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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 the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (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 the fair and reasonable.*



## **SINO BIOPHARMACEUTICAL LIMITED**

**中國生物製藥有限公司**

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

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER, 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 with the domain name of [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.**

**Highlights:**

For the year ended 31 December, 2001, turnover of the Group amounted to approximately HK\$539.91 million, representing an approximately 37.5% increase as compared with last year.

Profits attributable to shareholders reached HK\$61.74 million, representing an increase of approximately 37.1% as compared with last year.

Basic earnings per share was HK20.6 cents, which was approximately 17.0% higher than last year.

The Directors recommend a final dividend of HK10 cents per share.

**FINANCIAL RESOURCES AND LIQUIDITY**

As at 31st December, 2001, shareholders' funds of the Group amounted to approximately HK\$244.54 million. Current assets amounted to approximately HK\$277.56 million, of which approximately HK\$171.96 million were cash and bank deposits. The Group had no non-current liabilities or bank loans, its current liabilities amounted to approximately HK\$91.8 million, comprising mainly trade payables and accruals. The net asset value per share was HK\$0.82.

**BUSINESS REVIEW****General**

The year 2001 was the first full financial year since its listing on GEM on 29 September, 2000. The Company and its subsidiaries (the "Group") has taken full opportunity of the listing to strengthen its management and to develop new markets. With its major production facilities obtaining the Good Manufacturing Practice (GMP) certificates, the Group has adopted an approach of "combining replication and innovation" in its product research with an objective to rationalize its product mix. Meanwhile, the Group increasingly focused on intellectual property rights. During the year under review, the Group applied for patents for two inventions and one for a new usage and obtained the patents in China for the exterior designs of two products. On the management front, the Group focused on its human resources-based management philosophy, placing equal emphasis on "target management" and "risk management". The Group owes its success in accomplishing its 2001 business targets to its talented staff and its technology and products. The board (the "Board") of Directors mastered its unique tactics in making major decisions and the Group's staff has been provided with a satisfactory working environment with access to comprehensive on-job training.

In order to maintain the fundamentals of a healthy business growth and the development momentum, the Group adjusted its product mix by classifying its products into four categories: principal products, mid-end products, ordinary products and emerging products. The Group has placed more marketing efforts on major products in the principal and mid-end categories. These products include Moisten (潤舒) eyedrops and Mioclear (潤潔) eyedrops for ophthalmia, Diammonii Glycyrrhizinatis (甘利欣) injection and capsules for treating hepatitis, and Zegui Longshuang (澤桂癆爽) capsules for the prostate. The increased marketing efforts not only highlighted the Group's branded products but also served to establish the Group's corporate image, bringing sales momentum to its other products. For the year ended 31 December, 2001, the sales of the Group increased by approximately 37.5% as compared with last year. The Group has

strengthened end product sales by opening new sales offices, bringing the total number to 70, compared with 60 sales offices at the end of 2000. The Group's sales network grew to be comprehensive and effective during the year under review. The product of Mioclear (潤潔) eyedrops, which debuted in May 2000, generated revenues of approximately RMB50 million to the Group during the year under review, making it one of the principal products of the Group. The Group's new products for hepatitis, Oxymatine (苦參素) glucose injections and capsules, have been well established in the market since their launch in December 2001 and are likely to become the Group's principal products very soon.

Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. was set up on 31 August, 2001. Details were disclosed in the Company's announcement dated 1 August, 2001.

Lianyungang Chiatai-Taiqing Pharmaceutical Co., Ltd. was granted approval from China's Ministry of Foreign Trade and Economic Co-operation to be renamed Jiangsu Chia Tai Tianqing Pharmaceutical Co., Ltd. Details of which were disclosed in the Company's announcements on 21 December, 2001 and 7 December, 2001.

The Company's subsidiaries, Shangdong Chia Tai Freda Pharmaceutical Co., Ltd. and Jiangsu Chia Tai Tianqing Pharmaceutical Co., Ltd., were the major profit contributors to the Group during the year under review.

