

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Sino Biopharmaceutical Limited, you should at once hand this circular to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee .

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This circular for which the directors of Sino Biopharmaceutical Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sino Biopharmaceutical Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this circular 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 circular misleading; and (3) 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.



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

**PROPOSED GENERAL MANDATES TO ISSUE SHARES
AND PURCHASE OF SHARES**

This circular is despatched together with the Annual Report of Sino Biopharmaceutical Limited which comprises of the directors report, the auditors' report by Ernst & Young and the financial statements of Sino Biopharmaceutical Limited for the year ended 31st December, 2001.

A notice convening the annual general meeting of Sino Biopharmaceutical Limited to be held at 8th Floor, Crown Room, The Dynasty Club Ltd., South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 26th April, 2002 at 11:00 a.m. is set out on page 74 of the Annual Report. Whether or not you are able to attend and vote at the annual general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal office of the Company at Unit 09, 41st Floor Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting (as the case may be) should you so wish.

28th March, 2002

LETTER FROM THE CHAIRMAN



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)
(the “Company”)

Executive Directors:

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

Independent Non-Executive Directors:

Dr. Patrick Ho Chi Ping JP
Hu Xi Ming

Registered Office:

Codan Trust Company
(Cayman) Limited
Century Yard
Cricknet Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Head office and

principal place of business:

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

28th March, 2002

To the Shareholders,

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES TO ISSUE SHARES
AND PURCHASE OF SHARES**

1. INTRODUCTION

This circular serves as an explanatory statement required by the Rules Governing the Listing of Securities (the “GEM Listing Rules”) on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) concerning the regulation of purchases by companies of their own securities on the GEM of the Stock Exchange to provide the shareholders of the Company (the “Shareholders”) with all the information reasonably necessary for them to make an informed decision in relation to the proposal.

2. GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting of the Company to be held on Friday, 26th April, 2002 (the “AGM”), an ordinary resolution set out in paragraph B of item 5 of the notice of the AGM will be proposed to renew the granting to the directors of the Company (the “Directors”) of a general and unconditional mandate in the terms set out in the notice of the AGM allowing the Company to repurchase shares of HK\$0.10 each in the capital of the Company (the “Shares”) up to a maximum of 10 per cent. of the aggregate nominal value of the Company’s issued share capital at the date of

LETTER FROM THE CHAIRMAN

passing the resolution during the period ending on the earliest of the date of the next Annual General Meeting, the date by which the next Annual General Meeting of the Company is required to be held by any applicable laws or the articles of association of the Company and the date upon which such authority is revoked or varied by way of ordinary resolution of the Company in general meeting (the “Buyback Mandate”). This will allow the Company to repurchase its own shares, inter alia, on-market in accordance with the GEM Listing Rules.

3. GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution set out in paragraph A of item 5 of the notice of the AGM will be proposed to grant to the Directors a general mandate to allot, issue and deal with additional Shares and to make or grant offers, agreements and options, including warrants to subscribe for Shares which would or might require the exercise of such powers with an aggregate nominal value not exceeding 20 per cent. of the aggregate nominal value of the share capital of the Company in issue as at the date of the passing of the resolution.

4. EXPLANATORY STATEMENT

INFORMATION ON GEM LISTING RULES RELATING TO SHARE REPURCHASES

The GEM Listing Rules permit companies whose listings are on the GEM of the Stock Exchange to repurchase their shares on the GEM of the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(A) Shareholders’ approval

The GEM Listing Rules provide that all share repurchases on the GEM of the Stock Exchange by a company with its listing on the GEM of the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific resolution in relation to specific transactions. The GEM Listing Rules require an explanatory statement such as is contained herein to be sent to the shareholders to give the shareholders adequate information to enable them to decide whether to approve the mandate.

(B) Source of funds

Repurchases must be financed out of funds legally available for such purpose and in accordance with the Company’s memorandum and articles of association and the applicable laws of the Cayman Islands.

(C) Trading restrictions

The shares proposed to be repurchased must be fully paid up. A maximum of 10 per cent. of the fully-paid up issued share capital of a company as at the date of the grant of the Buyback Mandate may be repurchased on the GEM of the Stock Exchange and a company may not make a new issue of shares or announce a proposed new issue of shares for a period of 30 days immediately following a share repurchase whether on the Stock Exchange or otherwise, other than an issue of shares pursuant to an exercise of warrants, share options or similar instruments (if any) requiring the company to issue shares which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. In addition, a company cannot repurchase its shares on the GEM of the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Also a company cannot make the opening bid nor any bid in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange. The purchase price should be higher than the latest (or current) independent bid price or the last independent sale (contract) price quoted on the system,

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whichever is higher. The GEM Listing Rules also prohibit a company from making share repurchases on the GEM of the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage for that company as determined by the Stock Exchange. The restrictions on dealings by a company, including those referred to above, may be waived by the Stock Exchange in exceptional circumstances.

(D) Status of repurchased shares

The GEM Listing Rules provide that all repurchased shares are automatically cancelled and the company must ensure that the relevant share certificates for the repurchased shares are cancelled and destroyed. Under the laws of the Cayman Islands, the Company's repurchased shares will be cancelled.

(E) Suspension of repurchases

The GEM Listing Rules prohibit any repurchase of shares on the GEM of the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim and quarterly reports, the company shall not purchase its shares on the GEM of the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchase of shares on the GEM of the Stock Exchange if the Stock Exchange considers that the company has breached the GEM Listing Rules.

