

Third Quarterly Report

2003



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Sino Biopharmaceutical Limited (“Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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, : (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

For the nine months ended 30 September, 2003 the Group's:

- turnover amounted to approximately HK\$643.2 million, representing an increase of approximately 22.5% over the corresponding period last year;
- net profit attributable to shareholders amounted to approximately HK\$73.9 million, representing an increase of approximately 31.6% over the corresponding period last year; and
- basic earnings per share amounted to approximately HK22.3 cents, representing an increase of approximately 19.3% over the corresponding period last year.

The Board does not recommend the payment of a dividend for the three months ended 30 September, 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

During the period under review, the business of the Company together with its subsidiaries (the "Group") continued to grow, recording a more than expected satisfactory operating result. Turnover amounted to approximately HK\$643.2 million, representing an increase of approximately 22.5% over the corresponding period last year; net profit attributable to shareholders amounted to approximately HK\$73.9 million, representing an increase of approximately 31.6% over the corresponding period last year; and basic earnings per share amounted to approximately HK22.3 cents, representing an increase of approximately 19.3% over the corresponding period last year.

During the period under review, Shandong Chia Tai Freda Pharmaceutical Co. Ltd. ("CTF"), Jiangsu Chia Tai Tianqing Pharmaceutical Co., Ltd. ("JCTT"), Shandong Chia Tai Freda New Packaging Resources Co. Ltd. ("CTFP") and Chia Tai Qingchunbao Pharmaceutical Co., Ltd. ("CTQ") were the principal sources of earnings to the Group.

CTF

The business of CTF maintained a growth momentum with turnover increased by approximately 14.6% over the corresponding period last year. Mioclear eyedrops, which is used for treating eye fatigue, recorded continuous growth of turnover to approximately HK\$77.5 million, and is expected to become another product following Moisten eyedrop with turnover exceeding HK\$100 million this year. Mioclear brand Naphazoline eyedrop (蔡朴維滴眼液), another new product for treating eye fatigue launched during the year, is expected to have promising performance, with sales reaching approximately HK\$32.6 million.

New products of CTF contributed approximately 13.8% to CTF's turnover, ensuring sustainable development of the enterprise.

The synthetic drugs raw material workshop and the eyedrop workshop of CTF are under construction in Jinan New and High Technology Development Zone (濟南高新技術開發區). It is expected that a GMP certificate will be obtained in early 2004.

JCTT

JCTT also experienced continuous growth. Sales of principal products, such as Diammonium Glycyrrhizinate injections and capsules for treating hepatitis, is still growing, while sales of hepatitis medicine of Tianqingfuxin injections and capsules have been growing rapidly since their launch in market in December 2001, amounting to over HK\$100 million for the nine months ended 30 September, 2003. New hepatitis medicine of Hactitol Monohydrate Powder also displayed a good performance.

Although JCTT owns over 100 medicine production documents, sales of hepatitis medicines contributed approximately 85.9% of its turnover. JCTT is taking an increasingly important role in the market of hepatitis medicines. According to certain reports, The People's Republic of China (the "PRC") spends RMB100 billion every year in hepatitis treatment and healthcare. With focus on the production of hepatitis medicines, JCTT will have a promising prospect in the market.

Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. ("NJCTT")

During the period under review, the production lines of PVC-free soft bags for intravenous injections for angiopathy of cardio-cerebral owned by NJCTT obtained another GMP certificate and obtained a new GMP certificate issued by State Drug Administration of the PRC on 9 October, 2003.

Research and Development

Beijing Chia Tai Green Continent Pharmaceutical Co., Ltd., Nanjing Research and Development Centre of JCTT, Beijing Research and Development Centre of CTF proceeded well in their businesses and obtained a total of 13 clinical approvals for new products. Clinical trials are in progress, upon completion of which application will be made for the approvals of medicine product registration. During the period under review, approval for another medicine product of eye ointment was obtained as well.

Outlook

The Company has issued the listing document in respect of its listing by way of introduction of the entire issued share capital of the Company on the Main Board of the Stock Exchange to shareholders on 30 October, 2003. Conditional upon, among other things, the passing of the relevant resolutions at the forthcoming Extraordinary General Meeting, the listing of the shares of the Company on the Main Board is expected to be on 8 December, 2003.

On 17 October, 2003, the Group entered into certain agreements to acquire an aggregate of 35% equity interest in Beijing Tide Pharmaceutical Co. Ltd. ("Beijing Tide"), details of which were disclosed in the announcement of the Company dated 17 October, 2003 in relation to the acquisition. According to statistics in "Chinese Medicine Annual Report 2002" issued by the State Economic and Trade Commission in July 2003, Beijing Tide, like CTF, JCTT and CTQ, was also ranked among the Top 100 entirely independent audited enterprises in terms of aggregate profit for 2002.