#### **Shangdong Chia Tai Freda Pharmaceutical Co., Ltd. ("CTF")**

CTF's bio-pharmaceutical products are based on its proprietary biotechnology. It has developed a broad spectrum of products which apply hyaluronan, a biotechnology product, as a substrates. CTF's research and application of hyaluronan is comparable with advanced international standards. It is particularly outstanding in the research and application of hyaluronan in the ophthalmic field with its major ophthalmic product – Moisten (潤舒) eyedrops – which was well received in China. In the ophthalmic field, medicines applying hyaluronan as a substrates have been popular among both doctors and users. "Moisten" (潤舒) eyedrops was also accredited by the Industry and Commerce Bureau of Shandong as a famous brand of Shandong Province.

During the year under review, CTF increased its marketing efforts for on its eyedrop brands, Moisten (潤舒) eyedrops and Mioclear (潤潔) eyedrops. The non-prescription medicine teams were strengthened and the marketing of end products was enhanced, which also promoted the sales of the Sofast (施沛特) injection for osteoarthritis and Hepudido (海普林) cream for dermatitis. For the year ended 31 December, 2001, the sales of CTF grew at approximately 41.0% as compared with the last year.

Shpke (施沛克) injection, which is used to avoid stickiness in wounds after surgery and a new treatment applying hyaluronan, was introduced by CTF in October 2001, represented a step forward in the research and application of hyaluronan conducted by the CTF.

On 5 March, 2002, the ointment product of CTF was certified by the GMP licensing center of the State Drug Administration through on-site checks and the CTF is waiting for the award of formal certificate. As a result, all of CTF's product types shall have secured GMP approvals. To make effective use of the existing sales channels and production facilities to cater to the Group's research development plan, CTF is planning to increase its product mix, namely nose drop, ear drops, eye ointment, tablet and capsule, in order to meet its business development and expansion needs.

All of the production facilities of Shandong Chia Tai Freda New Packing Resources Co., Ltd., a joint venture established in December 2000 for the production of packaging bottles for eyedrops, were installed and trial-operated. The production commenced during the year under review. It is expected that this joint venture will have an annual production capacity of approximately 10 million bottles. Emphasis will be placed on the anti-counterfeit function of the bottles it produces for the eyedrops produced by CTF.

CTF was accredited an advanced unit and a high and new technology model enterprise in Jinan in 2001.

### **Jiangsu Chia Tai Tianqing Pharmaceutical Co., Ltd. (“JCTT”)**

JCTT is a leading manufacturer of modernized Chinese medicines treating hepatitis and diseases of the elderly. Its principal products include Diammonii Glycyrrhizinatis (甘利欣) for treating hepatitis and Zegui Longshuang (澤桂癘爽) capsules for prostate problems affecting the elderly. According to a study conducted by the China Medicines Economic Information on the medicines used in the major cities of the country for treating hepatitis, Diammonii Glycyrrhizinatis (甘利欣) has become the top choice among drugs for hepatitis. During the year under review, JCTT received certification and production approvals for Diammonil Glycyrrhizinatis Glucose injection (甘草酸二銨葡萄糖輸液) and Diammonil Glycyrrhizinatis Sodium injection (甘草酸二銨氯化鈉輸液), which will enable the Group to capitalize on the Diammonii Glycyrrhizinatis (甘利欣) brand and further expand in the hepatitis medicine market. Another hepatitis medicine of JCTT, Oxymatine (苦參素) glucose injection and capsules, have been well received since their launch in December, 2001.

During the year under review, the JCTT enhanced its marketing efforts for its brands, Diammonii Glycyrrhizinatis (甘利欣) and Zegui Longshuang (澤桂癘爽), including placing advertisements during peak hours at CCTV, China’s state television. This move improved the understanding amongst doctors and users of the two brands and the publicity of JCTT, which in turn boosted sales of other products of JCTT. With improvement in commercial sales and end-user sales, the Group was able to collect its receivables quickly and to reduce the debtors’ turnover period. JCTT increased its sales for the year ended 31 December, 2001 by approximately 31.7%, as compared with last year. Of that, the sales of Zegui Longshuang (澤桂癘爽) capsules for diseases of the elderly rose by approximately 125.5% from last year and Carnet injection (可耐) increased by approximately 94.3% as compared with last year.

