

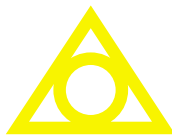
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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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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)

**DISCLOSEABLE TRANSACTION
PROPOSED ISSUE OF CONVERTIBLE BONDS DUE 2006**

A letter from the board of directors of Sino Biopharmaceutical Limited is set out on pages 4 to 9 of this circular.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the day of its posting and on the website of Sino Biopharmaceutical Limited at www.sinobiopharm.com.

2 September, 2002

CHARACTERISTICS OF GEM

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 in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:–

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Board”	the board of Directors or a duly authorised committee of the board of Directors;
“Business Day(s)”	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 and Super Demand (as the case may be) which shall be issued within 2 Business Days by 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 GEM;
“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;

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the 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;
“Latest Practicable Date”	29 August, 2002, being the latest practicable date for ascertaining certain information for inclusion in this circular;
“Management Shareholder”	any management shareholder of the Company; and “management shareholder” shall have the meaning ascribed to it under Rule 1.01 of the GEM Listing Rules;
“PRC”	People’s Republic of China, which, for the purpose of this circular and for geographical reference only, does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China or Taiwan;
“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;
“Shareholders”	holders of Shares;
“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;

DEFINITIONS

“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 circular is HK\$7.80 to US\$1.00.

LETTER FROM THE BOARD



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Mr. Tse Ping (*Chairman*)

Mr. Wang Jinyu

Mr. Ling Peixue

Mr. Tao Huiqi

Independent non-executive Directors:

Ms. Peng Yu

Mr. Hu Xi Ming

Registered office:

Codan Trust Company (Cayman) Limited

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

Principal place of business in Hong Kong:

Unit 09, 41st Floor, Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

2 September, 2002

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
PROPOSED ISSUE OF CONVERTIBLE BONDS DUE 2006**

INTRODUCTION

On 14 August, 2002, the Company entered into the Subscription Agreements with Jian Kang and Super Demand 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.

The purpose of this circular is to give further details of the Convertible Bonds.

LETTER FROM THE BOARD

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 summarised 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

LETTER FROM THE BOARD

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.

The Company has undertaken to the Stock Exchange to use its best endeavours to ensure that at least 20% of the issued 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

LETTER FROM THE BOARD

the Company held in public hands at any time, it will take all appropriate steps to restore the minimum 20% public float as soon as possible.

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.

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 Group.

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.

LETTER FROM THE BOARD

Listing and trading of the Convertible Bonds

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.

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 Day 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 Day 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.

Upon completion of the subscription and issue of the Convertible Bonds, there will be no change to the net asset value of the Group and the gearing ratio of the Group will be increased from approximately 11.4% to approximately 42.7%.

Upon completion of the subscription and issue of the Convertible Bonds, there will be no change in the control of the Company.

REASON FOR ISSUE OF THE CONVERTIBLE BONDS

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.

LETTER FROM THE BOARD

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 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 the Latest Practicable Date, the Group has not made any commitment on such co-operation or investment.

GENERAL

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 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 that the terms of and conditions of the Convertible Bonds are fair and reasonable so far as the Shareholders are concerned. The Directors are also of the view that the issue of the Convertible Bonds is in the best interests of the Company.

The issue of the Convertible Bonds constitutes a discloseable transaction under the GEM Listing Rules. Your attention is drawn to the general information set out in the appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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:–

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) 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.

2. DISCLOSURE OF INTERESTS

Directors' interests in share capital

As at the Latest Practicable Date, the interests of the chief executive of the Company and the Directors and their associates in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:–

(a) Shares

Name of Director	Notes	Number of Shares 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.

(b) 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, as at the Latest Practicable Date, none of the Directors or their associates were granted options to subscribe for Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, 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 the Latest Practicable Date 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	<i>Note</i>	Number of Shares	Percentage of shareholding
Mr. Tse Ping	(1)	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 person 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.

Note:–

- (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.

Management shareholders

As at the Latest Practicable Date, the management shareholders of the Company are as follows:–

Name	<i>Note</i>	Number of Shares	Approximate Percentage of shareholding
Mr. Tse Ping	(1)	231,120,000	77.04
Mr. Wang Jinyu	(2)	8,880,000	2.96
Conspicuous Group Limited		108,000,000	36.00
Remarkable Industries Limited		57,317,760	19.11
Validated Profits Limited		65,802,240	21.93
Discover Profits Limited		8,800,000	2.96

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.

