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This announcement, 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 of Sino Biopharmaceutical Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this announcement misleading; and 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 is for information purpose only and does not constitute an invitation or offer to acquire purchases or subscribe for any securities of Sino Biopharmaceutical Limited.



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE TRANSACTION

PROPOSED ISSUE OF CONVERTIBLE BONDS DUE 2006 AND DISCLOSURE PURSUANT TO RULE 17.20 OF THE GEM LISTING RULES

The Directors are pleased to announce that the Company has entered into the Subscription Agreements with Jian Kang and Super Demand on 14 August, 2002 respectively, under which, subject to the satisfaction, or waiver, of certain conditions, the Company has agreed to issue the Convertible Bonds in the aggregate principal amount of US\$10 million to the Subscribers.

Upon full conversion of the Convertible Bonds, and assuming that there will be no adjustment to the Conversion Price, a total of 27,368,421 new Shares will be issued, representing approximately 9.12% of the existing issued share capital of the Company and 8.36% of the issued share capital of the Company as enlarged by the issue of such Shares.

The Conversion Shares to be issued pursuant to the Convertible Bonds will be issued under the general mandate granted on 26 April, 2002 by the shareholders of the Company to the Directors. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be issued pursuant to the Convertible Bonds.

The net proceeds of the issue of the Convertible Bonds are estimated to be an aggregate amount of approximately US\$9.7 million. The Group intends to apply the net proceeds for funding any suitable investment opportunities that may become available to the Group and/or use as its general working capital.

The terms and conditions of the Convertible Bonds were negotiated between the Company and the Subscribers on an arm's length basis and the Directors consider such terms to be fair and reasonable so far as the shareholders of the Company are concerned. The Directors are also of a view that the issue of the Convertible Bonds is in the best interests of the Company.

THE SUBSCRIPTION AGREEMENTS

Date: 14 August, 2002

Issuer: the Company

Subscribers: Jian Kang for the subscription of Convertible Bonds in the principal amount of US\$6 million

Super Demand for the subscription of Convertible Bonds in the principal amount of US\$4 million

Each Subscriber, and each of their beneficial owners, are independent third parties who are not connected with the Company or the directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates. Neither Subscriber or any of their beneficial owners presently holds any Share.

Jian Kang and Super Demand are also independent of each other.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarized below:–

Amount of issue

Up to US\$10 million in aggregate.

Denomination

Each Convertible Bond is issued in registered form in the denomination of US\$500,000.

Each Convertible Bond carries the right of conversion into Shares at the Conversion Price.

Conversion Price

The Conversion Price of the Convertible Bonds is initially HK\$2.85, subject to adjustments as set out in the conditions attached to the Convertible Bonds. For the purpose of conversion, the principal amount of the Convertible Bonds being converted will be translated into Hong Kong dollars based on the exchange rate at the time of the conversion.

The Conversion Price was determined on an arm's length basis between the Company and the Subscribers with reference to the market price of the Shares. The Conversion Price represents a premium of approximately 23.9% to the closing price of HK\$2.30 per Share as quoted on the Stock Exchange on 14 August, 2002, being the date of the Subscription Agreements. The Conversion Price also represents a premium of approximately 20.8% to the average closing price of the Shares of HK\$2.36 per Share for the 10 trading-day period ended on, and including, 14 August, 2002.

Interest

The Convertible Bonds will bear interest from the date of issue of the Convertible Bonds at the rate of 1% per annum on the principal amount of the Convertible Bonds, which will be payable on the last day of March, June, September and December in each year up to but not including the date falling four years from the date of the Instrument.

Maturity Date

The maturity date of the Convertible Bonds will be the date falling four years from the date of the Instrument.

Redemption

Within three months from the maturity date of the Convertible Bonds, all the Convertible Bonds then outstanding shall be redeemed by the Company at a value equal to 100% of the principal amount outstanding under the Convertible Bonds payable to their holders together with all interest accrued thereon up to but not including the date of payment plus a premium of 3% per annum compounded annually calculated from the date of the Instrument to the date of repayment on the principal amount of the Convertible Bonds.

Conversion provisions

A holder of the Convertible Bonds has the right, at any time after the date falling six months from the date of the Instrument and ending on the maturity date of the Convertible Bonds (both dates inclusive), to convert all of the Convertible Bonds held by him or in part in the principal amount of US\$500,000 or an intergral multiple into Conversion Shares at the Conversion Price.