(F) Reporting requirements

Under the GEM Listing Rules, share repurchases on the GEM of the Stock Exchange must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the business day following any day on which the company makes a repurchase of shares (whether on the GEM of the Stock Exchange or otherwise), the total number of shares repurchased by the company the previous day, the purchase price per share or the highest and lowest prices paid for such repurchases, where relevant, and must confirm that those repurchases which were made on the GEM of the Stock Exchange were made in accordance with the GEM Listing Rules and that there have been no material changes to the particulars contained in the explanatory statement in this circular. The company should make arrangements with its brokers to ensure that they provide to the company in a timely fashion the necessary information to enable the company to make the report to the Stock Exchange.

In addition, the company must include in its annual reports and accounts a monthly breakdown of share repurchases made during the financial year under review, including the number of shares repurchased (whether on the GEM of the Stock Exchange or otherwise), the purchase price per share or the highest and lower purchase price paid for all such repurchases, where relevant, and the aggregate price paid. The directors' report must contain reference to the repurchases made during the year and the directors' reasons for making such share repurchases.

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(G) Connected parties

The GEM Listing Rules prohibit a company from knowingly purchasing shares on the GEM of the Stock Exchange from “connected persons”, which include, directors, chief executives, substantial shareholders, or management shareholders or their associates, (as defined in the GEM Listing Rules), and a connected person must not knowingly sell his shares to the company on the GEM of the Stock Exchange.

EXERCISE OF THE BUYBACK MANDATE

As at 25 March, 2002, being the latest practicable date prior to the presenting of this circular (the “Latest Practicable Date”), the issued share capital of the Company comprised 300,000,000 Shares of HK\$0.10 each.

Subject to the passing of the resolution granting the proposed Buyback Mandate and on the basis that no further Shares are issued or repurchased prior to 26th April, 2002, being the date of the AGM, the Company will be allowed to repurchase a maximum of 30,000,000 Shares during the period ending on the earlier of (i) the conclusion of the next annual general meeting of the Company for the year ended 31st December, 2002, (ii) the date by which the next annual general meeting of the Company is required to be held by law and (iii) the date upon which such authority is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting of the Company.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to seek a general authority from the Shareholders to enable the Company to purchase its Shares on the GEM of the Stock Exchange. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such purchases will benefit the Company and the Shareholders.

FUNDING OF REPURCHASES

Pursuant to the Buyback Mandate, repurchases would be funded entirely from the Company’s available cash flow or working capital facilities, which will be funds legally available for such purpose in accordance with all the applicable laws of the Cayman Islands and the Company’s memorandum and articles of association.

On the basis of the consolidated financial position of the Company as at 31st December, 2001 (being the date to which the latest published financial statements of the Company have been made up), the Directors consider that the exercise in full of the Buyback Mandate to repurchase Shares might have a material adverse impact on the working capital and gearing position of the Company as compared with such position as at 31st December, 2001. No purchase would be made in circumstances that might have a material adverse impact on the working capital or gearing position of the Company (as compared with such position disclosed in the latest published audited financial statements) unless the Directors consider that such purchases are in the best interests of the Company notwithstanding such material adverse impact.

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SHARE PRICES AND REPURCHASED SHARES

The highest and lowest prices at which the Shares have been traded on the GEM of the Stock Exchange in each of the previous twelve months are as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2001	1.86	1.25
May 2001	1.92	1.34
June 2001	2.05	1.50
July 2001	2.50	1.85
August 2001	2.60	2.025
September 2001	2.70	2.0
October 2001	2.50	2.10
November 2001	2.30	2.10
December 2001	2.25	2.0
January 2002	2.35	2.10
February 2002	2.20	2.10
March 2002 (up to 25 March, 2002)	2.30	2.10

The Company has not made any purchase of its Shares (whether on the GEM of the Stock Exchange or otherwise) during the six months preceding the date of this circular.

HONG KONG CODE ON TAKEOVERS AND MERGERS

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Code") and, if such increase results in a change of control, may in certain circumstances give rise to an obligation to make a general offer for Shares under Rule 26 and 32 of the Code.

As at the Latest Practicable Date, Mr. Tse Ping, who is a substantial shareholder of the Company through his interest in Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited, was interested in 231,120,000 shares, representing 77.04 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Buyback Mandate, the shareholding of Mr. Tse Ping in the Company would be increased to 85.6 per cent. of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory offer under Rule 26 and 32 of the Code.

In fact, the Directors do not have a present intention to exercise in full the power to repurchase Shares of the Company or to exercise the Buyback Mandate to such an extent as would result in the number of Shares held by the public being reduced to less than 20 per cent..

CONNECTED PERSONS

No persons who are connected persons (as defined in the GEM Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company nor have they undertaken not to do so, if the Buyback Mandate is approved.

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DIRECTORS

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their associates have any present intention if the Buyback Mandate is approved to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that they will exercise the Buyback Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands, the jurisdiction in which the Company is incorporated, and in accordance with the regulations set out in the memorandum and articles of association of the Company.

5. RECOMMENDATION

The notice containing resolutions regarding the proposals to be passed at the AGM is contained in the Company's annual report for the year ended 31st December, 2001 which is being despatched to the Shareholders together with this circular.

The Directors consider that (i) the grant of the Buyback Mandate; (ii) the grant of a general mandate to allot, issue and deal with Shares; and (iii) to extend the general mandate to issue Shares are each in the best interests of the Company and accordingly recommend all shareholders of the Company to vote in favour of the resolutions set out in item 5 of the notice of the AGM which are proposed to be passed at the AGM.

Your faithfully
Tse Ping
Chairman