3. PARTICULARS OF DIRECTORS' SERVICE CONTRACT

- (a) Each of Mr. Tse Ping, Mr. Wang Jinyu, Mr. Ling Peixue and Mr. Tao Huiqi, being all the executive Directors, has entered into a service contract with the Company for a term of three years, all commencing from 19 September, 2000, which will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other without payment of compensation.
- (b) Each of these executive Directors is entitled to a basic salary (subject to an annual increment to be determined by a majority of the Directors).
- (c) In addition, each of the executive Directors is also entitled to a management bonus in respect of each financial year of the Company (to be determined by a majority of the Directors at their discretion).
- (d) Under the articles of association of the Company, an executive Director may not vote on any resolution of the Directors regarding the amount of annual increment and management bonus payable to him.

(e) The current basic annual salaries of the respective executive Directors are as follows:–

Mr. Tse Ping	HK\$2,040,000
Mr. Wang Jinyu	HK\$216,000
Mr. Ling Peixue	HK\$400,000
Mr. Tao Huiqi	HK\$400,000

4. COMPETING INTERESTS

As at the Latest Practicable Date, the following Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, as set out below:–

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 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 any business which may compete directly or indirectly with the Group. Currently, the above enterprises do not conduct any business which competes, whether directly or indirectly, with the Group’s business.

Mr. Tse Ping has signed a deed of non-competition undertaking in favour of the Company dated 19 September, 2000 under which he 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 in 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 would result in competition 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 or may compete with the business of the Group.

5. SPONSOR'S INTERESTS

As at the Latest Practicable Date, none of the Company's sponsor, DBS Asia Capital Limited (the "Sponsor"), its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests 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 the agreement dated 21 September, 2000 entered into between the Company and the Sponsor, the Sponsor is entitled to receive usual sponsorship fees for acting as the Company's retained sponsor for the period from 29 September, 2000 to 31 December, 2002.

6. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

7. GENERAL

- (a) The registered office of the Company is at Codan Trust Company (Cayman) Limited, Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.
- (b) The principal place of business of the Company in Hong Kong is at Unit 09, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (d) The qualified accountant and secretary of the Company is Ms. Wong Pui Shan, ACCA, AHKSA.
- (e) The compliance officer of the Company is Mr. Tse Ping.
- (f) 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 and also reviewing the draft annual report and accounts, half-year report and quarterly reports of the Group and providing advice and comments thereon.

The Committee comprises two members, being two independent non-executive Directors, namely Ms. Peng Yu and Mr. Hu Xi Ming. The chairman of the Committee is Ms. Peng Yu. The background of the members are set out below:–

Ms. Peng Yu was appointed independent non-executive Director on 26 June, 2002. Ms. Peng currently holds the positions of Vice President of China Charity Federation, Vice Chairman of China Biotech Association, Associate Director of China “Caring Next Generation Children” Project Committee, member of the Standing Committee of the 8th National Women’s Congress, All-China Women’s Federation, Vice Board Chairman of Jinan University in Guangzhou and member of the Vice Board Committee of Hua-Qiao University of Xiamen. Ms. Peng Yu graduated from the Peking University Health Science Center.

Mr. Hu Xi Ming was appointed independent non-executive Director on 19 September, 2000. He is a member of the Chinese People’s Political Consultative Conference, editor-in-chief of Chinese Traditional Medicine Magazine of China, president of China Acupuncture Society, vice president of Chinese Traditional Medical and Pharmaceutical Society of China and president of Association for Medical, Pharmaceutical and Public Health Exchanges Between the Two Sides of the Taiwan Strait. Mr. Hu had served more than 30 years in the Ministry of Public Health of the PRC (中華人民共和國衛生部) (“MPH”). Mr. Hu had assumed a number of titles, including deputy head of Traditional Medicine Research Academy, director of the State Administration of Traditional Chinese Medicine of the PRC (中國國家中醫藥管理局), vice minister of MPH and vice chairman of the State Committee for Combating Narcotics.