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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**

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A letter from the board of directors of Sino Biopharmaceutical Limited is set out on page 3 to 6 of this circular.

This circular will remain on the GEM website within the domain name of [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for 7 days from the day of its posting.

21 August, 2001

**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 future 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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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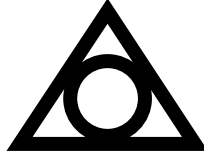
## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:–*

“associates”	has the meaning ascribed to this term in the GEM Listing Rules
“Board”	the board of Directors
“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 on 2 July, 1998 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 established in the PRC on 16 April, 1997, 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
“Golden Bloom”	Golden Bloom Pharmaceutical Company Limited, a company incorporated in the British Virgin Islands
“Group”	the Company together with its subsidiaries
“Jiangsu Agribusiness”	江蘇省農墾集團有限公司 (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 on 1 August, 2001 between CTL, Jiangsu Agribusiness and Golden Bloom
“JV Contract”	the joint venture contract relating to Nanjing Tianqing signed on 1 August, 2001 between CTL, Jiangsu Agribusiness and Golden Bloom

## DEFINITIONS

“Latest Practicable Date”	16 August, 2001 being the latest practicable date for ascertaining certain information contained in this circular
“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 established in the PRC and 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, which for the purpose of this circular, does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“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
“Shares”	the share(s) of the Company of HK\$0.1 each
“HK\$”	Hong Kong dollars
“US\$”	United States dollars
“%”	per cent.



**SINO BIOPHARMACEUTICAL LIMITED**

中國生物製藥有限公司

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

*Executive Directors:–*

Mr. Tse Ping (*Chairman*)  
Mr. Wang Jinyu  
Mr. Ling Peixue  
Mr. Tao Huiqi

*Registered office:–*

Zephyr House  
George Town  
Grand Cayman  
British West Indies

*Independent Non-executive Directors:–*

Dr. Patrick Ho Chi Ping JP  
Mr. Hu Xi Ming

*Principal place of business in*

*Hong Kong:–*  
Unit 09, 41st Floor, Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

21 August, 2001

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSABLE TRANSACTION**

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

**INTRODUCTION**

On 1 August, 2001, the Board announced that 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.

The purpose of this circular is to set out further details of the JV Contract and JV Articles.

## LETTER FROM THE BOARD

### THE NEW JOINT VENTURE

#### 1. 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 in cash 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.

## LETTER FROM THE BOARD

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 Nanjing Tianqing, 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.

### 2. 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

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.

Nanjing is one of the cities in the PRC which has a well developed pharmaceutical industry. The reputable Pharmacology University of China is situated in Nanjing. The pharmaceutical research and development and technology in Nanjing are very strong. The transportation network in Nanjing is well developed. The Directors believe that establishing a new pharmaceutical factory in Nanjing will facilitate the product development and improvement and recruitment of specialists for the developments of the Group's products.

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

The establishment of Nanjing Tianqing is consistent with the Group's strategy of focusing its core business on the development of innovative biopharmaceuticals and modernized Chinese medicines. The establishment of Nanjing Tianqing provides a further opportunity for the Group to develop and expand its business in Jiangsu Province in the PRC and dedicate its efforts to develop new and improved medical treatment for a range of diseases. Nanjing Tianqing will specialize in producing cardio-cerebral and anti-cancer intravenous injections and 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, 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 Company's investment in 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.



## LETTER FROM THE BOARD

### 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 a 40% equity interest in CTT, which is a 60% owned subsidiary of the Company. As Jiangsu Agribusiness is also involved in the business of other pharmaceutical companies in Jiangsu province, the Directors believe that the experience of Jiangsu Agribusiness in the pharmaceutical business in the PRC would be beneficial to 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 a 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 an approximately 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 establishment of Nanjing Tianqing is in accordance with the business strategy of the Group which is to promote the use of biopharmaceutical medicine and modernised chinese medicine in the PRC. The Directors believe that the JV Contract and JV Articles are entered into upon normal commercial terms and are fair and reasonable and in the interests of the Shareholders. The investment in Nanjing Tianqing constitutes a disclosable transaction for the Company under the GEM Listing Rules following arm's length negotiations. As Nanjing Tianqing is a newly established joint venture of the Group, the Directors do not expect Nanjing Tianqing has any effect on earnings and assets and liabilities of the Group for the year ending 31 December, 2001.

Your attention is drawn to the general information set out in the appendix to this circular.

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

## 1. RESPONSIBILITY STATEMENT

This circular, 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:–

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DISCLOSURE OF INTERESTS

### Directors' interests in share capital

As at the Latest Practicable Date, the interests of the chief executive of the Company and the Directors and their associates in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:–

#### (a) Shares of the Company ("Shares")

Name of Director	Notes	Number of Shares 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 Profits Limited is an investment holding company wholly owned by Mr. Wang Jinyu who is an executive director of the Company.

