



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1177)



SINO
BIOPHARMACEUTICAL
2007 interim report 2007

CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY

Sino Biopharmaceutical Limited

STOCK CODE

1177

COMPANY'S WEBSITE ADDRESS

www.sinobiopharm.com

PLACE OF INCORPORATION

Cayman Islands

DATE OF LISTING ON MAIN BOARD

8 December, 2003

DATE OF LISTING ON GEM BOARD

29 September, 2000

DIRECTORS

Executive Directors

Mr. Tse Ping (*Chairman*)

Mr. Tao Huiqi

Mr. He Huiyu

Ms. Cheng Cheung Ling

Mr. Tse Hsin

Mr. Zhang Baowen

Independent non-executive Directors

Mr. Lu Zhengfei

Mr. Li Dakui

Ms. Li Jun

AUDIT COMMITTEE

Mr. Lu Zhengfei (*Chairman*)

Mr. Li Dakui

Ms. Li Jun

REMUNERATION COMMITTEE

Mr. Tse Ping (*Chairman*)

Mr. Lu Zhengfei

Ms. Li Jun

COMPANY SECRETARY

Ms. Leung Sau Fung, Fanny

QUALIFIED ACCOUNTANT

Ms. Yu Chau Ling, FCCA, CPA

AUTHORISED REPRESENTATIVES

Mr. Tse Ping

Ms. Leung Sau Fung, Fanny

AUTHORISED PERSON TO ACCEPT SERVICES OF PROCESS AND NOTICES

Ms. Tse Wun

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited

166 Hennessy Road

Wanchai

Hong Kong

Agricultural Bank of China, Lianyungang
Branch

No. 43 North Tong-guan Road

Xinpu, Lianyungang

Jiangsu Province

PRC



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International
(Cayman) Limited
P.O. Box 705
Butterfield House
Fort Street
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Century Yard
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P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 41st Floor, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong Law:
Morrison & Foerster
41st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Cayman Islands Law:
Conyers Dill & Pearman, Cayman
Century Yard
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Grand Cayman
British West Indies

As to PRC Law:
Tianping Law Office
Unit 1107/08, CNT Manhattan Building
6 Chaoyangmen Beidajie
Beijing
PRC

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited
Unit A, 29th Floor
Admiralty Centre I
18 Harcourt Road
Hong Kong



FINANCIAL HIGHLIGHTS

For the six months ended 30 June, 2007, the Group recorded the following operational results:

- Turnover was approximately HK\$503.82 million, an increase of approximately 52.3% over the same period last year;
- Profit attributable to the Group was approximately HK\$86.06 million, approximately 49.8% higher than the same period last year;
- Basic earnings per share were HK 3.80 cents, approximately 49.6% higher compared with the same period last year; and
- Cash and cash equivalents as at 30 June, 2007 was approximately HK\$1,759.72 million.

For the second quarter ended 30 June, 2007, the Board of Directors (the “Directors”) declared the dividend payment of HK 1.5 cents per share; plus the dividend of HK 1 cent paid in the first quarter, a total of HK 2.5 cents will be paid for the first two quarters.



CORPORATE PROFILE

Sino Biopharmaceutical Limited (the "Company"), together with its subsidiaries, an associate and a jointly-controlled entity (the "Group"), is an integrated pharmaceutical enterprise. Applying advanced biotechnology and modernized Chinese medicinal technology, the Group researches, develops, manufactures and markets a vast array of health enhancing biopharmaceuticals, modernized Chinese medicines and chemical medicines. The Group has also strategically expanded into the energy chemical industry. Through its wholly-owned subsidiary Chia Tai Refined Chemical Industry Limited, the Group has entered into an agreement to establish a joint venture engaging in the refining of coal to olefin (MTO) products in Yulin City, Shaanxi Province, the People's Republic of China (the "PRC").


The Group's products can be grouped under two major therapeutic categories: cardio-cerebral diseases and hepatitis. It also actively develops medicines for treating tumors, analgesia, respiratory system diseases, diabetes and digestive system diseases to meet the increasing demands of the market, medical practitioners and patients.

Principal products:

Cardio-cerebral medicines:	Kaishi (Alprostadil) injections, Spring (Purarin) injections
Hepatitis medicines:	Ganlixin (Diammonium Glycyrhizinate) injections and capsules, Tianqingfuxin (Marine) injections and capsules
Oncology medicines:	Tianqingyitai (Zolebronate Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections

Products with great potential:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrhizinate) injections, Tianqingganping (Diammonium Glycyrhizinate) enteric capsules, Mingzheng (Adefovir Dipivoxil) capsules
Cardio-cerebral medicines:	Tianqinggan (Glycerin and Fructose) injections, Tianqingning (Hydroxyethylstarch 130) injections
Oncology medicines:	Renyi (Pamidronate Disodium) injections
Respiratory medicines:	Tianqingzhengshu (Loratadine) tablets
Diabetes medicines:	Taibai (Metformin Hydrochloride) sustained release tablets, Beijia (Nateglinide) tablets



The medicines which have received Good Manufacturing Practice (“GMP”) certifications issued by the State Food and Drug Administration (“SFDA”) of the PRC are in the following dosage forms: large volume injections, small volume injections, PVC-free soft bags for intravenous injections, capsules, tablets, powdered medicines and granulated medicines. The Group also received the GMP Certification for Health Food in capsules from the Department of Health of Jiangsu Province.

