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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)

2002 INTERIM RESULTS ANNOUNCEMENT

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.

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SUMMARY

For the six months ended 30 June 2002, the turnover of the Group amounted to approximately HK\$310.62 million, the net profit amounted to approximately HK\$34.39 million, earnings per share of the Company was approximately HK11.5 cents.

The Directors proposed an interim dividend of HK5.0 cents per share of the Company for the six months ended 30 June 2002.

BUSINESS OVERVIEW AND PROSPECTS

Business Overview

During the period under review, the business of the Company and its subsidiaries (together, the “Group”) continued to grow, though the unit prices of certain products decreased as the result of competitive bidding in hospitals in the People’s Republic of China (the “PRC”). The turnover grew by 25.3% (before restatement) and 23.0% (after restatement). Net profit grew by 21.7% (before restatement) and 4.3% (after restatement) respectively over the corresponding period of the previous year. Earnings per share increased by 22.3% (before restatement) and 4.5% (after restatement) respectively over the corresponding period last year. The sales of major products continued their growth, while the sales of midstream products showed an upward trend, and the sales of new products are demonstrating promising prospects. The sales of Oxymatrine Capsules and Oxymatrine Injection for treating hepatitis amounted to HK\$16 million during the first seven months since their launch in December 2001. Levofloxacin (Helen) Eyedrops, launched in June 2002, is another kind of popular eyedrops for treating bacterial keratitis and conjunctivitis. It has attracted increasing attention from the ophthalmology circle as soon as it was launched.

Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), one of the subsidiaries of the Company, has completed the construction of its plant and has submitted its application to the State Drug Administration of the PRC for Good Manufacturing Practice (“GMP”) certification for its production facilities.

The design of the production plant of Hainan Chia Tai Freda Pharmaceutical Co., Ltd. (“Hainan CTF”), a wholly-owned subsidiary of Shandong Chia Tai Freda Pharmaceutical Co., Ltd. (“CTF”) which is in turn a 55% subsidiary of the Company, has been finalised. The production complex will be equipped with internationally renowned. We believe that this new investment will enhance CTF’s leading position in the field of eye-drop products in terms of production technology as well as packaging technology.

During the period under review, the profit of the Group was principally contributed by the business operations of CTF and Jiangsu Chiatai-Tianqing Pharmaceutical Co., Ltd. (“JCTT”). The Group continues to seek business development opportunities through mergers and acquisitions with renowned pharmaceutical companies in the PRC, but there was no commitment has been made to date.

CTF

During the period under review, the business of CTF experienced continuous growth. In particularly CTF has newly introduced a sales management system and adjusted its sales policy, enhanced its marketing management and emphasised on direct sales of products to end-users. For the six months ended 30 June

2002, the sales of CTF increased by 23.5% over the corresponding period of the previous year. The sales of midstream products such as SOFAST sodium hyaluronate injection (for treating osteoarthritis), Fredex Eyedrops and F-keratitis eyedrops increased significantly. The Levofloxacin (Helen) eye-drops, a new Category 4 drug, attracted wide industry attention since it was launched in June 2002, and we believe that this product will soon become another one of the major products in the eye-drops market after the Mioclear eyedrops which was launched by CTF in May 2000 (for the period from January to June 2002, sales reached approximately RMB40 million). These developments demonstrated CTF's ability in new product development.

In May 2002, CTF was granted GMP certificates for seven kinds of medicine production, namely ointment, eye ointment, eardrops, nosedrops, liniments, tablets and capsules. All these expanded the product mix of CTF and, laid down a solid foundation for CTF to further develop into the field of otorhinolaryngological applications. As at 30 June, 2002 CTF has obtained GMP certificates for nine forms of medicine.

Hainan CTF hepatitis registered capital injection and completed the design of its production plant, which occupies an area of approximately 4,100 sq.m. Hainan CTF has decided to implement a "three-in-one" production line for the production of disposal eye-drop products. We anticipate that the production line can be commissioned in early 2003 with the objective of satisfying GMP requirements during the second half of 2003. After completing the production facilities of Hainan CTF, we believe that CTF can further consolidate its leading position in the industry of ophthalmic medicine in product development, production, packaging and market sales.