The Company has the right to require conversion of all or any part representing US\$500,000 or an intergral multiple thereof of the outstanding principal amount of the Convertible Bonds into Conversion Shares if the Volume Weighted Average Price for the 20 trading days on which the Shares have traded on the Stock Exchange immediately following the announcement of the Company's results for the year ending 31 December, 2002 is equal to or more than 150% of the Conversion Price.

Conversion Shares

Assuming full conversion of the Convertible Bonds and no adjustment to the Conversion Price, the number of Conversion Shares to be issued upon full conversion will be 27,368,421, representing approximately 9.12% of the existing issued share capital of the Company and 8.36% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares.

The Conversion Shares to be issued upon conversion of the Convertible Bonds will rank pari passu in all respects with the Shares in issue on the date of conversion.

The Conversion Shares will be issued pursuant to the general mandate given to the Directors at the annual general meeting of the Company held at 26 April, 2002.

Prompt notice will be given to the Stock Exchange specifying the exact number of New Shares to be issued upon conversion of the Convertible Bonds.

Adjustment provisions

The Convertible Bonds will contain conventional provisions for adjustments to the Conversion Price. The adjustment provisions apply to certain circumstances, including but not limited to, any capital contribution, share repurchase or acquisition paid for by the issues of Shares in certain circumstances. Questions relating to adjustments will be determined by an independent merchant bank selected by a majority of the holders of the Convertible Bonds and agreed by the Company.

Voting

None of the holders of the Convertible Bonds will be entitled to attend or vote at any general meetings of the Company by reason only of its being a holder of Convertible Bonds.

Appointment of director

For so long as Jian Kang is a member of the CLSA Group and the holder of Convertible Bonds with an aggregate outstanding principal amount of not less than US\$5 million, Jian Kang will have the right to appoint one non-executive director to the board of the Company.

Events of default

Events of default include, amongst other events which are commonly included as events of default for transactions of a similar type, the following:–

1. the current trading of the Shares on the Stock Exchange is withdrawn or suspended other than for reason of any force majeure or for a temporary suspension of trading for a period of less than fourteen consecutive trading days; and
2. the Controlling Shareholder together with any family trust the beneficiaries of which include the Controlling Shareholder and/or his spouse and/or his children shall cease to hold (directly or indirectly) at least 30% of the issued share capital of the Company from time to time or the Controlling Shareholder shall cease to be the single largest shareholder of the Company except where such cessation occurs as a result of the issue or transfer of Shares to a long term investor which carries on a similar business to that currently conducted by the Company and its subsidiaries.

The inclusion of the event of default referred to in paragraph 2 above in the Instrument is required to be disclosed by way of this announcement pursuant to Rule 17.20 of the GEM Listing Rules.

Upon the happening of an event of default, the holders of the Convertible Bonds may require redemption of the outstanding Convertible Bonds at their principal amount plus a redemption premium of 13% of such principal amount (plus the payment of all accrued interest).

Transferability

Save and except for the transfer of Convertible Bonds between the existing holders of Convertible Bonds or between a holder of Convertible Bonds and its affiliates, the Convertible Bonds are not transferable at any time prior to the second anniversary of the date of the Instrument without the consent of the Company and may not be transferred to any person who carries on a business which in the reasonable opinion of the Company competes with that of the Company, but, save as aforesaid, may be freely transferred after the said second anniversary.

Conditions of the Subscription Agreements

Completion of each of the Subscription Agreements is conditional upon, amongst other things, the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the Convertible Bonds, or each of the Subscribers being satisfied that such listing of, and permission to deal in, the Conversion Shares will be granted on or shortly following the date of completion.

Completion of each of the Subscription Agreements is not conditional upon each other.

Completion of the subscription and issue of the Convertible Bonds

Completion of the subscription and issue of the Convertible Bonds agreed to be subscribed by Jian Kang will be on the fourteenth Business Days following the date on which the Company issues the Completion Notice to Jian Kang or such other date as the parties may agree in writing.

Completion of the subscription and issue of the Convertible Bonds agreed to be subscribed by Super Demand will be on the sixtieth Business Days following the date on which the Company issues the Completion Notice to Super Demand or such other date as the parties may agree in writing. The timing of the completion of the subscription agreement with Super Demand is a commercial decision agreed between the Company and Super Demand after arm's length negotiation.

Each of the Subscription Agreements provides that if any of the conditions precedent set out therein has not been satisfied or waived on or before 30 September, 2002, the Subscription Agreements shall lapse.

Completion of the issue of all of the Convertible Bonds is expected to have taken place by the end of October, 2002.