In 2001, Diammonii Glycyrrhizinatis (甘利欣) was accredited as a famous brand by the Industry and Commerce Bureau of Jiangsu Province and JCTT was accredited a key high and new technology enterprise under the State Torch Plan by the Ministry of Science and Technology of China. JCTT strengthened its quality control and received the “National Quality Efficiency Leading Enterprise” award from the China Quality Control Association.

### **Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (NJCTT)**

NJCTT was set up on 31 August, 2001. It is located in the Nanjing High Technology Zone covering an area of approximately 32.2 mu. The construction of the core part of this plant has been completed, with the supplementary interior pipeline and circuit installation and interior decoration are now in progress. It is expected the US-made production facilities for intravenous injection packed in PVC-free soft bags will be delivered in May 2002 and will be installed and tested in June. Completion of the project will enhance the Group’s profit source and at the same time, improve the level of its technology in the production of intravenous injection to international standards.

## **Research and Development**

During the year under review the Group obtained medicine certification and production approvals for six medicines, namely Diammonil Glycyrrhizinatis Glucose injection (甘草酸二銨葡萄糖輸液) and Diammonil Glycyrrhizinatis Sodium Chloride injection (甘草酸二銨氯化鈉輸液), Oxymatrine (苦參素) injection, Oxymatrine (苦參素) Glucose capsules, Jing Da (靜達) eyedrops, 及 Shpke (施沛克) injection. Also, there were various new products under research in addition to those which had been mentioned in the prospectus of the Company dated 22 September 2000. They included modernized Chinese medicines and that have not been biopharmaceutical products for treating ophthalmic, hepatitis, diseases of the elderly, cardiovascular and cerebralvascular diseases, dermatitis, osteoarthritis, and nose and ear drops.

The Group has strengthened its research and development capacity and enhanced its corporate information communications to attract and retain talents. Basing on the prevailing trend of combining replication and innovation in the pharmaceutical industry in China, JCTT invested approximately RMB4 million to set up the Jiangsu Chia Tai Tiangong Nanjing Research and Development Centre in the Nanjing High and New Technology Zone in October 2001. The research and development center is currently under construction and will soon become operational. The move demonstrates that product research has become an integral part of the continuing growth of the Group and that it has well prepared itself for the anticipated competitions following China's entry into the World Trade Organization.

In order to attract talents and to seek co-operation with independent research centers in Beijing and in other cities on the development of new drugs with market potential, CTF also plans to set up its research and development center in Beijing in 2002. This will contribute to the continuing development of the Group.

## **Development of Internet Sales Management**

With the improvement in living standards, people start to be conscious on their health. In view of this, the Group has provided a general introduction of its products as well as certain information on eye protection and skin diseases on CTF's website ([www.cp.freda.com](http://www.cp.freda.com)). Besides, the Group also provides information on the prevention and treatment of hepatitis and diseases of the elderly on JCTT's website ([www.zdtqzy.com](http://www.zdtqzy.com)). The Group aims to develop the websites to become the top choices for on-line information relating to eye protection, skin diseases, the prevention and treatment of hepatitis and diseases of the elderly.

The Group has been making use of the internet and in-house computer network for its daily production and sales management. Currently, through internet, the sales staff can be update themselves in a timely manner information on the product research status and related sales policies; and the management of the Group can obtain, in a timely manner, information on sales on the Group's country-wide sales networks. In addition, this enables the management of the Group to obtain the latest market intelligence, which can substantially enhance the Group's production and sales as well as improve communications efficiency with its customers.

In the near future, the Group will develop and build an e-commerce system as part of its efforts to upgrade its sales system.

## **Business Strategies**

1. To adopt a technology-based business strategy with focus on the biotechnology and the technology of modernizing traditional Chinese medicines applying the approach of combining replication and innovation. In the meantime, the Group will introduce additional advanced medicine technologies from domestic and overseas markets at the right moment. With JCTT and CTF moving their research centers to Nanjing and Beijing, respectively, the Group will take full advantage of the research and development capacity to conduct additional product development.
2. To adopt a human resources-based strategy and fully develop the businesses of JCTT and CTF. To strengthen the corporate management by adding an innovative approach to sales and internal management and developing staff's creativity so as to achieve better market and management efficiency.
3. To build strategic alliances through mergers and acquisitions and to adjust the product mix, improve its quality and make full use of the edge of the Group's networks. Building on the combined strength, the merger of companies will complement each other, increasing economic effectiveness. The implementation of both business expansion and core business consolidation is expected to bring the Group additional opportunities for business development of the biopharmaceutical and the Chinese medicine modernization business.