**(b) Directors' rights to acquire Shares**

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 19 September, 2000, Mr. Tse Ping, Mr. Wang Jinyu, Mr. Ling Peixue and Mr. Tao Huiqi were granted options on 2 January, 2001 to subscribe for 7,500,000 Shares, 1,000,000 Shares, 1,000,000 Shares and 1,000,000 Shares of the Company, respectively, at a subscription price of HK\$0.74 per Share exercisable during the period from 2 January, 2003 to 1 January, 2007 (both days inclusive).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates were granted options to subscribe for Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, 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.

**Substantial shareholders**

As at the Latest Practicable Date the following interests of 10% 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>	<i>Note</i>	<b>Number of Shares</b>	<b>Percentage of shareholding</b>
Mr. Tse Ping	(1)	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 above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

*Note:—*

- (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.

**Management shareholders**

As at the Latest Practicable Date, the management shareholders of the Company are as follows:–

<b>Name</b>	<i>Notes</i>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>
Mr. Tse Ping	(1)	231,120,000	77.04
Mr. Wang Jinyu	(2)	8,880,000	2.96
Conspicuous Group Limited		108,000,000	36.00
Remarkable Industries Limited		57,317,760	19.11
Validated Profits Limited		65,802,240	21.93
Discover Profits Limited		8,880,000	2.96

*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 Profits Limited is an investment holding company wholly owned by Mr. Wang Jinyu who is an executive director of the Company.

**3. PARTICULARS OF DIRECTORS' SERVICE CONTRACT**

- (a) Each of Mr. Tse Ping, Mr. Wang Jinyu, Mr. Ling Peixue and Mr. Tao Huiqi, being all the executive Directors, has entered into a service contract with the Company for a term of three years, all commencing from 19 September, 2000, which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other without payment of compensation.
- (b) Each of these executive Directors is entitled to a basic salary (subject to an annual increment to be determined by a majority of the Directors).
- (c) In addition, each of the executive Directors is also entitled to a management bonus in respect of each financial year of the Company (to be determined by a majority of the Directors at their discretion).
- (d) Under the articles of association of the Company, an executive Director may not vote on any resolution of the Directors regarding the amount of annual increment and management bonus payable to him.

(e) The current basic annual salaries of the respective executive Directors are as follows:–

Mr. Tse Ping	HK\$2,000,000
Mr. Wang Jinyu	HK\$200,000
Mr. Ling Peixue	HK\$400,000
Mr. Tao Huiqi	HK\$400,000

#### 4. SPONSOR'S INTERESTS

As at the Latest Practicable Date, none of the Company's sponsor, DBS Asia Capital Limited (the "Sponsor"), its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests 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.

Pursuant to the agreement dated 21 September, 2000 entered into between the Company and the Sponsor, the Sponsor is entitled to receive usual sponsorship fees for acting as the Company's retained sponsor for the period from 29 September, 2000 to 31 December, 2002.

#### 5. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

#### 6. GENERAL

- (a) The registered office of the Company is at Zephyr House, George Town, Grand Cayman, British West Indies.
- (b) The principal place of business of the Company in Hong Kong is at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (d) The qualified accountant and secretary of the Company is Ms. Wong Pui Shan, ACCA, AHKSA.
- (e) The compliance officer of the Company is Mr. Tse Ping.
- (f) 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 and also reviewing the draft annual report and accounts, half-year report and quarterly reports of the Group and providing advice and comments thereon.

The Committee comprises two members, being two independent non-executive Directors, namely Dr. Patrick Ho Chi Ping JP. and Mr. Hu Xi Ming. The chairman of the Committee is Dr. Patrick Ho Chi Ping JP. The background of the members are set out below:–

Dr. Patrick Ho Chi Ping JP. was appointed independent non-executive Director on 19 September, 2000. He is a medical specialist in eye disease and surgery in Hong Kong. He further sub-specialises in the disease and surgery of the retina and vitreous, especially in the treatment of diabetic eye complications. He was a professor of surgery (Ophthalmology) at the Chinese University of Hong Kong before he began his private clinical practice in eye disease and surgery in 1994. Dr. Ho was a member of the Hong Kong SAR Preparatory Committee and is a member of the 8th and 9th Chinese People’s Political Consultative Conference.

Mr. Hu Xi Ming was appointed independent non-executive Director on 19 September, 2000. He is a member of the Chinese People’s Political Consultative Conference, editor-in-chief of Chinese Traditional Medicine Magazine of China, president of China Acupuncture Society, vice president of Chinese Traditional Medical and Pharmaceutical Society of China and president of Association for Medical, Pharmaceutical and Public Health Exchanges Between the Two Sides of the Taiwan Strait. Mr. Hu had served more than 30 years in the Ministry of Public Health of the PRC (中華人民共和國衛生部) (“MPH”). Mr. Hu had assumed a number of titles, including deputy head of Traditional Medicine Research Academy, director of the State Administration of Traditional Chinese Medicine of the PRC (中國國家中醫藥管理局), vice minister of MPH and vice chairman of the State Committee for Combating Narcotics.