JCTT

During the period under review, JCTT also experienced continuous growth. Its turnover increased by 27.1% over the corresponding period of the previous year, The sales of its major products, Diammonii Glycyrrhizinatis injection and capsule, being one of the most renowned brands of hepatitis drug in the PRC, increased by 25.1% over the corresponding period of the previous year. Its new medicines for treating hepatitis, Oxymatine injection and Oxymatine capsule. Recorded sales of HKD16 million during the period under review since they were launched in December 2001. Hepatitis is a common disease in the PRC, and it costs the country between approximately RMB30 billion and approximately RMB 50 million every year in medical treatment. We believe that the Oxymatine injection and capsule will become one of the major products of the Group, and will be of products with significant sales increase potential. The anticipated success of Oxymatine injection and capsule is expected to provide JCTT valuable experience in developing new medicines for treatment of other common diseases in the PRC, such as Cirrhosis, JCTT has announced.

NJCTT

NJCTT has seen its production facilities put in place and launched the pilot production successfully. In early July 2002, NJCTT applied to the GMP licensing center of the State Drug Administration for GMP certification, which is expected to be processed soon.

Research and Development

During the period under review, the Group obtained seven new drugs production certificates including Levofloxacin (Helen) eye-drops, one among these new drugs for the Group to be granted the first approval in PRC. The Group emphasized on the research and development, totally having forty nine new products on pipeline. Despite these included in the prospectus, CTF and JCTT, two subsidiaries respectively have twenty four and twenty one new products under development. About two third of these new developments focused on ophthalmic and hepatic treatments. Currently the Group achieved a leading position in developing ophthalmic and hepatic drugs, and possessing a strongest research capacity in PRC.

The Nanjing research center of JCTT, and the Beijing research center of CTF will be in operation soon. These will add to the Group a strengthened R&D capacity for continuously rapid growth.

Outlook

Adhering to its business development plans and strategies adopted since early this year, the Group has progressed as scheduled to achieve its goals. The solid continuous growth and development of its existing subsidiaries also provide the Group with resources to pursue its merger and acquisition strategy with both overseas biopharmaceutical companies and domestic biopharmaceutical companies in the PRC and companies engaged in the business of modernisation of tradition Chinese medicines. The Directors believe that the business objectives of the Company for the year ending 31 December 2002, as set forth in its prospectus dated 22 September 2000, will be achieved. We also believe that the continuous support from our shareholders and our staff are important to the further business development of the Group.

On behalf of the Board, we would like to take this opportunity to extend our sincere gratitude to all our shareholders.

COMPARISON OF BUSINESS OBJECTIVE AND ACTUAL BUSINESS PROGRESS

**Business objectives
up to 30 June, 2002
as stated in
the prospectus**

**Actual business progress
up to 30 June, 2002**

1. Research & development

(1) *Establish a research and development centre in Beijing*

Continue to carry out research work on development projects

Continue to discuss with several research institutes

Complete research work on 1-2 development projects

Prepare information for applications of registration and approval of projects with research work completed

(2) *Plan of new product research and development of CTF*

Jingfu Eyedrops

Commence commercial production

Delayed the commencement of the commercial production as the Company is waiting for the approval from the relevant authorisation for the completion of clinical trial

Composite Tobramycin Gel

Commence commercial production

Research project has been stopped. The reason has been disclosed in the 2000 annual report.