## **Outlook**

In the pharmaceutical industry, biopharmaceutical medicines and modernized Chinese medicines represent increasingly sophisticated production technology and high growth. Building on its solid profit track record, its well-known brands and its stable and developing market share, the Group will continue to develop on the basis of these two areas. The Directors believe that the relocation of the research and development centres of JCTT and CTF to Nanjing and Beijing, respectively, will further enhance the ability of the Group to develop new products. The advancement of production facilities and expansion of sales network and the mergers, acquisitions and the development of strategic alliances, will ensure the growth of profit and return to shareholders.

On behalf of the Board, I would like to extend my sincere gratitude to all shareholders who give us support and to all our dedicated, hard-working and innovative staff for achieving such remarkable results.

## COMPARISON OF OBJECTIVE AND ACTUAL BUSINESS PROGRESS

	<b>Business objective up to 31 December, 2001 as stated in the prospectus</b>	<b>Actual business progress up to 31 December, 2001</b>
<b>1. Research &amp; development</b>		
<i>(1) Establish a research and development centre in Beijing</i>	<p>a. Cooperate with scientific research organisations by entering into research and development project agreements</p> <p>b. Commence to carry out research work on development projects (a maximum of 5 projects at one time)</p>	Negotiating with several research organisations
<i>(2) Plan of new product research and development of CTF</i>		
Jingfu Eyedrops	Obtain new medicine certificate from SDA and apply for production approval	Waiting for approval from SDA to commence clinical trial
Composite Tobramycin GEL	Obtain new medicine certificate from SDA and apply for production approval	Project abandoned and the reason has been disclosed in the annual report for the year ended 31 December, 2000
Butenfine Hydrochloride Gel	Obtain approval from state level SDA to commence clinical trial	Conducting clinical trials
<i>(3) Plan for new product research and development of JCTT</i>		
Oxymatrine capsules and oxymatrine glucose injection	Commence commercial production	Commenced commercial production in December, 2001
Diammonii glycyrrhizinatis sodium chloride and glucose injection	Commence commercial production	Preparing for commercial production

	<b>Business objective up to 31 December, 2001 as stated in the prospectus</b>	<b>Actual business progress up to 31 December, 2001</b>
Puerarin glucose injection	Market and promote product	As stated in the prospectus
Buyang huanwutang injections	Obtain approval from state level SDA to commence clinical trial	Suspended application for clinical trial due to technical reason
Roloxifene hydrochloride and tablets	Complete clinical trial	Conducting clinical trial
Sotaloi hydrochloride injection	Commence commercial production	As stated in the prospectus
Clindamycin phosphate powder injections	Commence commercial production	As stated in the prospectus
Sanzi kechuan capsules	Obtain approval from state level SDA to commence clinical trial	Waiting for approval from SDA to commence clinical trail
Netimycin sulfate and sodium chloride injection	Commence commercial production	As stated in the prospectus
Puerarin capsules	Obtain production approval documents from SDA	Waiting for approval from SDA to commence clinical trail

## **2. production of pharmaceutical products**

<i>(1) Forming alliance with reputable producers of biopharmaceuticals, chinese medicine or natural herbal products</i>	Continue to identify cooperative partners and execute cooperative agreements prior to year end	Negotiating with several potential cooperative partners
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	<b>Business objective up to 31 December, 2001 as stated in the prospectus</b>	<b>Actual business progress up to 31 December, 2001</b>
<i>(2) Expansion of production facilities of CTF:</i>		
Factory	Located in Jinan, Shandong Province, the PRC with a total gross floor area of 10,200 sq.m.	Located in Jinan, Shandong Province, the PRC with total gross floor areas of 12,900 sq.m.
GMP compliance	Fully complied with GMP	As stated in the prospectus
<i>(3) Expansion of production facilities of JCTT</i>		
Factory	Located in lianyungang, Jiangsu Province, the PRC with a total gross floor area of 15800 sq.m.	As stated in the prospectus
GMP compliance	Plant extraction workshop and synthetic drugs raw material workshop implement GMP procedures	As stated in the prospectus
<b>3. Marketing and sales</b>		
<i>(1) Establishment of the Group's website with the medium-term aim of commencing e-commerce of pharmaceuticals</i>	Design and trial run of e-commerce, strengthen website content, turn the website into the leading website for doctors and patients for eye and liver health care information	Established a website to provide information related to eye and liver health care