The principal products of Beijing Tide is Alprostadil (凱時) intravenous injection, a kind of target and sustained release preparation of Prostaglandin E1 ("PGE1") that active substance of Lipo-microspheres PGE1 can be used for angiocardiology. This product has adopted an internationally-advanced target preparation of PGE1 invented by and the patented technology of which was transferred at nil consideration from Professor Mizushima Yataka, a renowned scientist in medical science in Japan. Due to the advanced nature and exclusiveness of this technology, the product was well received by physicians and patients for its better effect than similar products in the market. Sales increased significantly for consecutive years with increased year-on-year profits. Therefore, success in acquisition of Beijing Tide will make substantial contribution to the profits of the Group and further strengthen its competitive edge.

The Group's core business is bio-medicines and modernized Chinese medicines. The major subsidiaries of the Group are ranked among the top 100 Chinese medicine enterprises based on aggregate profits. As such, the Group displays strong competitive edge, which will in turn further consolidate its position among Chinese pharmaceutical enterprises, and attract more enterprises with sound operations to build alliance with and so strengthen the foundation of the Group.

Based on the results for the period under review, despite the adverse effect of SARS (severe acute respiratory syndrome) and the progressive adjustments on the prices of pharmaceutical products, the Group could manage to achieve the objectives set earlier this year. The Group will continue to strengthen its internal control, enhance the standard of corporate management, expand its market shares and increase cost effectiveness. We believe that all these will ensure fruitful returns to shareholders.

On behalf of the Board of Directors, I would like to express my sincere thanks to all our staff for their dedication, innovation and spirit, and to our shareholders for their continuous full support and trust.

RESULTS

The Board has pleasure to announce the unaudited consolidated results of the Group for the three months and the nine months ended 30 September, 2003 together with the comparative figures for the respective corresponding periods in 2002 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Three months and nine months ended 30 September, 2003

	Notes	For the three months ended 30 September,		For the nine months ended 30 September,	
		2003 Unaudited HK\$'000	2002 Unaudited HK\$'000	2003 Unaudited HK\$'000	2002 Unaudited HK\$'000
Turnover	(2)	245,959	214,526	643,210	525,142
Cost of sales		(54,143)	(44,738)	(131,139)	(104,160)
Gross profit		191,816	169,788	512,071	420,982
Selling and distribution costs		(94,264)	(98,498)	(271,603)	(240,790)
Administrative expenses		(36,959)	(25,884)	(98,523)	(60,702)
Profit from operating activities		60,593	45,406	141,945	119,490
Finance costs		(172)	(32)	(1,037)	(784)
Non-operating income (net)		3,236	347	4,671	869
Profit before tax		63,657	45,721	145,579	119,575
Tax	(3)	(7,238)	(4,251)	(14,471)	(10,997)
Profit before minority interests		56,419	41,470	131,108	108,578
Minority interests		(26,589)	(19,713)	(57,211)	(52,432)
Net profit attributable to shareholders		29,830	21,757	73,897	56,146
Dividends	(4)	–	–	16,600	15,000
Earnings per share	(5)				
– basic		HK8.9 cents	HK7.3 cents	HK22.3 cents	HK18.7 cents
– diluted		HK8.2 cents	HK6.8 cents	HK20.1 cents	HK17.6 cents

Notes:

(1) Basis of preparation

The Group's financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice ("SSAP"), 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.

The principal accounting policies adopted in preparing the consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December, 2002 except that the Group has adopted the revised SSAPs which became effective on 1 January, 2003. The adoption of these revised SSAPs has no material effect on the Group's results.

(2) Turnover

Turnover represents the invoiced value of goods sold, after allowances for sales returns and discounts, 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 September,		For the nine months ended 30 September,	
	2003 Unaudited HK\$'000	2002 Unaudited HK\$'000	2003 Unaudited HK\$'000	2002 Unaudited HK\$'000
Sales of goods	245,959	214,526	636,373	525,142
Dividend income	—	—	6,837	—
Total	<u>245,959</u>	<u>214,526</u>	<u>643,210</u>	<u>525,142</u>

More than 90% of the Group's turnover was derived from the principal activities carried out in the PRC. Accordingly, geographical segment information is not shown.

(3) Tax

	For the three months ended 30 September,		For the nine months ended 30 September,	
	2003 Unaudited HK\$'000	2002 Unaudited HK\$'000	2003 Unaudited HK\$'000	2002 Unaudited HK\$'000
Hong Kong	—	—	—	—
PRC income tax	7,238	4,251	14,471	10,997
Total	<u>7,238</u>	<u>4,251</u>	<u>14,471</u>	<u>10,997</u>

No Hong Kong profits tax has been provided for the three months and nine months ended 30 September, 2003 as there was no assessable profit arising in or derived from Hong Kong during these periods (2002: 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, 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 "Advanced 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 more years. If these Foreign Investment Enterprises are qualified as "Advanced Technology Enterprises", they can extend three more years for 50% tax reduction, and the minimum tax rate should not be lower than 10%. The Group's principal operating subsidiaries are qualified as "Advanced Technology Enterprises".