Butenfine Hydrochloride Gel

Commence clinical trial

Being in clinical trial

(3) *Plan for new product research and development of JCTT*

Oxymatrine capsules and oxymatrine glucose injection

Market and promote product

As described in the business objective

Diammonii Glycyrrhizinatis sodium chloride and Glucose injection

Market and promote product

Delayed the marketing and promotion of the product because it is in the stage of preparation for commercial production

| | Business objectives up to 30 June, 2002 as stated in the prospectus | Actual business progress up to 30 June, 2002 |
|---|--|---|
| Puerarin glucose injection | Market and promote product | As described in the business objective |
| Buyang huanwutang injection | Complete clinical trial | Delayed to apply for clinical trial because of the technical problems |
| Roloxifene hydrochloride and tablets | Complete clinical trial | Research project has been stopped because the technical problems |
| Sotaloi hydrochloride injection | Complete clinical trial | As described in the business objective |
| Clindamycin phosphate powder injection | Market and promote product | This product has been transferred because the market consideration |
| Sanzi kechuan capsules | Complete clinical trial | Waiting for approval from SDA to commence clinical trial |
| Netimycin sulfate and sodium chloride injection | Market and promote product | As described in the business objective |
| Puerarin capsules | Commence commercial production | Conducting clinical trail |

2. Production of pharmaceutical products

| | | |
|---|--|---|
| (1) <i>Forming alliance with reputable producers of biopharmaceuticals, chinese medicine or natural herbal products</i> | Continue to identify cooperative partners and execute cooperative agreements | Continue to discuss with several cooperative partners |
| (2) <i>Expansion of production facilities of CTF:</i> | Located in Jinan, Shandong Province, the PRC with a total gross floor area reaching 12,000 sq.m. | Located in Jinan, Shandong Province, the PRC with a total gross floor area reaching 12,960 sq.m |

**Business objectives
up to 30 June, 2002
as stated in
the prospectus**

**Actual business progress
up to 30 June, 2002**

GMP compliance

New eyedrop workshop in the High and New Technology Development Zone commence construction according to GMP standard

Construction of a new eyedrop workshop in High and New Technology Development Zone has not been approved. Now plan to establish a new factory in Hainan Province.

(3) Expansion of production facilities of JCTT

Factory

Located in Lianyungang, Jiangsu Province, the PRC with a total gross floor area of 15,800 sq.m.

As described in the business objective

GMP compliance

Plant extraction workshop and synthetic drugs raw material workshop implement GMP procedures

As described in the business objective

3. Marketing and sales

(1) Establishment of the Group's website with the medium-term aim of commencing e-commerce of pharmaceuticals

Complete e-commerce system, continue to refine the website content

Established a website to provide information related to eye and liver health care. Continue to refine the content of the forum

(2) Expansion and consolidation of the PRC distribution network

The expansion plan of the sales network of CTF

No. of representative offices

40

35

No. of sales staff

400

480

| | Business objectives up to 30 June, 2002 as stated in the prospectus | Actual business progress up to 30 June, 2002 |
|---|--|---|
| The expansion plan of the sales network of JCTT | | |
| No. of representative offices | 40 | 35 |
| No. of sales staff | 820 | 596 |

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

| | Amount to be used up to 30 June, 2002 as disclosed in the Prospectus <i>HK\$'m</i> | Actual amount used up to 30 June, 2002 <i>HK\$'m</i> |
|--|---|---|
| For research and development activities including the establishment of a research and development center in Beijing | 13.0 | 1.0 |
| For the establishment of business alliances with pharmaceutical enterprises in the fields of biopharmaceuticals, Chinese medicine and/or natural herbal products | 20.0 | Nil |
| For the expansion of the distribution networks of the Group | 10.0 | Nil |
| For the establishment of the Group's website and commencement of e-commerce | 2.5 | 0.7 |
| General working capital | 10.0 | 10.0 |
| Total | <u>55.5</u> | <u>11.7</u> |

