



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY RESULTS

(For the three months ended

30 September, 2000)

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

HIGHLIGHTS

- Turnover increased by approximately 39 per cent. for the nine months ended 30 September, 2000
- Gross profit margin increased to approximately 78.8 per cent. from approximately 71.3 per cent. for the nine months ended 30 September, 2000
- Profit attributable to shareholders increased by approximately 67.6 per cent. for the nine months ended 30 September, 2000
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September, 2000

BUSINESS REVIEW AND OUTLOOK

For the nine months ended 30 September, 2000, the turnover of the Company and its subsidiaries (the “Group”) amounted to approximately HK\$293.65 million, representing an increase of approximately 39 per cent., as compared with the same period last year. Profit attributable to shareholders amounted to approximately HK\$38.08 million, representing an increase of approximately 67.6 per cent, as compared with the same period last year.

For the three months ended 30 September, 2000, the turnover of the Group amounted to approximately HK\$103.11 million, representing an increase of approximately 24.4 per cent., as compared with the same period last year. Profit attributable to shareholders amounted to approximately HK\$12.79 million, representing an increase of approximately 48.9 per cent, as compared with the same period last year.

The growth in the profit attributable to shareholders exceeded the initial target set by the Directors. This better than expected growth was due to a combination of sales network expansion, successful marketing efforts and effective cost control. While the turnover of the Group grew by approximately 39 per cent., as compared with the same period last year, cost of sales increased only negligibly. Overall, the Group has attained significant economies of scale, thus lowering its unit costs. For the period under review, the Group’s overall gross profit margin increased by approximately 7.5 percentage points to approximately 78.8 per cent., as compared with the same period last year.

Shandong Chia Tai Freda Pharmaceutical Co. Ltd. 山東正大福瑞達製藥有限公司 (“CTF”)

The growth in revenue and profit from CTF, the Group’s 55 per cent.-owned biopharmaceuticals subsidiary, significantly exceeded the expectation of the Directors for the period under review. CTF successfully extended its sales network into a number of medium-sized cities across the People’s Republic of China (the “PRC”), expanding into previously virgin territory. CTF has also been successful in promoting its corporate image and the brand names of its major products. Its principal product, MOISTEN eye-drops, has secured its position as the best selling eye-drops medicine in the PRC with market share growing steadily.

CTF’s new product – MIOCLEAR eye-drops – for treating eye fatigue, was launched in May 2000 and received an overwhelming response from the market. Even though CTF has been operating its workshops at maximum production capacity, CTF has so far not been able to fulfill all of the purchase orders for this product. During the four months ended 30 September, 2000, sales of MIOCLEAR have generated approximately RMB9.81 million in revenue. The successful launch of MIOCLEAR has demonstrated the management’s ability to expeditiously transform its research and development results into cash-generating commercial products. The Directors are confident in the growth potential of MIOCLEAR, as the incidence of eye fatigue is expected to increase with the growing popularity of personal computers, videogames and other forms of multi-media entertainment in the PRC.

Given the strong growth in demand, the Group is planning to invest HK\$6.7 million on an eye-drops production line with annual production capacity of 12 million bottles. The Group is also planning to invest HK\$4.15 million on a production line to manufacture a new line of plastic bottles, which would be of higher quality and better design. The funds for these two production lines will be derived from the Group’s internally generated resources of HK\$55.8 million, as stated in the prospectus of the Company dated 22 September, 2000, earmarked for expanding CTT’s production facilities between 2000 and 2002.

Lianyungang Chитай-Tianqing Pharmaceutical Co. Ltd. 連雲港正大天晴製藥有限公司 (“CTT”)

The revenue and profit contribution from CTT, the Group’s 60 per cent.-owned modernized Chinese medicine subsidiary, also exceeded the expectations of the Directors for the period under review. This was due to the expansion of CTT’s sales force and its increased focus on products with higher gross margins. During the period under review, CTT’s large and small volume injection workshops were upgraded and in October 2000, passed the Good Manufacturing Practice (“GMP”) requirements set by the State Drug Administration of the

PRC. All of the major facilities of the Group have now attained GMP certification, bringing them in line with international standards.

A number of new products being developed by CTT have progressed ahead of their original research, development and commercialization timetables, and are expected to reach the market ahead of schedule. Sotalol hydrochloride injection, for treating hypertension, has been granted production approval by the relevant authorities in the PRC, and is expected to be launched nine months ahead of schedule. Netimycin Sulfate and Sodium Chloride injection, an antibiotic developed by CTT, was also granted production approval six months ahead of schedule, and is now being prepared for commercial production. These products are expected to provide the Group with an additional source of income.

Research and Development

The Group is currently in discussions with a number of leading medical institutions in Beijing to form alliances aimed at strengthening the Group's research and development (R&D) capabilities. It is hoped that through these alliances, the Group will have an opportunity to acquire the research findings of the top medical research institutions in the PRC. These alliances would also provide valuable support to the Group's in-house research and development divisions. These discussions are, however, still at a preliminary stage and there is no assurance that any agreement will be forthcoming. The Directors believe that these R&D initiatives could open up unprecedented opportunities for the Group, while supporting the development of its existing core businesses.