The Group’s principal subsidiary: Jiangsu Chia Tai – Tianqing Pharmaceutical Co. Ltd. (“JCTT”) and the jointly-controlled entity, Beijing Tide Pharmaceutical Co. Ltd. (“Beijing Tide”) have both been designated “High and New Technology Enterprises” and “Foreign Invested Advanced Technology Enterprise”. Beijing Tide also received the “Key New and High Technology Enterprises” certificate from the High-tech Industry Development Center of the Ministry of Science and Technology of the PRC in June 2006. Beijing Chia Tai Green Continent Pharmaceutical Co. Ltd., another subsidiary of the Group, was also hailed as a “High and New Technology Enterprise”.

The research center of JCTT was recognized as the “Postdoctoral Research & Development Institute” by the PRC’s Ministry of Personnel. It is the country’s unique “New Hepatitis Medicine Research Center”.

The Group’s website: <http://www.sinobiopharm.com>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

After going through adjustment, standardization and a shrink in economic return in 2006, 2007 saw a turnaround in the operating environment of the Chinese pharmaceutical industry with robust growth in production and sales and improving economic returns. The improvement is largely the result of government efforts to enhance the new cooperation medical system in rural areas and the establishment of the community medical facilities.

The SFDA promulgated the revised “Guidance for Medicine Registration” in the first half year, which has raised the entry barrier to the industry ensuring the safety of medicines at the origin and also encouraged research and development (“R&D”) of new medicines. The launching and implementation of the revised legislation is expected to have deep impact on the development of the Chinese pharmaceutical industry in the long run and investment mode, market operation and enterprise management will evolve around the new guiding parameters. R&D of new medicines will be providing the key impetus for growth to the PRC pharmaceutical industry.

BUSINESS REVIEW

During the period under review, the Group focused on strengthening and expanding its sales network as well as enhancing brand image. It injected most of the resources into “blockbuster” products and new products with growth potential and carried out market differentiation for mature products. It expanded targeted end-markets from primarily major



hospitals to local and community hospitals and drug stores. At the same time, it stepped up academic promotion and end-user market development and maintenance for new products with growth potential. These initiatives, which aimed to facilitate the Group to gain market share and improve operational efficiency, were proven effective in the period under review.

The Group recorded turnover of approximately HK\$503.82 million during the period under review, an increase of approximately 52.3% against the same period last year. Profit attributable to the Group was approximately HK\$86.06 million, approximately 49.8% higher than in the same period last year. Basic earnings per share were approximately HK 3.80 cents, representing an increase of approximately 49.6% when compared with the corresponding period last year. Cash equivalents and bank balance totaled approximately HK\$1,759.72 million.

The Group continued to focus on developing specialized medicines where its strengths lie so as to build up its brand as a specialty medicine enterprise. Leveraging on its existing medicine series for treating cardio-cerebral diseases and hepatitis, the Group also actively developed oncology medicines, analgesic medicines, diabetic drugs and respiratory medicines, etc.


The Group's principal profit contributors are JCTT, Beijing Tide, Nanjing Chia Tai Tianqing Pharmaceutical Co. Ltd. ("NJCTT") and Chia Tai Qingchunbao Pharmaceutical Co., Ltd..

Cardio-cerebral medicines

Mainly manufactured by Beijing Tide and NJCTT, cardio-cerebral medicines accounted for approximately 22.2% of the Group's turnover. The segment's major product-Kaishi injections- is produced by Beijing Tide. Manufactured based on the Drug Delivery System (DDS) theory, the product is the first micro-sphere target sustained release medicine in the PRC. As the product boosts stronger therapeutic power and minimal side effects when compared with general medicines in the market, it has been very well received among medical practitioners as well as patients. For the six months ended 30 June, 2007, its sales reached approximately HK\$195.00 million.

Another cardio-cerebral medicine of the Group, the Spring PVC-free soft bags for intravenous injections ("Spring"), is manufactured by NJCTT and JCTT. Although "Spring" is a widely recognized brand in the market, with Purarin injections under government scrutiny for adverse health effects, medical practitioners have been more cautious in prescribing the medicines. As a result, sales of the product were affected slightly, totaling approximately HK\$18.60 million for the six months ended 30 June, 2007.

Since NJCTT introduced Tianqinggan injections in April 2004, the medicine has gained acceptance among doctors and patients and reported rapid growth in sales. For the six months ended 30 June, 2007, sales of the product amounted to approximately HK\$12.46 million, approximately 45.4% more than that of last year.



Another product with huge potential is NJCTT's Tianqingning injections which was available to the market since 2007. This new product is a plasma-volume expander for patients with blood volume deficiencies. As this product can be used as plasma for all blood types, it has high clinical value and thus huge market potential.