RESULTS

The Board of Directors of Sino Biopharmaceutical Limited announces the unaudited consolidated results of the Group for the three months and the six months ended 30 June, 2002 together with the comparative unaudited consolidated results for the respective corresponding periods in 2001 as follows:–

| | <i>Notes</i> | For the three months ended 30 June, | | For the six months ended 30 June, | |
|--|--------------|--|--|--|---|
| | | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 (restated) |
| Turnover | (2) | 172,130 | 135,974 | 310,616 | 252,621 |
| Costs of sale | | <u>(32,833)</u> | <u>(25,098)</u> | <u>(59,422)</u> | <u>(47,287)</u> |
| Gross profit | | 139,297 | 110,876 | 251,194 | 205,334 |
| Selling and distribution costs | | (78,502) | (63,239) | (142,292) | (115,300) |
| Administrative expenses | | <u>(14,793)</u> | <u>(14,694)</u> | <u>(34,818)</u> | <u>(29,248)</u> |
| Profit from operating activities | | 46,002 | 32,943 | 74,084 | 60,786 |
| Finance costs | (4) | (416) | (750) | (752) | (1,168) |
| Other operating income/(expenses) (net) | | <u>362</u> | <u>997</u> | <u>522</u> | <u>2,135</u> |
| Profit before tax | (3) | 45,948 | 33,190 | 73,854 | 61,753 |
| Tax | (5) | <u>(4,076)</u> | <u>(2,520)</u> | <u>(6,746)</u> | <u>(4,281)</u> |
| Profit before minority interests | | 41,872 | 30,670 | 67,108 | 57,472 |
| Minority interests | | <u>(19,637)</u> | <u>(14,549)</u> | <u>(32,719)</u> | <u>(24,499)</u> |
| Net profit attributable to shareholders | | 22,235 | 16,121 | 34,389 | 32,973 |
| Dividends | (6) | 15,000 | 12,000 | 15,000 | 12,000 |
| Earnings per share | (7) | | | | |
| – basic | | HK7.4 cents | HK5.4 cents | HK11.5 cents | HK11.0 cents |
| – diluted | | HK7.0 cents | HK5.1 cents | HK10.8 cents | HK10.5 cents |

CONSOLIDATED BALANCE SHEET

30 June, 2002

| | <i>Note</i> | 2002 Unaudited <i>HK\$'000</i> | 2001 Unaudited <i>HK\$'000</i> |
|--|-------------|--|--|
| NON-CURRENT ASSETS | (8) | | |
| Fixed assets | | 148,466 | 111,984 |
| Intangible assets | | 2,860 | 2,889 |
| Long term investment | | 29,820 | 29,820 |
| | | <u>181,146</u> | <u>144,693</u> |
| CURRENT ASSETS | | | |
| Inventories | (9) | 47,509 | 39,778 |
| Notes receivable | | – | 3,186 |
| Trade receivables | (10) | 87,192 | 69,623 |
| Other receivables | (11) | 25,216 | 15,180 |
| Dividend receivable | | 3,638 | 4,715 |
| Cash and cash equivalents | (12) | 143,483 | 121,929 |
| | | <u>307,038</u> | <u>254,411</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | (13) | 22,013 | 19,878 |
| Tax payable | | 2,365 | 13,926 |
| Other payables and accruals | (14) | 83,678 | 42,088 |
| Bank and other borrowings | (15) | 28,302 | 26,898 |
| Amount due to a related company | | 113 | 112 |
| | | <u>136,471</u> | <u>102,902</u> |
| NET CURRENT ASSETS | | <u>170,567</u> | <u>151,509</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 351,713 | 296,202 |
| Non-current liabilities | | 1,560 | – |
| Minority interests | | 101,275 | 67,665 |
| | | <u>248,878</u> | <u>228,537</u> |
| CAPITAL AND RESERVES | | | |
| Issued capital | (16) | 30,000 | 30,000 |
| Reserves | (17) | 218,878 | 198,537 |
| | | <u>248,878</u> | <u>228,537</u> |

CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June, 2002

| | 2002 Unaudited <i>HK\$'000</i> | 2001 Unaudited <i>HK\$'000</i> |
|---|--|--|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 38,847 | 31,370 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | |
| Interest received | 881 | 2,272 |
| Interest paid | (752) | (1,168) |
| Dividend received from an unlisted investment | 1,551 | – |
| Dividends paid to minority shareholders | (28,234) | (23,078) |
| Dividends paid | (30,000) | (15,000) |
| Net cash outflow from returns on investments and servicing of finance | <u>(56,554)</u> | <u>(36,974)</u> |
| TAX | | |
| PRC profit tax paid | <u>(3,506)</u> | <u>(955)</u> |
| INVESTING ACTIVITIES | | |
| Purchases of fixed assets and construction in progress | <u>(35,566)</u> | <u>(20,315)</u> |
| Net cash outflow from investing activities | <u>(35,566)</u> | <u>(20,315)</u> |
| NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES | <u>(56,779)</u> | <u>(26,874)</u> |
| FINANCING ACTIVITIES | | |
| Increase in minority interests | – | 14,950 |
| New short term bank loans | 28,302 | 69,691 |
| Repayment of bank loans | – | (57,123) |
| Repayment of loans from minority shareholders | – | (3,772) |
| Net cash inflow from financing activities | <u>28,302</u> | <u>23,746</u> |

| | 2002 Unaudited <i>HK\$'000</i> | 2001 Unaudited <i>HK\$'000</i> |
|--|--|--|
| DECREASE IN CASH AND CASH EQUIVALENTS | (28,477) | (3,126) |
| Cash and cash equivalents at beginning of period | <u>171,960</u> | <u>125,055</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>143,483</u> | <u>121,929</u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 70,202 | 41,206 |
| Time deposits with original maturity of less than three months when acquired | <u>73,281</u> | <u>80,723</u> |
| | <u>143,483</u> | <u>121,929</u> |

Notes:

(1) Basis of preparation

The Group's financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets.

During the period under review, the Group adopted certain revised Statements of Standard Accounting Practices ("SSAPs"). To comply with these revised SSAPs, certain comparative figures for the quarter ended 30 June, 2001 have been restated. During the period under review, the Group consistently applied the accounting policies stated in the annual report for the year ended 31 December 2001.

(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.

Segment information

The Group's turnover analysis by principal activities:

| | For the three months ended 30 June, | | For the six months ended 30 June, | |
|-----------------|--|--|--|--|
| | 2002 Unaudited <i>HK\$'000</i> | 2001 Unaudited <i>HK\$'000</i> | 2002 Unaudited <i>HK\$'000</i> | 2001 Unaudited <i>HK\$'000</i> (restated) |
| Sales of goods | 172,130 | 135,974 | 310,616 | 247,906 |
| Dividend income | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,715</u> |
| Total | <u>172,130</u> | <u>135,974</u> | <u>310,616</u> | <u>252,621</u> |

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

(3) Profit from operating activities

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

| | For the three months ended 30 June, | | For the six months ended 30 June, | |
|---|--|-------------------------------|--------------------------------------|-------------------------------|
| | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 |
| Cost of inventories sold | 32,833 | 25,098 | 59,422 | 47,287 |
| Depreciation | 3,241 | 2,655 | 5,966 | 5,564 |
| Amortisation of intangible assets | 193 | 6 | 385 | 21 |
| Amortisation of goodwill | – | 183 | – | 366 |
| Minimum lease payments under operating leases: | | | | |
| Land and buildings | 1,736 | 1,360 | 3,333 | 2,680 |
| Plant and machinery | 597 | 332 | 1,232 | 684 |
| | <u>2,333</u> | <u>1,692</u> | <u>4,565</u> | <u>3,364</u> |
| Research and development costs | 4,256 | 1,965 | 7,163 | 4,426 |
| Auditors' remuneration | 98 | 47 | 261 | 75 |
| Exchange loss, net | – | 2 | 4 | 68 |
| Staff costs | | | | |
| Wages and salaries | 12,724 | 15,140 | 32,322 | 27,391 |
| Pension contributions | 2,367 | 1,551 | 4,310 | 2,856 |
| | <u>15,091</u> | <u>16,691</u> | <u>36,632</u> | <u>30,247</u> |

and after crediting:

| | For the three months ended 30 June, | | For the six months ended 30 June, | |
|--|--|-------------------------------|--------------------------------------|---|
| | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 (restated) |
| Exchange gains, net | 34 | – | – | – |
| Dividend income from unlisted investment | – | – | – | 4,715 |
| Interest income | <u>453</u> | <u>1,086</u> | <u>881</u> | <u>2,272</u> |