Outlook

The Group is a technologically advanced biopharmaceuticals and modernized Chinese medicine company committed to generating growing returns for its shareholders. Having achieved a leading position in the ophthalmic medicine market, the Group's short-term objective is to become a leader in the market for modernized Chinese medicine for treating hepatitis. Given the strong financial performance in the first nine months of this year, the Directors expect that the results for the full-year would be more than satisfactory. This year's success would confirm the Directors' ability to deliver on their promises to shareholders, and will take the Group one step closer to becoming the leading biopharmaceutical and modernized Chinese medicine company in the PRC.

Besides developing and expanding its core businesses, the Group also intends to diversify its business and boost its profit, through mergers and acquisitions, joint ventures and strategic alliances. The Directors believe that the Group's existing core businesses would provide a solid foundation upon which to diversify into new areas, providing steady returns while exposing shareholders to potentially lucrative, high growth opportunities.

On behalf of the board of Directors (the "Board"), I would like to take this opportunity to thank our shareholders for their support and our staff for their dedicated efforts.

RESULTS

The Board announces the unaudited consolidated results of the Group for the three months and nine months ended 30 September, 2000 together with the comparative unaudited combined results for the corresponding periods in 1999 as follows:—

	<i>Notes</i>	For the three months ended 30 September, 2000		For the nine months ended 30 September, 1999	
		Unaudited consolidated	Unaudited combined	Unaudited consolidated	Unaudited combined
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(2)	103,108	82,906	293,648	211,215
Costs of sales		(22,979)	(21,654)	(62,318)	(60,647)
Gross profit		80,129	61,252	231,330	150,568
Selling expenses		(42,016)	(29,846)	(121,096)	(73,443)
Administration expenses		(12,747)	(13,763)	(35,730)	(35,117)
Finance costs		(561)	(699)	(989)	(2,218)
Other (expenses)/income		97	(112)	115	830
Profit before taxation		24,902	16,832	73,630	40,620
Taxation	(3)	(2,552)	(2,021)	(7,119)	(3,939)
Profit before minority interests		22,350	14,811	66,511	36,681
Minority interests		(9,560)	(6,221)	(28,426)	(13,964)
Profit attributable to shareholders		12,790	8,590	38,085	22,717
Dividends	(4)	—	—	—	15,556
Earnings per share – basic	(5)	HK5.3 cents	HK3.6 cents	HK15.8 cents	HK9.5 cents

(1) Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands on 2 February, 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalize the structure of the Group in preparation for the public listing of its shares in September 2000, the Company became the holding company of the companies now comprising the Group on 19 September, 2000. The trading of the Company's shares on the GEM of the Stock Exchange began on 29 September, 2000.

The Group's results are presented using the following bases:

- The unaudited consolidated profit and loss account includes the results of the Company and its subsidiaries for the three months and nine months ended 30 September, 2000.
- For information purposes, the unaudited combined profit and loss account include the results of the Company's subsidiaries for the three months and nine months ended 30 September, 1999 on a combined basis as if the current Group structure had been in existence throughout the period.

Although the Group structure did not legally exist until 19 September, 2000, the Directors consider it appropriate to present the unaudited combined profit and loss accounts for the three months and nine months ended 30 September, 1999 on the bases as set out in (b) above since the principal activities of the Group were carried out by those subsidiaries prior to and after the completion of the reorganisation.

(2) Turnover

Turnover represents the invoiced value of goods sold, net of discounts and returns and dividend income. All significant intra-Group transactions have been eliminated on consolidation/combination.

The Group's turnover arose from the following activities:

	For the three months ended 30 September,		For the nine months ended 30 September,	
	2000 Unaudited consolidated HK\$'000	1999 Unaudited combined HK\$'000	2000 Unaudited consolidated HK\$'000	1999 Unaudited combined HK\$'000
Sales of goods	103,108	82,906	293,648	208,215
Dividend income	—	—	—	3,000
Total	<u>103,108</u>	<u>82,906</u>	<u>293,648</u>	<u>211,215</u>

(3) Taxation

	For the three months ended 30 September,		For the nine months ended 30 September,	
	2000 Unaudited consolidated HK\$'000	1999 Unaudited combined HK\$'000	2000 Unaudited consolidated HK\$'000	1999 Unaudited combined HK\$'000
Hong Kong	—	—	—	—
PRC income tax	<u>2,552</u>	<u>2,021</u>	<u>7,119</u>	<u>3,939</u>
Total	<u>2,552</u>	<u>2,021</u>	<u>7,119</u>	<u>3,939</u>

No Hong Kong profits tax has been provided for the period from 1 January to 30 September, 2000 as there was no assessable profit arising in or derived from Hong Kong during the period. (1999: 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 interpretations thereof.