For the period from 1 January to 30 September, 2003, the Group's principal operating subsidiaries are subject to an income tax rate of 10% (2002: 7.5%–10%).

There are no material potential deferred tax liabilities for which provision has not been made (2002: Nil).

(4) Dividends

The Board does not recommend the payment of a dividend for the three months ended 30 September, 2003 (2002: Nil).

(5) Earnings per share

The calculation of the basic earnings per share is based on net profit attributable to shareholders for the three months and the nine months ended 30 September, 2003 of HK\$29,830,000 (2002: HK\$21,757,000) and HK\$73,897,000 (2002: HK\$56,146,000) respectively and the weighted average of 331,648,352 (2002: 300,000,000) ordinary shares in issue during the period.

Diluted earnings per share for the three months and nine months ended 30 September, 2003 is based on net profit attributable to shareholders for the three months and nine months ended 30 September, 2003 of HK\$29,830,000 (2002: HK\$21,757,000) and HK\$73,897,000 (2002: HK\$56,146,000) and interest of HK\$163,800 (2002: Nil) and HK\$425,880 (2002: Nil) on convertible bonds respectively and 323,956,044 and 331,648,352 ordinary shares which were the weighted average number of ordinary shares in issue during the respective periods plus the weighted average number of 12,290,503 shares (2002: 19,528,302 shares) and 11,605,533 shares (2002: 19,722,222 shares) deemed to be issued at average fair value if all outstanding options had been exercised during the respective periods and the weighted average of 27,368,421 ordinary shares (2002: Nil) assumed to have been issued at nil consideration on the deemed exercises of all convertible bonds during the respective periods.

(6) Reserves

During the period, the Group's reserves had the following movements:

- (i) Transfer of HK\$16,242,000 (2002: HK\$9,089,000) from retained earnings to statutory reserve funds; and
- (ii) On 8 January, 2003, an aggregate of 12,000,000 share options of HK\$0.1 each has been exercised at HK\$0.74, the proceeds before expenses amounted to HK\$8,880,000 and the share premium account was increased by HK\$7,680,000.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 September, 2003, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by directors as referred to Rule 5.40 of the GEM Listing Rules, were as follows:

Long position in shares

Name of director	Capacity/Nature of Interest		Total number of shares in the Company	Approximate percentage of issued share capital of the Company
	Beneficial owner	Interest of controlled corporations		
Mr. Tse Ping	3,000,000	231,120,000 (Note 1)	234,120,000	70.52%
Mr. Wang Jinyu	—	8,880,000 (Note 2)	8,880,000	2.67%
Mr. Tao Huiqi	400,000	—	400,000	0.12%

Notes:

1. Mr. Tse Ping held these shares through Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited. The entire issued share capital in each of these companies is owned by Mr. Tse Ping. The interest of each of these companies in the shares of the Company is set out in the section headed "Persons who have an interest or short position which is discloseable under the SFO and substantial shareholders" below.
2. Mr. Wang Jinyu held these shares through Discover Profits Limited, the entire issued share capital of which is owned by Mr. Wang Jinyu.

Long position in underlying shares

Pursuant to the share option scheme (the "Scheme") adopted by the Company on 19 September, 2000, certain Directors, being Mr. Tse Ping, Mr. Tao Huiqi and Mr. Wang Jinyu, were granted options on 2 January, 2001 to subscribe for 7,500,000 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 3 January, 2003 to 1 January, 2007 (both days inclusive). On 8 January, 2003, Mr. Tse Ping, Mr. Tao Huiqi and Mr. Wang Jinyu exercised part of their respective share options and subscribed 3,000,000 shares, 400,000 shares and 400,000 shares of the Company, respectively. As at 30 September, 2003, 4,500,000 shares, 600,000 shares and 600,000 shares remained issuable upon the exercise in full of all the respective share options of Mr. Tse Ping, Mr. Tao Huiqi and Mr. Wang Jinyu granted under the Scheme which were yet to be exercised.

Save as disclosed above, as at 30 September, 2003, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by directors as referred to Rule 5.40 of the GEM Listing Rules.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2003, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in shares

Name of shareholder	Capacity/Nature of Interest	Number of shares of the Company	Approximate percentage of issued share capital of the Company
Conspicuous Group Limited	Beneficial owner	108,000,000 <i>(Note)</i>	32.53%
Remarkable Industries Limited	Beneficial owner	57,317,760 <i>(Note)</i>	17.26%
Validated Profits Limited	Beneficial owner	65,802,240 <i>(Note)</i>	19.82%

Note: 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 a Director.