(4) **Finance costs**

| | For the three months ended 30 June, | | For the six months ended 30 June, | |
|--|--|-------------------------------|--------------------------------------|-------------------------------|
| | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 |
| Interest on bank loans wholly repayable within one year | 416 | 750 | 752 | 1,168 |

(5) **Tax**

| | For the three months ended 30 June, | | For the six months ended 30 June, | |
|----------------|--|-------------------------------|--------------------------------------|-------------------------------|
| | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 | 2002 Unaudited HK\$'000 | 2001 Unaudited HK\$'000 |
| Hong Kong | — | — | — | — |
| PRC income tax | 4,076 | 2,520 | 6,746 | 4,281 |
| Total | 4,076 | 2,520 | 6,746 | 4,281 |

No Hong Kong profits tax has been provided for in the three months and six months ended 30 June, 2002 as there was no assessable profit arising in or derived from Hong Kong during these periods. (2001: Nil)

PRC income tax is provided at the rates applicable to enterprises in the PRC on the income for statutory reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretation thereof.

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% (30% state income taxes plus 3% local income taxes) unless the enterprise is qualified as a "High and New Technology Enterprise" or is located in specially designated regions or cities for which more favorable effective tax rates apply. The Group's principal operating subsidiaries are qualified as "High and New Technology Enterprises" to which a preferential tax rate of 15% 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% reduction for the succeeding three years.

As of 30 June, 2002, JCTT and CTF are subject to an income tax rate of 7.5% and 10% respectively (2001 both JCTT and CTF: 7.5%).

There are no material potential deferred tax liabilities for which provision has not been made (2001: Nil).

(6) Dividends and books closure

The Board of Directors has recommended an interim dividend of HK5.0 cents per ordinary share. The dividend will be paid to shareholders whose names appear on the Register of Members of the Company on Monday, 21 August 2002.

The Register of Members of the Company will be closed from Thursday, 22 August 2002 to Monday, 26 August 2002, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the interim 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 Wednesday, 21 August 2002.

(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 three months and the six months ended 30 June, 2002 of HK\$22,235,000 (2001: HK\$16,121,000) and HK\$34,389,000 (2001: HK\$32,973,000) respectively and the 300,000,000 (2001: 300,000,000 shares) ordinary shares in issue during the respective periods.

Diluted earnings per share for the three months and six months ended 30 June, 2002 is based on 300,000,000 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 19,844,465 shares (2001: 16,706,587 shares) and 19,793,103 shares (2001: 13,480,663 shares), respectively deemed to be issued at average fair value if all outstanding options had been exercised during the respective periods.