Hepatitis medicines

JCTT is responsible for manufacturing hepatitis medicines. Its sales amounted to approximately HK\$304.29 million for the six months ended 30 June, 2007 and accounted for approximately 60.4% of the Group's turnover. Of all the different hepatitis medicines, Ganlixin injections and capsules, a medicine for protecting the liver and lowering enzyme levels, brought in the most revenue. Taking into consideration factors including the region distribution and the living standard of hepatitis B patients, the Group has adjusted its sales strategy for the product from primarily large hospitals to cover also local and community hospitals and drug stores (through the affordable daily dosage cost of Ganlixin injections and capsules, and the positive therapeutic effect and good image of the medicine recognized by doctors and patients) and has achieved finer market segmentation and expanded sales network. For the six months ended 30 June, 2007, the sales of Ganlixin injections and capsules rebounded to approximately HK\$130.23 million, an increase of approximately 4.7% against the same period last year.

Tianqingganping enteric capsules, which was launched by the Group in May 2004, is famous for its adequate expedient dosage for protecting liver while lowering enzyme level. With its high therapeutic value and well protected intellectual property right, the medicine has reported consistent growth in sales since it was launched. For the review period, its sales reached approximately HK\$30.71 million, approximately 24.3% higher when compared with the corresponding period last year. The product has become a "blockbuster" drug of the Group.

The Tianqingganmei injections for treating severe hepatitis, which was launched in 2006, has intellectual property right protection. It reported continuous growth in sales with total sales for the review period reaching approximately HK\$18.08 million, approximately 206.6% more than the same period last year. It is expected to quickly become another "blockbuster" drug of the Group.

Tianqingfuxin injections and capsules is the bestseller among the modernized Chinese medicine for combating the hepatitis virus. Facing intense market competition and thus pricing pressure for the six months ended 30 June, 2007, although the product is the top brand in the market, its sales revenue dropped approximately 6.8% to approximately HK\$47.02 million against the same period last year.



The Group launched a patented new hepatitis medicine called Mingzheng capsules in July 2006. A first-tier medicine by international standard for combating hepatitis virus, the product has been well received after it was launched. For the six months ended 30 June, 2007, its sales reached approximately HK\$75.79 million. The Group is very optimistic about the prospect of the product and believes its sales for the year would exceed RMB100 million.

JCTT continues to focus strategically on developing the market for the Group's two major hepatitis medicines that can protect the liver while lowering enzyme levels and combating hepatitis virus. It has enhanced the Group to build a strong brand image in the two therapeutic areas.

Oncology medicines

The Group's oncology medicines are mainly developed and manufactured by JCTT and NJCTT. These include mainly Tianqingyitai injections and Renyi injections, which together accounted for approximately 5.4% of the Group's turnover. When Tianqingyitai injections was launched in January 2005 as a new oncology medicine, it drew immediate attention from medical practitioners and patients. Its sales has been on the rise since then to reach approximately HK\$22.61 million in the period under review, representing an increase of approximately 33.5% when compared with the corresponding period last year.

Analgesic medicines

In 2005, the Group launched an analgesic medicine line put out by Beijing Tide. The major product in the new line is the micro-sphere target sustained release analgesic injection-Kaifen injections. Produced based on the DDS theory and enabled by advanced target technology, the product boosts strong pain relieving power and minimal side effects. With these advantages and actively promoted by the Group in the past two years, the product enjoys wide acceptance among medical practitioners today. Sales of the product for the six months ended 30 June, 2007 grew rapidly to approximately HK\$20.60 million, approximately 458.3% higher than in the same period last year. Analgesic medicines is expected to become a key area to be developed for the Group's market.

Diabetic medicines

The Group's diabetic medicines are manufactured by JCTT. The main product in this category is Taibai sustained release tablets for lowering blood sugar level, which was launched in 2004. Taking into account that there are more than 30 million diabetics in the PRC and the first-tier diabetic medicine's sustained release feature which can keep patients' blood sugar level steady, the product is expected to record remarkable sales in the future.

RESEARCH AND DEVELOPMENT

During the period under review, the Group had a total of 67 cases which have completed clinical research or under clinical trial or have applied for production approval. It is currently developing 22 cardio-cerebral medicines, 9 hepatitis medicines, 3 oncology medicines, 1 analgesia medicine, 4 respiratory system medicines and 5 diabetic medicines.

The Group is engaged in self-development and co-development of innovative drugs, and development of generic drugs. In addition to developing its own products, the Group has strived to fully utilize R&D resources in the larger community and join force with local and international R&D institutes to raise its own R&D standard and hasten related development.

During the period under review, the Group had filed 10 invention patent applications and obtained 30 patents. It owns a total of 76 patents, including 3 utility model patents and 13 apparel design patents. Among its new main patented products that have promising market potentials are the cardio-cerebral medicines: Kaishi injections, Tianqingganmei injections and Mingzheng capsules.

INVESTORS' RELATIONS

The Group believes by practicing good corporate governance, it can increase operational transparency. To this end, during the period under review, the management initiated meetings with fund managers and analysts to provide them with the latest information of the Group, which have helped to strengthen the Group's relations with investors. The Group also posts its annual report and interim report, quarterly, interim and annual results announcements, other announcements and circulars on the Company's website and the website of Hong Kong Exchanges and Clearing Limited. Its aim is to maintain a high degree of transparency in the aspect of disclosure of financial and other information of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity remains strong. During the period, the Group's primary source of funds was cash derived from operating activities and disposal of Sino Concept Technology Limited. As at 30 June, 2007, the Group's bank balance and cash in hand was approximately HK\$1,759.72 million (31 December, 2006: approximately HK\$1,684.16 million).