Long position in underlying shares under equity derivatives

Name of shareholder	Capacity/Nature of Interest	Number of underlying shares of the Company	Approximate percentage of issued share capital of the Company
Jian Kang Ltd.	Beneficial owner	27,368,421	8.24%
Aria Investment Partners, L.P.	Interest of a controlled corporation	27,368,421 (Note 1)	8.24%
CLSA Private Equity Management Limited	Investment manager	27,368,421 (Note 2)	8.24%
CLSA (S.E.A.) Limited	Interest of a controlled corporation	27,368,421 (Note 3)	8.24%
Credit Lyonnais Securities Asia BV	Interest of a controlled corporation	27,368,421 (Note 4)	8.24%
Credit Lyonnais Capital Markets Asia BV	Interest of a controlled corporation	27,368,421 (Note 5)	8.24%
Credit Lyonnais Capital Markets International SASU	Interest of a controlled corporation	27,368,421 (Note 6)	8.24%
Credit Lyonnais S.A.	Interest of a controlled corporation	27,368,421 (Note 7)	8.24%

Notes:

1. Aria Investment Partners, L.P. is beneficially interested in the entire issued share capital of Jian Kang Ltd. and is deemed or taken to be interested in the 27,368,421 underlying shares in which Jian Kang Ltd. has declared an interest for the purpose of the SFO.
2. CLSA Private Equity Management Limited is the investment manager of Aria Investment Partners, L.P.
3. CLSA (S.E.A.) Limited is beneficially interested in the entire issued share capital of CLSA Private Equity Management Limited and is deemed or taken to be interested in the 27,368,421 underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.

4. Credit Lyonnais Securities Asia BV is indirectly interested in the entire issued share capital of CLSA Private Equity Management Limited and is deemed or taken to be interested in the 27,368,421 underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.
5. Credit Lyonnais Capital Markets Asia BV is beneficially interested in 65% of the share capital of Credit Lyonnais Securities Asia BV and is deemed or taken to be interested in the 27,368,421 underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 4 above.
6. Credit Lyonnais Capital Markets International SASU is beneficially interested in the entire issued share capital of Credit Lyonnais Capital Markets Asia BV and is deemed or taken to be interested in the 27,368,421 underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Notes 4 and 5 above.
7. Credit Lyonnais S.A. is beneficially interested in the entire issued share capital of Credit Lyonnais Capital Markets International SASU and is deemed or taken to be interested in the 27,368,421 underlying shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Notes 4, 5 and 6 above.

Save as disclosed above, as at 30 September, 2003, none of the Directors knows of any person (not being a Director or chief executive of the Company) who had an interest or short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

SHARE OPTION SCHEME

Details of the Directors' interest in the Scheme are set out in the sub-section headed "Long position in underlying shares" under the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares or debentures" above.

Outstanding share options

As at 30 September, 2003, options to subscribe for an aggregate of 18,000,000 shares (which include the options granted to Mr. Tse Ping, Mr. Tao Huiqi and Mr. Wang Jinyu, as disclosed above) of the Company 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
18,000,000	13	0.74	2 January, 2004 to 1 January, 2007

Generally, the options may be exercised in different tranches within the option period.

COMPETING INTERESTS

As at 30 September, 2003 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, mammary gland disease medicines, cardiovascular medicines and other chemical medicines. CT Ankang acquired a PRC pharmaceutical company which has one product for the treatment of cardiovascular namely, Puerarin Injections which may compete with an existing product namely, Puerarin glucose Injections produced by the Group. HTPC is a trading company engaged in the import and export of medicines, including vitamins, anti-biotics and veterinary medicines from Europe, the United States and Korea. ABH is principally engaged in the re-processing of natural medicines and vitamins in the United States.

Mr. Tse Ping has signed a deed of non-competition undertaking in favour of the Company dated 19 September, 2000 ("2000 Deed of Undertaking") 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 30% 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 will result in competition or 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.

Mr. Tse Ping has also executed a new deed of non-competition undertaking in favour of the Company on 9 September, 2003 which will become effective upon the commencement of trading in shares of the Company on the Main Board of the Stock Exchange, details of which are set out in the listing document of the Company dated 30 October, 2003. The 2000 Deed of Undertaking would terminate upon the aforesaid deed of non-competition undertaking becoming effective.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or Mr. Tse Ping's Companies had an interest in a business which competes with the business 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. The Committee comprises two independent non-executive directors of the Company.

The Group's unaudited third quarterly results for the nine months ended 30 September, 2003 have been reviewed by the Committee, which was of the opinion that the preparation of the results complied with the applicable accounting standards and adequate disclosures have been made.

BOARD PRACTICES AND PROCEDURES

During the period, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2003 to 30 September, 2003, 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, 6 November, 2003