**Business objective up to  
31 December, 2001  
as stated in the prospectus**

**Actual business progress  
up to 31 December, 2001**

*(2) Expansion and consolidation  
of the PRC distribution  
network*

The expansion plan of  
the sales network of  
CTF

No. of representative offices	35	35
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No. of sales staff	380	400
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The expansion plan of  
the sales network of  
JCTT

No. of representative offices	35	35
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No. of sales staff	750	610
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## USE OF NET PROCEEDS FROM THE PLACING

	<i>Note</i>	Amount to be used up to 31 December, 2001 as disclosed in the Prospectus <i>HK\$'M</i>	Actual amount used up to 31 December, 2001 <i>HK\$'M</i>
For the research and development activities including the establishment of a research and development center in Beijing	<i>1</i>	10.0	0.7
For the establishment of business alliances with pharmaceutical enterprises in the fields of biopharmaceuticals, Chinese medicine and/or natural herbal products	<i>2</i>	20.0	Nil
For the expansion of the distribution networks of the Group	<i>3</i>	10.0	Nil
For the establishment of the Group's website and commencement of e-commerce	<i>4</i>	2.0	0.6
General working capital		8.0	7.4
<b>TOTAL</b>		<b>50.0</b>	<b>8.7</b>

*Note:*

1. As the Group is in the process of negotiating with several research organisations, only HK\$0.7 million was used which related to feasibility studies.
2. As the Group is in the process of negotiating with several potential cooperative partners, no concrete agreements has been reached.
3. The Group is in the process of negotiating with potential cooperative partners.
4. Development of website and e-commerce are mainly financed by income generated by the principal subsidiaries.

## RESULTS

The Board announces the audited consolidated results of the Group for the year ended 31 December, 2001 together with the comparative audited consolidated results for 2000 as follows:–

		<b>Year ended 31 December,</b>	
		<b>2001</b>	<b>2000</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(restated)</i>
Turnover	(2)	539,910	392,726
Costs of sales		(101,436)	(83,222)
Gross profits		438,474	309,504
Selling expenses		(237,601)	(163,740)
Administrative expenses		(78,610)	(54,987)
Other operating income		5,092	2,314
Other operating expenses		(7,793)	(5,400)
Profit from operating activities	(3)	119,562	87,691
Finance costs	(4)	(1,913)	(2,483)
Profit before tax		117,649	85,208
Tax	(5)	(8,184)	(6,767)
Profit before minority interests		109,465	78,441
Minority interests		(47,730)	(33,428)
Net profit attributable to shareholders		61,735	45,013
Dividends – interim	(6)	12,000	–
– proposed final	(6)	30,000	15,000
Earnings per share – basic	(7)	HK20.6 cents	HK17.6 cents
– fully diluted	(7)	HK19.4 cents	N/A

*Notes:*

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

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year. The results of subsidiaries acquired or disposed of during the year are consolidated with reference to their effective dates of acquisition or disposal, respectively.

The comparative consolidated financial statements have been prepared from the financial statements of the Company and its subsidiaries using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of the subsidiaries acquired through the Group's reorganization (the "Reorganisation") on 19 September, 2000. Accordingly, the consolidated financial statements of the Group for the year ended 31 December, 2000 include the results of the Company and its subsidiaries with effect from 2 February, 2000 or since their respective dates of incorporation, where this is a shorter period.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

During the year, the Group adopted certain revised Statements of Standard Accounting Practises ("SSAPs"). Details will be further disclosed in the notes to the accounts of the Group for the year ended 31 December, 2001. To comply with these revised SSAPs, certain comparative figures for the year ended 31 December, 2000 have been restated.