CAPITAL STRUCTURE

As at 30 June, 2007, the Group had a short term loan of approximately HK\$51.35 million (31 December, 2006: Nil).

CHARGE ON ASSETS

As at 30 June, 2007, the Group did not have any charges on assets (31 December, 2006: Nil).

CONTINGENT LIABILITIES

As at 30 June, 2007, neither the Group, nor the Company had any significant contingent liabilities (31 December, 2006: HK\$8,464,000).



ASSETS AND GEARING RATIO

As at 30 June, 2007, the total assets of the Group amounted to approximately HK\$2,368.98 million (31 December, 2006: approximately HK\$2,215.11 million) whereas the total liabilities amounted to approximately HK\$343.14 million (31 December, 2006: approximately HK\$183.61 million). The gearing ratio (total liabilities over total assets) was approximately 14.5% (31 December, 2006: approximately 8.3%).

EMPLOYEE AND REMUNERATION POLICIES

The Group remunerates its employees based on their performance, experience and the prevailing market rates. Other employee benefits include mandatory provident fund, insurance and medical coverage, subsidized training programmes as well as a share option scheme. Total staff costs (including Directors' remuneration) for the period were HK\$86,388,000 (30 June, 2006: HK\$59,437,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Most of the assets and liabilities of the Group were denominated in Renminbi, US dollars and HK dollars. In the PRC, foreign investment enterprises are authorized to convert Renminbi to foreign currency in respect of current account items (including payment of dividend and profit to the foreign joint venture partner). The exchange rate of HK dollars and US dollars is pledged under the fixed linked system over a long period of time. The Directors consider that the Group is not significantly exposed to foreign currency risk and no hedging or other alternatives have been implemented.

OUTLOOK AND PROSPECT

Using profits from the pharmaceutical business and its abundant capital reserves, the Group plans to:

- 1. Realize the full potential of the Group***

In 2007, the pharmaceutical industry continues to be a growth industry operating in a market filled with challenges as well as opportunities. As the country's medical system reform hastens and the new rural area cooperative medical system and community medical system network continue to development, the pharmaceutical industry will keep growing and present players with vast opportunities. The Group will continue to apply advanced biotechnology and modernized Chinese medicinal technology in developing and producing medicines that meet market demands. It will also focus on special therapeutic areas and develop other product series to enhance its advantageous position and strengthen its specialty brands. The Group will strive to enlarge market share by continually introducing blockbuster drugs that meet the market needs. By strengthening internal management and lowering cost, it aims to boost operational efficiency.

2. ***Speed up mergers, acquisitions and restructuring***

The promulgation and implementation of the “Administrative Measures on the Registration of Pharmaceutical Products”, tightening of production quality, management and regulation, and adjustment and standardization of product circulation in the market are all factors driving consolidation of the pharmaceutical industry in the PRC. Players in the course of enhancing their capabilities with regard to merger and acquisition, R&D, management skills, achieving end market share and branding will be exposed to both opportunities and challenges and see production and the market becoming more centralized. With a strong reputation and profound experience of investment management in the PRC pharmaceutical industry and abundant capital reserve, the Group has attracted merger and acquisition propositions from a number of large enterprises in and outside the country. The Group believes through such deals, it will be able to establish new income streams, develop its business in strong strides and reinforce its industry leadership.

3. ***Invest in and develop the MTO business***

Against the backdrop of hefty petroleum price, the Group believes producing olefin using coal, a low cost material, will open the olefin industry to a competitively priced material supply. The move presents the Group with a new driver for long term growth.

The Group reported outstanding sales and profit swelling at a CAGR of 16% and 33% respectively in the past five years. In addition, it has been among the top 100 most profitable enterprises in the PRC pharmaceutical industry in the past five consecutive years. The Group will continue to do its utmost to innovate, enlarge market share, lower operating costs and enhance returns for shareholders.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our shareholders for their trust, support and understanding, as well as to all staff for their dedication and diligence.

RESULTS

The Board announces the unaudited consolidated results of the Group for the six months ended 30 June, 2007 together with the comparative unaudited consolidated results for 2006 as follows:

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June,	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
REVENUE	3	503,823	330,818
Cost of sales		(96,584)	(68,019)
Gross profit		407,239	262,799
Other income and gains	3	42,760	37,053
Selling and distribution costs		(213,559)	(153,672)
Administrative expenses		(63,436)	(53,320)
Other expenses		(34,836)	(16,526)
Finance costs	4	(227)	(409)
Share of the profit of an associate		38	–
PROFIT BEFORE TAX	5	137,979	75,925
Tax	6	(20,924)	(4,214)
PROFIT FOR THE PERIOD		117,055	71,711
Attributable to:			
Equity holders of the parent		86,057	57,437
Minority interests		30,998	14,274
		117,055	71,711
DIVIDENDS			
– quarterly	7	56,599	45,280
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic		HK3.80 cents	HK2.54 cents
– Diluted		HK3.80 cents	HK2.54 cents

