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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)*

### **ANNOUNCEMENT ON SUBMISSION OF APPLICATION FOR A PROPOSED CHANGE OF CORPORATE STATUS OF A PRC SUBSIDIARY**

The Directors would like to announce that an application was submitted to MOFTEC on 5 December, 2001 for an approval of a proposed change of the corporate status of CTT. CTT is currently a sino-foreign equity joint venture company with limited liability incorporated in the PRC in which the Group holds a 60% attributable interest through CTL. CTT is seeking an approval from MOFTEC to convert it into a sino-foreign equity joint stock limited company incorporated in the PRC under the name of JCTT. Despite the proposed conversion of the corporate status of CTT and the proposed change of name to JCTT, all assets, liabilities and contractual rights and obligations of CTT will continue to be undertaken and assumed by JCTT. The sino-foreign equity joint venture company with limited liability incorporated in the PRC known as CTT will, pursuant to the proposed conversion, be converted into a sino-foreign equity joint stock limited company known as JCTT. The Company will hold 60% of the issued share capital of JCTT through CTL.

**The proposed conversion of CTT into JCTT is subject to the approval of MOFTEC. The Company will issue a separate announcement following the receipt of the approval from MOFTEC regarding the conversion of the corporate status of CTT.**

## Background information

連雲港正大天晴製藥有限公司 (Lianyungang Chiatai-Tianqing Pharmaceutical Co., Ltd.) (“CTT”) is a sino-foreign equity joint venture company with limited liability incorporated in the People’s Republic of China (the “PRC”), 60% of the registered share capital of which is held by Chia Tai Pharmaceutical (Lianyungang) Company Limited (“CTL”), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. At the time of listing of the shares of the Company on GEM on 29 September, 2000, the remaining 40% of the registered capital of CTT was held by 江蘇天晴製藥總廠 (Jiangsu Tianqing Pharmaceutical Company) (“Jiangsu Tianqing”), a state-owned enterprise established in the PRC. On 18 September, 2001, Jiangsu Tianqing entered into an equity transfer agreement whereby Jiangsu Tianqing conditionally agreed to transfer its equity interest in CTT as to:-

- (i) 33.5% to 江蘇省農墾集團有限公司 (Jiangsu State Agribusiness Group Corporation Limited) (“Jiangsu Agribusiness”);
- (ii) 5% to 江蘇彼達投資有限公司 (Jiangsu Bida Investment Limited) (“Jiangsu Bida”);
- (iii) 1% to 江蘇信泰珂科技發展有限公司 (Jiangsu Xintaike Technology Development Limited) (“Jiangsu Xintaike”); and
- (iv) 0.5% to 中國藥科大學科技實業(集團)總公司 (China Pharmaceutical University Science and Technology Industrial (Group) Corporation) (“Pharmaceutical University”).

Jiangsu Agribusiness, a state-owned enterprise established in the PRC, is the parent company of Jiangsu Tianqing. It also holds a 31% equity interest in 南京正大天晴有限公司 (Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd.), which is a 51% owned subsidiary of CTL. Jiangsu Bida is an investment holding company, the shareholders of which consist of members of staff of the Company and its subsidiaries (together, the “Group”) including Mr. Tao Huiqi, an executive Director, who holds 10% of the issued capital of Jiangsu Bida, and Mr. Tse Hsin, a vice president of the Company and a cousin of Mr. Tse Ping (who is an executive Director), who holds 3.5% of the issued capital of Jiangsu Bida. All other shareholders of Jiangsu Bida are third parties independent of and not connected with any of the Directors, chief executive, substantial shareholders (within the meaning of the GEM Listing Rules) or management shareholders (within the meaning of the GEM Listing Rules) of the Company or any of their respective associates (within the meaning of the GEM Listing Rules) (collectively, the “Independent Third Parties”). Jiangsu Xintaike and Pharmaceutical University are both state-owned enterprises established in the PRC. Jiangsu Agribusiness, Jiangsu Bida, Jiangsu Xintaike and Pharmaceutical University are also Independent Third Parties.

The above equity transfers were approved by 連雲港市對外貿易經濟合作局 (Lianyungang City Bureau for Foreign Trade and Economic Cooperation) on 27 September, 2001. A summary of the current joint venture arrangements regarding CTT is set forth below:–

Registered capital	RMB68,000,000 (fully contributed)
Total investment amount	RMB130,350,000
Joint venture parties	CTL (60%), Jiangsu Agribusiness (33.5%), Jiangsu Bida (5%), Jiangsu Xintaike (1%) and Pharmaceutical University (0.5%)
Date of establishment	16 April, 1997
Term of joint venture	50 years
Capital contribution	RMB68,000,000
Profit and loss sharing ratio	In accordance with the ratio of equity interest