The Company has undertaken to the Stock Exchange that, immediately upon being notified of any transfer of the Convertible Bonds, the Company will give notice to the Stock Exchange of such transfer stating whether any of the entities involved is a "connected person" for the purpose of the GEM Listing Rules. The Stock Exchange will also be immediately informed when there are any amendments to the terms and conditions of the Convertible Bonds.

The Company has also undertaken to the Stock Exchange to use its best endeavours to ensure that at least 20% of the issue share capital of the Company will remain in public hands from time to time. The Company further undertakes that should less than 20% of the issued share capital of the Company be held in public hands at any time, it will take all appropriate steps to restore the minimum 20% public float as soon as possible.

APPLICATION FOR LISTING

No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may be issued under the Convertible Bonds.

USE OF PROCEEDS

The Group is principally engaged in research and development, production and sale of biopharmaceutical products for the medical treatment of ophthalmia, as well as modernised Chinese medicine and chemical medicine for the treatment of hepatitis.

The net proceeds of the issue of the Convertible Bonds are estimated to be an aggregate amount of approximately US\$9.7 million. The Group intends to apply the net proceeds for funding any suitable investment opportunities that may become available to the Group and/or use as its general working capital. The Directors have been in preliminary discussion with certain domestic chemical medicine production companies in the PRC for business cooperation and/or investment. Such business plan is in line with the business objectives of the Company as stated in the prospectus dated 22 September, 2000 issued by the Company in connection with its listing on GEM. At the date of this announcement, the Group has not made any commitment on such co-operation or investment.

GENERAL

A circular containing, among other things, details of the Subscription Agreements will be despatched to the shareholders of the Company within 21 days from the date of this announcement.

In this announcement, the following expressions have the meanings set out below unless the context require otherwise.

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Business Day”	a day (other than Saturday or Sunday) on which banks are open for business in Hong Kong and New York;
“Completion Notice”	the notice to be issued by the Company to Jian Kang or Super Demand (as the case may be) which shall be issued within 2 Business Days of the Company being notified by the Stock Exchange that the listing of, and permission to deal in, the Conversion Shares has been granted;
“Company”	Sino Biopharmaceutical Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM of the Stock Exchange;

“Controlling Shareholder”	Mr. Tse Ping;
“Conversion Price”	the price per Share at which the Convertible Bonds are to be convertible into Shares, such price being initially HK\$2.85 per Share, subject to adjustment;
“Conversion Shares”	Shares to be issued upon conversion of the Convertible Bonds pursuant to the Instrument;
“Convertible Bonds”	the 1% convertible bonds due 2006 up to a maximum aggregate principal amount of US\$10 million to be issued by the Company pursuant to the Subscription Agreements and subject to the terms and conditions of the Instrument;
“CLSA Group”	CLSA Private Equity Limited and CLSA Private Equity Management Limited, their respective subsidiaries and holding-companies, subsidiaries of such holding companies and any fund managed by any of the aforesaid companies and any subsidiary of such fund;
“Directors”	directors of the Company;
“GEM”	the Growth Enterprise Market operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;
“Instrument”	the deed to be executed by the Company constituting the Convertible Bonds;
“Jian Kang”	Jian Kang Ltd, a company incorporated in the Cayman Islands with limited liability which is wholly-owned by a private equity fund managed by CLSA Private Equity Management Limited;
“PRC”	People’s Republic of China;
“Share(s)”	ordinary share(s) of HK\$0.10 each (or such other denomination in the event of any alteration of the capital structure of the Company) in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Subscription Agreements”	the conditional subscription agreement entered into between the Company and Jian Kang on 14 August, 2002 in connection with the subscription of the Convertible Bonds in the principal amount of US\$6 million by Jian Kang and the conditional subscription agreement entered into between the Company and Super Demand on 14 August, 2002 in connection with the subscription of the Convertible Bonds in the principal amount of US\$4 million by Super Demand;
“Subscribers”	Jian Kang and Super Demand;
“Super Demand”	Super Demand Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Gao Mao Hong, Mr. Gao Mao Hong is a merchant in the PRC who is not connected with the Company or the directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates;
“Volume Weighted Average Price”	the volume weighted average of the prices for Shares traded in all transactions on the Stock Exchange concluded by automatic order matching under the Automatic Order Matching and Execution System of the Stock Exchange;
“HK\$”	the lawful currency of Hong Kong;
“US\$”	the lawful currency of United States; and
“%”	per cent..

The exchange rate used in this announcement is HK\$7.80 to US\$1.00.

By Order of the board of Directors
Tse Ping
Chairman

Hong Kong, 14 August, 2002

This announcement will remain on the Company’s website and on the GEM website on the “Latest Company Announcements” page for at least 7 days from the day of its posting.