Condensed Consolidated Balance Sheet

	Notes	30 June, 2007 HK\$'000 (Unaudited)	31 December, 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		243,802	237,955
Prepaid land lease payments		17,034	16,541
Goodwill		42,101	42,031
Other intangible assets		22,064	19,343
Interests in an associate		5,227	5,189
Available-for-sale investments		29,820	29,820
Deferred tax assets		4,244	4,244
TOTAL NON-CURRENT ASSETS		364,292	355,123
CURRENT ASSETS			
Inventories		48,122	40,877
Trade receivables	9	161,837	112,268
Prepayments, deposits and other receivables		33,469	20,488
Due from related companies		1,541	2,192
Cash and cash equivalents	10	1,759,715	1,684,162
TOTAL CURRENT ASSETS		2,004,684	1,859,987
CURRENT LIABILITIES			
Trade payables	11	29,087	23,868
Other payables and accruals		234,824	136,249
Tax payable		14,850	9,873
Due to related companies		107	917
Bank and other borrowings		51,345	–
TOTAL CURRENT LIABILITIES		330,213	170,907
NET CURRENT ASSETS		1,674,471	1,689,080
TOTAL ASSETS LESS CURRENT LIABILITIES		2,038,763	2,044,203
NON-CURRENT LIABILITIES			
Deferred government grants		7,702	7,475
Deferred tax liabilities		5,229	5,229
TOTAL NON-CURRENT LIABILITIES		12,931	12,704
NET ASSETS		2,025,832	2,031,499
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT			
Issued capital	12	56,599	56,599
Reserves		1,849,643	1,806,684
Proposed final dividend		–	45,279
		1,906,242	1,908,562
MINORITY INTERESTS		119,590	122,937
TOTAL EQUITY		2,025,832	2,031,499

Consolidated Statement of Changes in Equity
For the six months ended 30 June, 2007

	Attributable to equity holders of the parent											Total equity
	Share			Assets			Exchange		Proposed		Minority interests	
	Issue of share capital	premium account	Contributed surplus	Capital reserve	revaluation reserve	Reserve fund	fluctuation reserve	Retained profits	final dividend	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January, 2006 as previously reported	56,599	281,846	22,419	17,520	7,961	67,885	5,841	1,359,217	33,959	1,853,247	121,997	1,975,244
Total income and expense recognized directly in equity	-	-	-	-	-	985	2,161	-	-	3,146	-	3,146
Net profit for the period	-	-	-	-	-	-	-	57,437	-	57,437	14,274	71,711
Total income and expense for the period	-	-	-	-	-	985	2,161	57,437	-	60,583	14,274	74,857
2006 Interim dividend paid to equity shareholders	-	-	-	-	-	-	-	(45,280)	-	(45,280)	-	(45,280)
2005 Final dividend paid to equity shareholders	-	-	-	-	-	-	-	-	(33,959)	(33,959)	-	(33,959)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(45,376)	(45,376)
Transfer from/(to) retained earnings	-	-	-	-	-	5,423	-	(5,423)	-	-	-	-
At 30 June, 2006	56,599	281,846	22,419	17,520	7,961	74,293	8,002	1,365,951	-	1,834,591	90,895	1,925,486
Transfer to retained profits arising from disposals of subsidiaries	-	-	(1,676)	-	-	-	-	1,676	-	-	-	-
As restated	56,599	281,846	20,743	17,520	7,961	74,293	8,002	1,367,627	-	1,834,591	90,895	1,925,486
Exchange realignment	-	-	-	-	-	3,676	6,684	-	-	10,360	-	10,360
Total income and expense recognized directly in equity	-	-	-	-	-	3,676	6,684	-	-	10,360	-	10,360
Net profit for the period	-	-	-	-	-	-	-	83,735	-	83,735	27,521	111,256
Total income and expense for the period	-	-	-	-	-	3,676	6,684	83,735	-	94,095	27,521	121,616
Capital contribution by minority interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	3,112	3,112
2006 Interim dividend paid to equity shareholders	-	-	-	-	-	-	-	(22,640)	-	(22,640)	-	(22,640)
Proposed 2006 final dividend	-	-	-	-	-	-	-	(45,279)	45,279	-	-	-
Surplus on revaluation of buildings	-	-	-	-	2,516	-	-	-	-	2,516	1,409	3,925
Transfer from/(to) retained profits	-	-	-	-	-	5,308	-	(5,308)	-	-	-	-
At 31 December 2006 and 1 January 2007	56,599	281,846	20,743	17,520	10,477	83,277	14,686	1,378,135	45,279	1,908,562	122,937	2,031,499

Consolidated Statement of Changes in Equity (Cont'd)
 For the six months ended 30 June, 2007

	Attributable to equity holders of the parent											
	Share			Assets		Exchange		Proposed			Minority	Total
	Issue of	premium	Contributed	Capital	revaluation	Reserve	fluctuation	Retained	final	Total		
	share capital	account	surplus	reserve	reserve	fund	reserve	profits	dividend			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 December, 2006 and 1 January, 2007	56,599	281,846	20,743	17,520	10,477	83,277	14,686	1,378,135	45,279	1,908,562	122,937	2,031,499
Exchange realignment	-	-	-	-	-	2,173	11,328	-	-	13,501	-	13,501
Total income and expense recognized directly in equity	-	-	-	-	-	2,173	11,328	-	-	13,501	-	13,501
Net profit for the period	-	-	-	-	-	-	-	86,057	-	86,057	30,998	117,055
Total income and expense for the period	-	-	-	-	-	2,173	11,328	86,057	-	99,558	30,998	130,556
Purchase of a new subsidiary	-	-	-	-	-	-	-	-	-	-	(3,113)	(3,113)
2007 Interim dividend paid to equity shareholders	-	-	-	-	-	-	-	(56,599)	-	(56,599)	-	(56,599)
2006 Final dividend paid to equity shareholders	-	-	-	-	-	-	-	-	(45,279)	(45,279)	-	(45,279)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(31,232)	(31,232)
Transfer from/(to) retained earnings	-	-	-	-	-	9,672	-	(9,672)	-	-	-	-
At 30 June, 2007	56,599	281,846	20,743	17,520	10,477	95,122	26,014	1,397,921	-	1,906,242	119,590	2,025,832