(8) Fixed Assets**The Group**

| | Leasehold Buildings Unaudited HK\$'000 | Leasehold Improve- ments Unaudited HK\$'000 | Plant and Machinery Unaudited HK\$'000 | Motor Vehicles Unaudited HK\$'000 | Furniture and Fixtures Unaudited HK\$'000 | Construction In Progress Unaudited HK\$'000 | Total Unaudited HK\$'000 |
|--------------------------------|---|--|---|--|--|--|---|
| Cost or valuation: | | | | | | | |
| At beginning of period | 33,023 | 15,907 | 76,487 | 9,467 | 14,517 | 14,971 | 164,372 |
| Additions | – | – | 631 | 241 | 1,660 | 33,034 | 35,566 |
| Disposals | – | – | – | – | – | – | – |
| Transfers | 439 | 8 | 398 | – | (350) | (3,708) | (3,213) |
| At 30 June 2002 | <u>33,462</u> | <u>15,915</u> | <u>77,516</u> | <u>9,708</u> | <u>15,827</u> | <u>44,297</u> | <u>196,725</u> |
| Analysis of cost or valuation: | | | | | | | |
| At cost | 1,062 | 15,915 | 77,516 | 9,708 | 15,827 | 44,297 | 164,325 |
| At valuation | 32,400 | – | – | – | – | – | 32,400 |
| | <u>33,462</u> | <u>15,915</u> | <u>77,516</u> | <u>9,708</u> | <u>15,827</u> | <u>44,297</u> | <u>196,725</u> |
| Accumulated depreciation: | | | | | | | |
| At beginning of period | 2,376 | 8,225 | 22,244 | 3,836 | 5,612 | – | 42,293 |
| Provided during the period | 212 | 827 | 3,273 | 759 | 895 | – | 5,966 |
| Disposals | – | – | – | – | – | – | – |
| At 30 June 2002 | <u>2,588</u> | <u>9,052</u> | <u>25,517</u> | <u>4,595</u> | <u>6,507</u> | <u>–</u> | <u>48,259</u> |
| Net book value: | | | | | | | |
| At 30 June 2002 | <u>30,874</u> | <u>6,863</u> | <u>51,999</u> | <u>5,113</u> | <u>9,320</u> | <u>44,297</u> | <u>148,466</u> |
| At 1 January 2002 | <u>30,647</u> | <u>7,682</u> | <u>54,243</u> | <u>5,631</u> | <u>8,905</u> | <u>14,971</u> | <u>122,079</u> |

(9) Inventories

| | 2002 <i>Unaudited</i> <i>HK\$'000</i> | 2001 <i>Unaudited</i> <i>HK\$'000</i> |
|-----------------------------|--|--|
| Raw materials | 16,284 | 13,735 |
| Work in progress | 9,196 | 8,393 |
| Finished goods | 20,688 | 15,974 |
| Spare parts and consumables | 1,341 | 1,676 |
| | <hr/> | <hr/> |
| | 47,509 | 39,778 |
| | <hr/> | <hr/> |

No inventories were carried at net realisable value at the balance sheet dates.

(10) Trade receivables

| | 2002 <i>Unaudited</i> <i>HK\$'000</i> | 2001 <i>Unaudited</i> <i>HK\$'000</i> |
|---------------------|--|--|
| Current to 90 days | 82,102 | 57,096 |
| 91 days to 180 days | 2,129 | 6,123 |
| Over 180 days | 2,961 | 6,404 |
| | <hr/> | <hr/> |
| | 87,192 | 69,623 |
| | <hr/> | <hr/> |

(11) Other receivables

| | 2002 <i>Unaudited</i> <i>HK\$'000</i> | 2001 <i>Unaudited</i> <i>HK\$'000</i> |
|-----------------------|--|--|
| Advances to suppliers | 4,490 | 821 |
| Other receivables | 20,203 | 13,981 |
| Prepaid expenses | 523 | 378 |
| | <hr/> | <hr/> |
| | 25,216 | 15,180 |
| | <hr/> | <hr/> |

(12) Cash and cash equivalents

| | 2002 Unaudited <i>HK\$'000</i> | 2001 Unaudited <i>HK\$'000</i> |
|------------------------|--|--|
| Cash and bank balances | 70,202 | 41,206 |
| Time deposits | 73,281 | 80,723 |
| | <hr/> | <hr/> |
| | 143,483 | 121,929 |
| | <hr/> | <hr/> |

(13) Trade payables

An aged analysis of the Group's trade payables as at the balance sheet date, based on invoice date, is as follows:

| | 2002 Unaudited <i>HK\$'000</i> | 2001 Unaudited <i>HK\$'000</i> |
|---------------------|--|--|
| Current to 90 days | 19,790 | 17,762 |
| 91 days to 180 days | 1,265 | 1,722 |
| Over 180 days | 958 | 394 |
| | <hr/> | <hr/> |
| | 22,013 | 19,878 |
| | <hr/> | <hr/> |

