
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

This circular for which the directors of Sino Biopharmaceutical Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sino Biopharmaceutical Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

PROPOSED GENERAL MANDATES TO ISSUE SHARES AND PURCHASE OF SHARES

This circular is despatched together with the Annual Report of Sino Biopharmaceutical Limited which comprises of the directors report, the auditors' report by Ernst & Young and the financial statements of Sino Biopharmaceutical Limited for the year ended 31 December, 2002.

A notice convening the annual general meeting of Sino Biopharmaceutical Limited to be held at 8th Floor, Crown Room, The Dynasty Club Ltd., South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 23 April, 2003 at 3:00 p.m. is set out on page 82 of the Annual Report. Whether or not you are able to attend and vote at the annual general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal office of the Company at Unit 09, 41st Floor Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting (as the case may be) should you so wish.

31 March, 2003



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

(the “Company”)

Executive Directors:

Tse Ping (*Chairman*)

Ling Peixue

Tao Huiqi

Wang Jinyu

Non-executive Director:

Josephine Price

Independent Non-Executive Directors:

Peng Yu

Hu Xi Ming

Registered Office:

Codan Trust Company

(Cayman) Limited

Century Yard

Circket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

British West Indies

Head office and

principal place of business:

Unit 09, 41st Floor

Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

31 March, 2003

To the Shareholders,

Dear Sir or Madam,

PROPOSED GENERAL MANDATES TO ISSUE SHARES AND PURCHASE OF SHARES

1. INTRODUCTION

This circular serves as an explanatory statement required by the Rules Governing the Listing of Securities (the “GEM Listing Rules”) on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) concerning the regulation

LETTER FROM THE CHAIRMAN

of purchases by companies of their own securities on the GEM of the Stock Exchange to provide the shareholders of the Company (the “Shareholders”) with all the information reasonably necessary for them to make an informed decision in relation to the proposal.

2. GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting of the Company to be held on Wednesday, 23 April, 2003 at 3:00 p.m. (the “AGM”), an ordinary resolution set out in paragraph B of item 5 of the notice of the AGM will be proposed to renew the granting to the directors of the Company (the “Directors”) of a general and unconditional mandate in the terms set out in the notice of the AGM allowing the Company to repurchase shares of HK\$0.10 each in the capital of the Company (the “Shares”) up to a maximum of 10 per cent. of the aggregate nominal value of the Company’s issued share capital at the date of passing the resolution the mandate will be valid during the period ending on the earliest of the date of the next Annual General Meeting, the date by which the next Annual General Meeting of the Company is required to be held by any applicable laws or the articles of association of the Company and the date upon which such authority is revoked or varied by way of ordinary resolution of the Company in general meeting (the “Buyback Mandate”). This will allow the Company to repurchase its own shares, inter alia, on-market in accordance with the GEM Listing Rules.

3. GENERAL MANDATE TO ISSUE SHARES

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

4. EXPLANATORY STATEMENT

INFORMATION ON GEM LISTING RULES RELATING TO SHARE REPURCHASES

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

Source of funds

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

LETTER FROM THE CHAIRMAN

EXERCISE OF THE BUYBACK MANDATE

As at 26 March, 2003, being the latest practicable date prior to the printing of this circular (the “Latest Practicable Date”), the issued share capital of the Company comprised 332,000,000 Shares of HK\$0.10 each.

Subject to the passing of the resolution granting the proposed Buyback Mandate and on the basis that no further Shares are issued or repurchased prior to 23 April, 2003, being the date of the AGM, the Company will be allowed to repurchase a maximum of 33,200,000 Shares during the period ending on the earlier of (i) the conclusion of the next annual general meeting of the Company for the year ending 31 December, 2003; (ii) the date by which the next annual general meeting of the Company is required to be held by law; and (iii) the date upon which such authority is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting of the Company.

REASONS FOR REPURCHASES

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

FUNDING OF REPURCHASES

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

On the basis of the consolidated financial position of the Company as at 31 December, 2002 (being the date to which the latest published financial statements of the Company have been made up), the Directors consider that the exercise in full of the Buyback Mandate to repurchase Shares might have a material adverse impact on the working capital and gearing position of the Company as compared with such position as at 31 December, 2002. No purchase would be made in circumstances that might have a material adverse impact on the working capital or gearing position of the Company (as compared with such position disclosed in the latest published audited financial statements) unless the Directors consider that such purchases are in the best interests of the Company notwithstanding such material adverse impact.

LETTER FROM THE CHAIRMAN

SHARE PRICES AND REPURCHASED SHARES

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

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2002	2.30	2.10
May 2002	2.30	2.175
June 2002	2.225	2.025
July 2002	2.40	2.10
August 2002	2.40	1.93
September 2002	1.96	1.83
October 2002	2.00	1.83
November 2002	2.00	1.88
December 2002	2.00	1.80
January 2003	2.00	1.72
February 2003	1.96	1.80
March 2003 (up to 26 March, 2003)	2.05	1.86

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

HONG KONG CODE ON TAKEOVERS AND MERGERS

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

As at the Latest Practicable Date, Mr. Tse Ping, who is a substantial shareholder of the Company through his own interest and interest in Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited, was interested in 234,120,000 shares, representing 70.52 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Buyback Mandate, the shareholding of Mr. Tse Ping in the Company would be increased to 78.35 per cent. of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Code.

LETTER FROM THE CHAIRMAN

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

CONNECTED PERSONS

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

DIRECTORS

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

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

5. RECOMMENDATION

The notice containing resolutions regarding the proposals to be passed at the AGM is contained in the Company's annual report for the year ended 31 December, 2002 which is being despatched to the Shareholders together with this circular.

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

Your faithfully
Tse Ping
Chairman