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June,	
	2007 Unaudited HK\$'000	2006 Unaudited HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	56,021	52,707
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	64,019	25,580
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	(51,146)	(32,343)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	68,894	45,944
Cash and cash equivalents at beginning of year	1,684,162	1,696,013
Effect of foreign exchange rate changes, net	6,659	949
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,759,715	1,742,906
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	296,130	202,896
Time deposits with original maturity of less than three months when acquired	1,463,585	1,540,010
	1,759,715	1,742,906

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 periodic re-measurement of certain property, plant and equipment and prepaid land lease payment. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The condensed consolidated financial information should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December, 2006.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 June, 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the period has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Impact on the change of accounting standards

The following new standards, amendments to standards and interpretations are relevant to the Group and are mandatory for financial year ending 31 December, 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the interim results and financial position of the Group.

2. SEGMENT INFORMATION

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the six months ended 30 June, 2007 and 2006:

Six months ended 30 June, 2007	Cardio-cerebral medicines HK\$'000	Hepatitis medicines HK\$'000	Oncology medicines HK\$'000	Investment HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:							
Sales to external customers	111,641	304,292	28,731	-	54,110	-	498,774
Dividend income	-	-	-	5,049	-	-	5,049
Total	111,641	304,292	28,731	5,049	54,110	-	503,823
Segment results	32,258	70,389	6,060	3,225	(2,137)	-	109,795
Interest income and unallocated gains							42,760
Unallocated expenses							(14,387)
Finance costs							(227)
Share of profit of an associate							38
Profit before tax							137,979
Tax							(20,924)
Profit for the period							117,055
Assets and liabilities							
Segment assets	176,913	429,128	37,477	1,595,357	121,038	-	2,359,913
Interest in an associate	-	-	-	4,819	-	-	4,819
Other unallocated assets							4,244
Total assets							2,368,976
Segment liabilities	58,515	169,642	14,689	40,909	39,310	-	323,065
Other unallocated liabilities							20,079
Total liabilities							343,144
Other segment information:							
Depreciation and amortisation	2,946	6,129	550	1,041	1,536	-	12,202
Capital expenditure	3,340	7,725	649	1,852	1,653	-	15,219
Other non-cash expenses	7	366	30	-	32	-	435

Six months ended 30 June, 2006	Cardio-cerebral medicines HK\$'000	Hepatitis medicines HK\$'000	Oncology medicines HK\$'000	Investment HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Segment revenue:							
Sales to external customers	82,939	195,324	18,513	-	28,330	-	325,106
Dividend income	-	-	-	5,712	-	-	5,712
Total	82,939	195,324	18,513	5,712	28,330	-	330,818
Segment results							
	21,665	31,076	2,595	6,743	132	-	62,211
Interest income and unallocated gains							37,053
Unallocated expenses							(22,930)
Finance costs							(409)
Profit before tax							75,925
Tax							(4,214)
Profit for the period							71,711
Assets and liabilities							
Segment assets	156,162	345,686	30,324	1,631,629	57,912	-	2,221,713
Other unallocated assets							3,648
Total assets							2,225,361
Segment liabilities	68,002	152,772	13,189	28,896	22,217	-	285,076
Other unallocated liabilities							7,175
Total liabilities							292,251
Other segment information:							
Depreciation and amortisation	2,910	5,581	529	655	1,446	-	11,121
Capital expenditure	3,159	9,701	875	1,540	1,522	-	16,797
Other non-cash expenses	5	51	4	-	6	-	66

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and dividend income from an unlisted investment.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenue		
Sale of goods	498,774	325,106
Dividend income	5,049	5,712
	503,823	330,818
Other income		
Bank interest income	40,851	36,595
Government grants	273	–
Sale of scrap materials	1,119	2
Others	516	350
	42,759	36,947
Gains		
Gain on disposal of property, plant and equipment	1	106
	1	106
Total other income and gains	42,760	37,053

4. FINANCE COSTS

	For the six months ended 30 June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Interest on bank loans wholly repayable within one year	227	409
Total interests	227	409

5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Cost of sales	96,584	68,019
Depreciation	11,551	10,232
Amortization of intangible assets	651	889
Research and development costs	32,465	16,025
	141,251	95,165
Minimum lease payments under operating leases:		
Land and buildings	1,982	1,765
	1,982	1,765
Auditors' remuneration	398	573
Staff costs (including directors' remuneration)		
– Wages and salaries	80,873	54,063
– Pension contributions	5,515	5,374
	86,388	59,437
Provision for doubtful debts	1,936	–
Exchange gain/(loss), net	589	(1,087)

6. TAX

	For the six months ended 30 June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Provision for the period:		
Mainland China income tax	17,834	1,549
Tax attributable to a jointly controlled entity	3,090	2,665
Total tax charge for the period	20,924	4,214

No Hong Kong profits tax has been provided for the six months ended 30 June, 2007 as there was no assessable profit arising in or derived from Hong Kong during the period (2006: 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 years. If these Foreign Investment Enterprises are qualified as "Advanced Technology Enterprises", they can extend three more years for 50% tax reduction. The Group's principal operating subsidiaries and a jointly-controlled entity are qualified as "High and New Technology Enterprises" and "Advanced Technology Enterprises".