(14) Other payables and accruals

| | 2002 Unaudited <i>HK\$'000</i> | 2001 Unaudited <i>HK\$'000</i> |
|--|--|--|
| Advances from customers | 17 | – |
| Accrued payroll | 5,217 | 6,113 |
| Other payables | 53,214 | 12,273 |
| Accrued expenses | 19,005 | 16,507 |
| Housing fund | 1,145 | 567 |
| Staff welfare and bonus fund | 5,080 | 1,581 |
| Interim dividend payable to minority interests | – | 5,047 |
| | <hr/> | <hr/> |
| | 83,678 | 42,088 |
| | <hr/> | <hr/> |

(15) Bank and other borrowings

| | Group | |
|--|------------------|------------------|
| | 2002 | 2001 |
| | <i>Unaudited</i> | <i>Unaudited</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest-bearing bank loans repayable within one year: | | |
| – secured | 4,717 | 22,181 |
| – unsecured | 23,585 | 4,717 |
| | <u>28,302</u> | <u>26,898</u> |

At 30 June 2002, the Group's secured bank loans were pledged by the Group's fixed assets with aggregate net book value of approximately HK\$28,302,000 (2001: HK\$14,151,000). The unsecured bank loans were guaranteed by a Chinese joint venture partner of a subsidiary.

(16) Share capital

| | 2002 | 2001 |
|---|------------------|------------------|
| | <i>Unaudited</i> | <i>Unaudited</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <i>Authorised:</i> | | |
| 1,000,000,000 ordinary shares of HK\$0.1 each | <u>100,000</u> | <u>100,000</u> |
| <i>Issued and fully paid:</i> | | |
| 300,000,000 ordinary shares of HK\$0.1 each | <u>30,000</u> | <u>30,000</u> |

(17) Reserves

During the period, the Group's reserves had the following movement/restatements:–

- i) Transfer HK\$9,089,000 (2001: HK\$6,774,000) from retained earnings to statutory reserve funds.
- ii) To conform with the revised SSAP 9, as at 1 January 2001, the Group's statutory reserve funds have decreased by HK\$4,713,000 and retained profits has increased by the same amount; and
- iii) To conform with the revised SSAP 18, adjustment was made to 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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 June, 2002, 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 Profits Limited is an investment holding company wholly owned by Mr. Wang Jinyu who is an executive director of the Company.

(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 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, during the three months and six months ended 30 June, 2001, none of the Directors or their associates were granted options to subscribe for shares of the Company.

Outstanding share options

As at 30 June, 2002, 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:–

| Number of share 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 30 June, 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 30 June, 2002 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:

| 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 |

Save as disclosed above, no persons, other than the Directors whose interests are set out above, 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.

COMPETING INTERESTS

As at 30 June, 2002 and as disclosed in the prospectus issued by the Company on 22 September, 2000, Mr. Tse Ping owned controlling interests or investment interests in Xian C.P. Pharmaceutical Co., Ltd. (“CT Xian”), Ankang Chia Tai Pharmaceutical Co., Ltd. (“CT Ankang”), 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 United States.

There is no law or regulation or agreement which prohibits or restricts the entry of the above enterprises into business which may compete directly or indirectly with the Group. Currently, the above enterprises do not have any business which constitutes 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 associates, shall remain beneficially interested, directly or indirectly, in shares with at least 35% of the voting rights of the Company, neither Mr. Tse Ping nor any of the companies or other entities of which more than 50% 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 (“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 is 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 competes with the business of the Group.

SPONSORS’ INTERESTS

As at 30 June, 2002, DBS Asia Capital Limited, 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.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From 1 January, 2002 to 30 June, 2002, 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, 30 July, 2002

This announcement, for which the Directors 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 the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, : (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the day of its posting.