### **Particulars of the proposed conversion**

CTT submitted an application on 5 December, 2001 to the Ministry of Foreign Trade and Economic Cooperation of the PRC (“MOFTEC”) for an approval of a proposed conversion of CTT from a sino-foreign joint venture limited liability company into a sino-foreign equity joint stock limited company, the proposed registered name of which will be 江蘇正大天晴藥業股份有限公司 (Jiangsu Chia Tai Tianqing Pharmaceutical Limited Company) (“JCTT”). The sino-foreign equity joint venture company with limited liability incorporated in the PRC known as CTT will, pursuant to the proposed conversion, be converted into a sino-foreign equity joint stock limited company known as JCTT. Despite the proposed conversion of the corporate status of CTT and the proposed change of name to JCTT, all assets and liabilities and contractual rights and obligations of CTT will continue to be undertaken and assumed by the sino-foreign equity joint stock limited company, JCTT. Some of the important terms in the proposed articles of association of JCTT are set out below:–

#### Promoters of JCTT

The promoters of JCTT are CTL, Jiangsu Agribusiness, Jiangsu Bida, Jiangsu Xintaike and Pharmaceutical University (collectively, the “Promoters”).

#### Capital structure of JCTT

The proposed issued share capital of JCTT will be RMB99 million (equivalent to approximately HK\$93.4 million) divided into 99,000,000 shares of RMB1.00 each. Such proposed amount of issued share capital is based on the audited net asset value of CTT under the generally accepted accounting standards in the PRC (excluding Hong Kong) as at 30 September, 2001 of approximately RMB109.67 million (equivalent to approximately HK\$103.46 million) as adjusted for the declaration in 12 November, 2001 of special dividends in the total amount of approximately RMB10.67 million (equivalent to approximately HK\$10.06 million), which will be used as the consideration of the conversion in satisfaction of which JCTT will issue shares to CTT’s joint venture parties in their capacity as the Promoters. CTL will therefore hold 59,400,000 shares, Jiangsu Agribusiness will hold 33,165,000 shares, Jiangsu Bida will hold 4,950,000 shares, Jiangsu Xintaike will hold 990,000 shares and Pharmaceutical University will hold 495,000 shares in the issued share capital of JCTT, representing 60%, 33.5%, 5%, 1% and 0.5%, respectively, of the issued share capital of JCTT.

## Moratorium period of the shareholding in JCTT

Under prevailing PRC laws and regulations, all shares held by the Promoters will be subject to a moratorium period of three years from the date of incorporation of JCTT as a sino-foreign equity joint stock limited company.

## Appointment of directors of JCTT and establishment of supervisory committee

The board of directors of JCTT will consist of five directors. CTL will be entitled to nominate three directors one of whom will be the chairman of the board. Jiangsu Agribusiness will be entitled to appoint two directors one of whom will be the deputy chairman of the board.

Similar to other companies established in the PRC, JCTT will also establish a supervisory committee to monitor the overall management affairs of JCTT. Representatives of the shareholders of JCTT and its employees will nominate the supervisors.

Following the conversion, JCTT will continue to be a 60% owned subsidiary of CTL and an indirect subsidiary of the Company.

## Distribution of profit

Following the proposed conversion of CTT into a sino-foreign equity joint stock limited company, profit distribution from JCTT to its shareholders (including CTL) will be made by way of dividends. All shares to be issued by JCTT will rank pari passu in respect of dividend entitlement and in all other aspects.

## General

Save as disclosed in this announcement, the Directors confirm that there are no other material differences between the terms of the joint venture contract of CTT and the proposed terms of the articles of association of JCTT. The Directors also confirm that the proposed conversion only relates to the corporate status of CTT, i.e. CTT will be converted from a sino-foreign equity joint venture company with limited liability into a sino-foreign equity joint stock limited company, and its registered name with no material changes in other aspects of CTT, including the percentage of the Group's entitlement to the profit of JCTT, the board representation in JCTT and the business objectives of the Group as a whole.

## **Reasons for the proposed conversion**

CTT currently produces approximately 80 different types of modernised Chinese medicine and chemical medicine at its production facilities in Lianyungang, Jiangsu Province, the PRC. The principal products of CTT are 甘利欣 (Diammonii Glycyrrhizinatis), in both injection and capsule forms, and 豬苓多糖注射劑 (Polyporus Polysaccharide injection), which are used in medical treatment of hepatitis. **The Directors do not expect that the proposed conversion of CTT into a sino-foreign equity joint stock limited company will affect its current business and JCTT will continue to pursue the existing business plans and objectives of CTT.**

The Directors believe that the proposed conversion of CTT into a sino-foreign equity joint stock limited company will be beneficial to its future business developments in the PRC and will give it a more convenient structure to allow for additional sources of funding, if appropriate, to its business expansion as one of the leading Chinese medicine producers in the PRC. Whilst the proposed conversion does not affect the percentage of the Group's entitlement to the profit of CTT, the new corporate status of CTT is expected to give JCTT additional flexibility to facilitate any future fund raising exercise for its business development. Currently, however, there is no concrete plan formulated by the Group for any fund raising exercise to be initiated by JCTT.

**Further information on the proposed conversion**

**The proposed conversion of CTT into JCTT is subject to the approval of MOFTEC. The Directors will make a further announcement following the receipt of the approval from MOFTEC regarding the conversion of the corporate status of CTT.**

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

Hong Kong, 7 December, 2001

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