As at 30 June, 2007, JCTT and Beijing Tide are subject to an income tax rate of 15% and 12% respectively (2006: 15% and 12%).

7. DIVIDENDS

The Board has declared a second quarter dividend of HK1.5 cents per ordinary share for the three months ended 30 June, 2007 (2006: HK1 cent). The dividend will be paid to shareholders on Tuesday, 9 October, 2007 whose names appear on the Register of Members of the Company on Tuesday, 25 September, 2007.

The Register of Members of the Company will be closed from Friday, 21 September, 2007 to Tuesday, 25 September, 2007, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the second quarter dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Thursday, 20 September, 2007.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$86,057,000 (2006: HK\$57,437,000), and the weighted average number of 2,263,968,736 (2006: 2,263,968,736) ordinary shares in issue during the period.

The calculation of basic earnings per share is based on:

	For the six months ended	
	30 June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	86,057	57,437
Number of shares		
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,263,968,736	2,263,968,736

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit term is generally up to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aged analysis of the Group's trade receivables as at the balance sheet dates, based on invoice date and net of provisions, is as follows:

	30 June,	31 December,
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Current to 90 days	153,386	105,900
91 days to 180 days	6,693	4,367
Over 180 days	1,758	2,001
	161,837	112,268



10. CASH AND CASH EQUIVALENTS

	30 June, 2007 <i>HK\$'000</i> (Unaudited)	31 December, 2006 <i>HK\$'000</i> (Audited)
Cash and bank balances	296,130	122,923
Time deposits	1,463,585	1,561,239
	1,759,715	1,684,162

11. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the balance sheet dates, based on invoice date, is as follows:

	30 June, 2007 <i>HK\$'000</i> (Unaudited)	31 December, 2006 <i>HK\$'000</i> (Audited)
Current to 90 days	27,363	22,015
91 days to 180 days	364	1,033
Over 180 days	1,360	820
	29,087	23,868

12. SHARE CAPITAL

	30 June, 2007 <i>HK\$'000</i> (Unaudited)	31 December, 2006 <i>HK\$'000</i> (Audited)
<i>Authorised:</i>		
4,000,000,000 ordinary shares of HK\$0.025 each (2006: 4,000,000,000 ordinary shares of HK\$0.025 each)	100,000	100,000
<i>Issued and fully paid:</i>		
2,263,968,736 ordinary shares of HK\$0.025 each (2006: 2,263,968,736 ordinary shares of HK\$0.025 each)	56,599	56,599

13. RELATED PARTY TRANSACTION

The Group had the following material transactions with related parties during the period:

	For the six months ended	
	30 June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<hr/>		
Sales of products to:		
– a Company indirectly owned by a director (note a)	486	–
– a fellow subsidiary with a common shareholder of a subsidiary's Chinese joint venture partner (note b)	7,499	795
Purchase of raw materials from:		
– a Chinese joint venture partner of a subsidiary (note c)	2,129	2,463
Operating lease rentals payable to:		
– a Chinese joint venture partner of a subsidiary (note d)	301	289
– a company beneficially owned by a director (note d)	390	350

Notes:

- (a) Sales of products to the Company indirectly owned by a director were conducted with reference to the market prices.
- (b) Sales of products to a fellow subsidiary with a common shareholder of a subsidiary's Chinese joint venture partner were conducted with reference to the market prices.
- (c) Purchases of raw materials were conducted with reference to the market prices.
- (d) Lease rentals were based on tenancy agreements entered into between the Group and each of the related parties with reference to the market prices.

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

As at 30 June, 2007, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or 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 by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follow:

Long positions in ordinary shares of the Company

Name of director	Notes	Capacity/Nature of Interest	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
			Directly beneficially owned	Through controlled corporations	Through spouse		
Mr. Tse Ping	(1)	Beneficial owner	45,000,000	1,035,488,908	-	1,080,488,908	47.73%
Ms. Cheng Cheung Ling	(2)	Deemed interest	-	-	1,080,488,908	1,080,488,908	47.73%
Mr. Tao Huiqi		Beneficial owner	6,000,000	-	-	6,000,000	0.27%
Mr. Tse Hsin		Beneficial owner	25,800,000	-	-	25,800,000	1.14%
Ms. Zhao Yanping		Beneficial owner	636,000	-	-	636,000	0.03%
Mr. Zhang Baowen		Beneficial owner	1,200,000	-	-	1,200,000	0.05%

Notes:

- (1) Mr. Tse Ping held 1,035,488,908 shares through Remarkable Industries Limited and Validated Profits Limited. The entire issued share capital of these companies is owned by Mr. Tse Ping.
- (2) Ms. Cheng Cheung Ling is the spouse of Mr. Tse Ping and is therefore deemed to be interested in the same shares in which Mr Tse Ping has an interest.