(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.

**Segmental information**

The Group's turnover analysed by principal activities:

	<b>Year ended 31 December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	530,006	388,520
Dividend income	9,904	4,206
	<hr/>	<hr/>
Total	<b>539,910</b>	<b>392,726</b>

More than 90% of the Group's turnover was derived from the principal activities carried out in mainland China.

	<b>Turnover</b>		<b>Contribution to profit from operating activities</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>		<i>(restated)</i>
By principal activities				
Manufacture and sale of pharmaceutical products	530,006	388,520	121,742	86,628
Dividend income from an unlisted investment	9,904	4,206	9,592	4,197
Unallocated expenses	–	–	(11,772)	(3,134)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>539,910</b>	<b>392,726</b>	<b>119,562</b>	<b>87,691</b>

**(3) Profit from operating activities**

The Group's profit from operating activities is arrived at after charging:

	<b>Year ended 31 December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	101,436	83,222
Depreciation	13,075	9,497
Amortisation of patent	21	–
Amortisation of goodwill	732	596
Minimum lease payments under operating leases:		
Land and buildings	4,763	2,566
Plant and machinery	1,604	1,834
	<u>6,367</u>	<u>4,400</u>
Staff costs (including directors' remuneration):		
Wages and salaries	56,895	49,899
Pension contributions	6,395	5,105
	<u>63,290</u>	<u>55,004</u>

and after crediting:

	<b>Year ended 31 December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Dividend income from unlisted investment	9,904	4,206
Interest income	3,603	2,206
	<u>3,603</u>	<u>2,206</u>

**(4) Finance costs**

	<b>Year ended 31 December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within one year	1,770	2,136
Interest on other loans	–	39
Interest on loans from minority shareholders	–	24
	<u>1,770</u>	<u>2,199</u>
Total interest	1,770	2,199
Others	143	284
	<u>1,913</u>	<u>2,483</u>

(5) **Taxation**

No provision for Hong Kong profits tax has been made as the Group had no assessable profit derived from or earned in Hong Kong during the current and prior years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

	<b>Year ended 31 December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for the year		
PRC income tax	<u>8,184</u>	<u>6,767</u>

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, 2001, the Group's principal operating subsidiaries are subject to income tax rate of 7.5% (2000: 7.5%).

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

(6) **Dividends**

	<b>Year ended 31 December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend		
– HK4 cents (2000: Nil) per ordinary share	12,000	–
Proposed final dividend		
– HK\$10 cents (2000: HK5 cents) per ordinary share	30,000	15,000

The Board has recommended a final dividend of HK10 cents per ordinary share for the year ended 31 December, 2001. 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 26th April, 2002 (Friday) (2000: HK5 cents per ordinary share).

The register of members of the Company will be closed from 23rd April, 2002 (Tuesday) to 26th April, 2002 (Friday), both days inclusive during which period no transfer of shares 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 22nd April, 2002 (Monday).

To comply with this revised SSAP 9, a prior year adjustment has been made to reclassify the proposed final dividend of HK\$15,000,000 for the year ended 31 December, 2000, which was recognised as a current liability at 31 December, 2000, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December, 2000, by HK\$15,000,000.

The effect of this change in accounting policy as at 31 December, 2001, is that the current year's proposed final dividend of HK\$30,000,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

**(7) 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 of HK\$61,735,000 (2000 restated: HK\$45,013,000) and 300,000,000 ordinary shares issued during the year (2000: 255,737,705 ordinary shares on the assumption that the Group Reorganisation had been completed on 2 February, 2000).

Diluted earnings per share for the year ended 31 December, 2001 is based on 300,000,000 ordinary shares which was number of ordinary shares in issue during the year plus the weighted average number of 17,714,535 ordinary shares deemed to be issued at average fair value if all outstanding options had been exercised during the year.

Diluted earnings per share for the year ended 31 December, 2000 had not been calculated because no dilutive events existed during the year.