Pursuant to the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws (the "Income Tax Laws"), joint venture companies are subject to the statutory income tax rate of 33 per cent. (30 per cent. state income taxes plus 3 per cent. local income taxes) unless the enterprise is qualified as "High and New Technology Enterprise" or located in specially designated regions or cities for which more favorable effective tax rates apply. CTT is located in a region where preferential tax rates apply and currently is entitled to the benefit of paying the relevant tax at the rate of 24 per cent.. CTF is regarded as a "High and New Technology Enterprise" for which preferential tax rate of 15 per cent. applies. Both CTT and CTF are entitled to an income tax exemption for two years commencing from the first profitable year (after deducting losses carried forward), and a 50 per cent. reduction for the succeeding three years. For the year ending 31 December, 2000, CTF and CTT will be in its fourth and third profitable year respectively and will be subject to an income tax rate of 7.5 per cent. and 12 per cent. respectively.

(4) Dividends

The Board did not recommend the payment of an interim dividend for the period from 1 January to 30 September, 2000. Interim dividend for 1999 represented amounts paid or declared by the Company's subsidiaries to their shareholders before the Group's reorganisation. The rates of dividends and the number of shares ranking for dividends are not presented, as such information is not meaningful with regard to the purpose of this report.

(5) Earnings per share

The calculation of the basic earnings per share is based on profit for the three months and nine months ended 30 September, 2000 of HK\$12,790,000 and HK\$38,085,000 respectively and the weighted average of 241,304,348 and 240,437,956 ordinary shares in issue during the respective periods. The basic earnings per share in respect of the three months and nine months ended 30 September, 1999 is based on profit of HK\$8,590,000 and HK\$22,717,000 respectively and on the assumption that 240,000,000 shares had been in issue throughout the period.

Diluted earnings per share for the period has not been calculated because no significant potential dilutive ordinary shares existed during the period.

(6) Reserves

Movement in the reserves of the Group during the period were as follows:

	For period ended 30 September 2000				
	Contributed surplus	General Share premium	Enterprise reserve fund	Exchange expansion fund	fluctuation reserve
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January, 2000	–	–	3,311	5,028	115
Movements for the period from 1 January to 30 June, 2000	–	–	–	–	–
At 1 July, 2000	–	–	3,311	5,028	115
Movements for the period from 1 July to 30 September, 2000	183,894	55,496	–	–	–
At 30 September, 2000	183,894	55,496	3,311	5,028	115

There was no movement of reserves, other than retained earnings, for the corresponding period for 1999.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September, 2000, the interests of the Directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Notes	Number of issued ordinary shares of HK\$0.10 each in the Company held and nature of interest				Total
		Personal	Family	Corporate	Other	
Mr. Tse Ping	(1)	–	–	231,120,000	–	231,120,000
Mr. Wang Jinyu	(2)	–	–	8,880,000	–	8,880,000

Notes:–

- (1) The shareholding interest attributable to Mr. Tse Ping in the Company is held through Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited. Each of Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited is an investment holding company wholly owned by Mr. Tse Ping who is the chairman and an executive director of the Company.
- (2) The shareholding interest attributable to Mr. Wang Jinyu in the Company is held through Discover Profits Limited. Discover Profits Limited is an investment holding company wholly owned by Mr. Wang Jinyu who is an executive director of the Company.

Save as disclosed above, as at 30 September, 2000, none of the Directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

From 29 September, 2000 (date of listing) to 30 September, 2000, no share option was granted to any of the Directors, their respective spouses, or their children under 18 years of age.

SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2000, the following interests of 10 per cent. or more in the issued share capital of the Company were recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of shareholding
Mr. Tse Ping	231,120,000	77.04
Conspicuous Group Limited	108,000,000	36.00
Remarkable Industries Limited	57,317,760	19.11
Validated Profits Limited	65,802,240	21.93

Save as disclosed as above, no persons, other than the Directors, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

COMPETING INTERESTS

As at 30 September, 2000 and disclosed in the prospectus issued by the Company on 22 September, 2000, 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 U.S..

There is no law or regulation or agreement which prohibits or restricts the entry of the above enterprises into the business which compete directly or indirectly with the Group. Currently, the above enterprises do not have any business which constitute competition, whether directly or indirectly, with the Group's business.

Mr. Tse Ping has signed a deed of non-competition undertaking to the Company dated 19 September, 2000 and has undertaken that, for so long as Mr. Tse Ping, together with his associates, shall remain beneficially interested, directly or indirectly, in shares with at least 35 per cent. of the voting rights of the Company, neither Mr. Tse Ping nor any of the companies or other entities of which more than 50 per cent. 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 (the "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.

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.

SPONSOR'S INTERESTS

As at 30 September, 2000, DBS Asia Capital Limited (the "Sponsor"), its directors, employees or associates, did not have any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to an agreement dated 21 September, 2000 made with the Company, the Sponsor received, and will receive, fees for acting as the Company's retained sponsor for the period from the date on which dealings in the shares in the share capital of the Company commence on GEM to 31 December, 2002.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From 29 September, 2000 (date of listing) to 30 September, 2000, 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, 9 November, 2000