVC-free soft bag containers for the injections. PVC-free soft bags are advanced containers for intravenous injections, which have a high degree of transparency and are stable for storing medicinal substances and are safe during transport. Based on the vast growth in the demand for PVC-free soft bags for intravenous injections in the PRC, the Directors are optimistic about the prospects of Nanjing Tianqing. The Directors consider that the establishment of Nanjing Tianqing is in the interest of the Shareholders.

The Group's capital contribution of US\$2,575,500 (approximately HK\$20,037,390) to be provided to Nanjing Tianqing will be financed by its internal financial resources.

### **Business of the Group**

The Group is principally engaged in the research and development, production and sale of a series of biopharmaceutical products, a series of Chinese medicines and chemical medicines.

### **Background of the joint venture partners**

Jiangsu Agribusiness is a state-owned enterprise established in Jiangsu Province in the PRC. Jiangsu Agribusiness's subsidiary, Jiangsu Tianqing Pharmaceutical Company (Lianyungang) (江蘇天晴製藥總廠(連雲港)), is an investment holding entity of pharmaceutical business in the PRC and holds 40%

equity interests in CTT, which is a 60% owned subsidiary of the Company. The Directors believe that the strength of Jiangsu Agribusiness in the pharmaceutical business in the PRC would facilitate the business of Nanjing Tianqing.

Golden Bloom is an investment holding company. Golden Bloom is not entitled to appoint any directors to the board of directors of Nanjing Tianqing and its investment in Nanjing Tianqing is regarded by the Directors to be a passive one. The shareholders of Golden Bloom consist of 23 members of staff of the Group and none of these staff is a Director and none of them holds more than 15% shareholding interest in Golden Bloom.

The reason for having Golden Bloom as one of the joint venture parties to Nanjing Tianqing is to offer certain employees of the Group an opportunity to co-invest in a new project which the Directors consider to have good prospect. However no financial assistance is being provided by the Group to Golden Bloom or its shareholders. The shareholders of Golden Bloom are key personnel of the Company and CTT. One of the shareholders of Golden Bloom is Mr. Tse Hsin, who is a vice president of the Company. Mr. Tse Hsin holds about 7.13% shareholding interest in Golden Bloom and is a cousin of Mr. Tse Ping, a Director and the Chairman of the Company.

Both Jiangsu Agribusiness and Golden Bloom are independent third parties not connected with any of the directors, chief executives, substantial shareholders and management shareholders of the Company or any of their respective associates for the purpose of the GEM Listing Rules.

## **General**

The Directors believe that the JV Contract and JV Articles are entered into upon normal commercial terms and are in the interests of the Shareholders. As the amount of the registered capital of Nanjing Tianqing will represent more than 15% of the net tangible assets of the Group. The investment in Nanjing Tianqing constitutes a disclosable transaction for the Company under the GEM Listing Rules following arm's length negotiations. A circular containing further details of this transaction will be despatched to the Shareholders as soon as possible.

## **Definitions**

“associates”	has the meaning ascribed to this term in the GEM Listing Rules
“Board”	the board of directors of the Company
“Company”	Sino Biopharmaceutical Limited (中國生物製藥有限公司), a company incorporated in the Cayman Islands with limited liability on 2 February, 2000 the shares of which are listed on GEM
“CTL”	Chia Tai Pharmaceutical (Lianyungang) Company Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

“CTT”	連雲港正大天晴製藥有限公司 (Lianyungang Chiatai-Tianqing Pharmaceutical Co., Ltd.), a sino-foreign equity joint venture company incorporated in the PRC, the registered capital of which is held as to 60% by CTL and 40% by Jiangsu Tianqing Pharmaceutical Company (Lianyungang) (江蘇天晴製藥總廠(連雲港))
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Golden Bloom”	Golden Bloom Pharmaceutical Company Limited, a company incorporated in the British Virgin Islands
“Group”	the Company together with its subsidiaries
“Jiangsu Agribusiness”	江蘇省農集團有限公司 (Jiangsu State Agribusiness Group Corporation Limited), a state-owned enterprise established in the PRC
“JV Articles”	the articles of association relating to Nanjing Tianqing entered into on 1 August, 2001 between CTL, Jiangsu Agribusiness and Golden Bloom
“JV Contract”	the joint venture contract relating to Nanjing Tianqing entered into on 1 August, 2001 between CTL, Jiangsu Agribusiness and Golden Bloom
“Nanjing Tianqing”	南京正大天晴製藥有限公司 (Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd.), a sino-foreign equity joint venture company to be owned as to 51% by CTL, 31% by Jiangsu Agribusiness and 18% by Golden Bloom pursuant to the JV Contract and JV Articles
“PRC”	the People’s Republic of China
“PVC”	Poly-vcm Vinyl Chloride co-extruded film
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars
“US\$”	United States dollars
“%”	per cent.

Unless otherwise specified, the translation of US\$ into HK\$ in this announcement is based on the exchange rate of HK\$1.00 = US\$7.78.

By Order of the Board  
**Sino Biopharmaceutical Limited**  
**Wong Pui Shan**  
*Company Secretary*

Hong Kong, 1 August, 2001

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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.*

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