(8) Reserves

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

	<b>Year ended 31 December,</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
<b>Contributed surplus</b>		
Balance brought forward and carried forward	52,605	52,605
<b>Share premium</b>		
Balance brought forward	55,973	–
Issue of shares	–	55,973
Balance carried forward	55,973	55,973
<b>Capital reserve</b>		
Balance brought forward	4,149	–
Transfer from statutory reserve fund	7,642	4,149
Transfer from retained profits	9,896	–
Balance carried forward	21,687	4,149
<b>Leasehold building revaluation reserve</b>		
Balance brought forward	2,546	–
Surplus on revaluation	–	2,546
Balance carried forward	2,546	2,546
<b>Statutory reserve fund</b>		
Balance brought forward as previously reported	8,993	8,339
Prior year adjustment	(4,713)	(2,595)
Balance brought forward – restated	4,280	5,744
Transfer to capital reserve	(7,642)	(4,149)
Exchange realignment	–	90
Transfer from retained profits	6,774	2,595
Balance carried forward	3,412	4,280
<b>Exchange fluctuation reserve</b>		
Balance brought forward	498	115
Addition	–	383
Balance carried forward	498	498
<b>Retained profits</b>		
Balance brought forward as previously reported	44,755	18,946
Prior year adjustments	(2)	(1,611)
Balance brought forward – restated	44,753	17,335
Net profit for the year	61,735	45,013
Transfer to other reserve funds	(16,670)	(2,595)
Proposed final dividend	(30,000)	(15,000)
Interim dividend for 2001	(12,000)	–
Balance carried forward	47,818	44,753

To conform with the revised SSAP 9 as detailed in notes to the financial statements, a summary of the restatements to the financial statements is as follows:

- i) as at 1 January, 2000, the Group's statutory funds have decreased by HK\$2,595,000 and retained profits have increased by the same amount.
- ii) as at 31 December, 2000, the Group's statutory reserve funds have decreased by HK\$4,713,000 and retained profits has increased by the same amount.

To conform with the revised SSAP 18 as detailed in notes to the financial statements, the following restatements were made:

- i) for a dividend of HK\$4,206,000 which was declared after 31 December, 1999 and previously recognised as income in the Group's financial statements in that year, a prior year adjustment has been made to reduce dividend receivable and opening balance of retained profits both by HK\$4,206,000 as at 1 January, 2000;
- ii) for a dividend income of HK\$4,715,000 which was declared after 31 December, 2000 and previously recognised as income in the Group's financial statements in that year, a prior year adjustment has been made to reduce dividend receivable and opening balance of retained profits both by HK\$4,715,000 as at 1 January, 2001; and
- iii) for a dividend of HK\$45,000,000 declared by subsidiaries after 31 December, 2000 and previously recognised as income in the Company's financial statements in that year, a prior year adjustment has been made to reduce dividend receivable and retained profits both by HK\$45,000,000 as at 1 January, 2001.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December, 2001, 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:

### (1) Shares

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, 2001, 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.

## (2) 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 the 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 31 December, 2001, 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.

### Outstanding share options

As at 31 December, 2001, options to subscribe for an aggregate of 30,000,000 shares of the Company (which include the options granted to Mr. Tse Ping, Mr. Wang Jinyu, Mr. Ling Pei Xue and Mr. Tao Huiqi as disclosed above) granted pursuant to the Scheme were outstanding. Details are as follows:—

Shares issuable under options	Number of employees	Subscription price per share HK\$	Option period
30,000,000	13	0.74	2 January, 2003 to 1 January, 2007

Generally, the options may be exercised in different tranches within the option period.

Save as disclosed above, as at 31 December, 2001, 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 31 December, 2001 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:

Name	Number of shares	Percentage of shareholding
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

*Note:* 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.

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, 2001 and as 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, 2001, 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. Pursuant to a sponsor's agreement dated 21 September, 2000, the Sponsor is acting as the continuing sponsor to the Company as required by the GEM Listing Rules for a fee for the period from the date on which dealings in the Company's Shares commenced on the GEM of the Stock Exchange to 31 December, 2002.

## **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. This announcement has been duly approved by the Committee.

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

From 1 January, 2001 to 31 December, 2001, 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, 14 March, 2002

*This announcement will remain on the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the day of its posting.*