Long position in shares of an associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Number of shares	Percentage of shareholding
Mr. Tse Hsin	江蘇正大天晴藥業股份有限公司 (Jiangsu Chia Tai-Tianqing Pharmaceutical Co., Ltd.) ⁽¹⁾	Beneficial owner	173,250	0.18%
	南京正大天晴製藥有限公司 (Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd.) ⁽²⁾	Beneficial owner	39,592	0.78%
Mr. Zhang Baowen	JCTT	Beneficial owner	173,250	0.18%
	NJCTT	Beneficial owner	39,592	0.78%

Save as disclosed above, as at 30 June, 2007, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Notes:

- (1) JCTT is owned as to 60% by a wholly-owned subsidiary of the Company.
- (2) NJCTT is owned as to 51% by JCTT.

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


As at 30 June, 2007, the following persons (not being a Director or chief executive of the Company) had the following 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 and/or underlying shares

Name	Notes	Capacity/Nature of interest	Number of shares and/or underlying shares of the Company	Approximate percentage of issued share capital of the Company
Validated Profits Limited	(1)	Beneficial owner	795,488,908	35.14%
Remarkable Industries Limited	(1)	Beneficial owner	240,000,000	10.60%
The Goldman Sachs Group, Inc.	(2)	Interest of controlled corporations	215,828,000	9.53%
Conspicuous Group Limited		Beneficial owner	142,431,091	6.29%
Chia Tai Development Investment Company Limited	(3)	Interest of a controlled corporation	142,431,091	6.29%
Mr. Dhanin Chearavanont	(4)	Interest of a controlled corporation	142,431,091	6.29%

Notes:

- (1) Each of Validated Profits Limited and Remarkable Industries Limited is an investment holding company wholly-owned by Mr. Tse Ping who is also the sole director of each of these companies and a Director.
- (2) The 215,828,000 shares were held as to 215,280,000 shares by Goldman Sachs (Asia) Finance ("Goldman Finance") and 548,000 shares by Goldman Sachs International ("Goldman International"). Based on the disclosure of interests filing received by the Company, Goldman Finance is a controlled corporation of Goldman Sachs (Asia) Finance Holdings L.L.C., which in turn is a controlled corporation of Goldman Sachs & Co., which in turn is a controlled corporation of The Goldman Sachs Group, Inc., all of which are deemed under SFO to be interested in the same 215,280,000 shares. Goldman International is a controlled corporation of Goldman Sachs Holdings (U.K.), which in turn is a controlled corporation of Goldman Sachs Group Holdings (U.K.), which in turn is a controlled corporation of Goldman Sachs U.K. L.L.C., which in turn is a controlled corporation of The Goldman Sachs Group Inc., all of which are deemed under SFO to be interested in the same 548,000 shares.
- (3) Chia Tai Development Investment Company Limited ("CT Development") has declared an interest in the same 142,431,091 shares in which Conspicuous Group Limited has declared an interest, by virtue of its shareholding in Conspicuous Group Limited.
- (4) Mr. Dhanin Chearavanont has declared an interest in the same 142,431,091 shares in which CT Development has declared an interest for the purpose of the SFO as mentioned in Note (3) above, by virtue of his shareholding in CT Development.



Save as disclosed above, as at 30 June, 2007, no other person (not being a Director or chief executive of the Company) had an interest or a 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

Pursuant to the Corporate Governance Report which was incorporated in the Company's 2006 Annual Report, it was noted that the Company had complied with all the Code Provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules except with a deviation from Code Provision A.2.1.

In the opinion of the Directors, the Company had continued to comply with all the Code Provisions set out in the CG Code of the Listing Rules throughout the six months ended 30 June, 2007, with the exception of a deviation from Code Provision A.2.1:—

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tse Ping is the Chairman and Chief Executive Officer of the Company. The board of Directors (the "Board") considers that Mr. Tse Ping's substantial experience in the pharmaceutical business and management will enhance the Company's decision making and operational efficiency. To help achieve a better balance of power and authority, the Chairman discusses important issues and decisions relating to the Group's business with other Executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, it was confirmed that all Directors have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.



INDEPENDENT NON-EXECUTIVE DIRECTORS, AUDIT COMMITTEE AND REVIEW OF RESULTS

The Group has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of the independent non-executive directors (“INEDs”) and at least an INED with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed three INEDs including one with financial management expertise, details of their biographies were set out in the 2006 Annual Report of the Company.

The Audit Committee is comprised of three INEDs. It has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited financial statements of the Company for the six months ended 30 June, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the period from 1 January, 2007 to 30 June, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BOARD OF DIRECTORS

As at the date of this report, the board of the Company comprises six executive directors, namely Mr. Tse Ping, Mr. Tao Huiqi, Mr. He Huiyu, Ms. Cheng Cheung Ling, Mr. Tse Hsin and Mr. Zhang Baowen, and three independent non-executive directors, namely Mr. Lu Zhengfei, Mr. Li Dakui and Ms. Li Jun.

By Order of the Board

Sino Biopharmaceutical Limited
Tse Ping
Chairman

PRC, 6 September, 2007