



SINO BIOPHARMACEUTICAL LIMITED

中國生物製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: www.sinobiopharm.com

(Stock code: 1177)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER, 2007

FINANCIAL HIGHLIGHTS

For the year ended 31 December, 2007, the Group recorded the following operational results:

- Turnover was approximately HK\$1,164.27 million, an increase of approximately 58.5% over the same period last year;
- Profit attributable to the Group was approximately HK\$224.35 million, approximately 58.9% higher than the same period last year;
- Basic earnings per share were HK9.91 cents, approximately 58.8% higher compared with the same period last year;
- Sales of new products accounted for approximately 41.6% of the Group's total revenue; and
- Cash and cash equivalents as at 31 December, 2007 was approximately HK\$1,775.75 million.

For the year ended 31 December, 2007, the Board of Directors (the "Directors") recommended a final dividend payment of HK2 cents per share. Together with the dividend of HK4 cents per share paid in the first three quarters, the total dividend for the year will be HK6 cents per share.

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, through its wholly-owned subsidiary Chia Tai Refined Chemical Industry Limited, 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 Glycyrrhizinate) injections and capsules, Mingzheng (Adefovir Dipivoxil) capsules Tianqingfuxin (Marine) injections and capsules
Oncology medicines:	Tianqingyitai (Zolebronnate Acid) injections
Analgesic medicines:	Kaifen (Flurbiprofen Axetil) injections

Products with great potential:

Hepatitis medicines:	Tianqingganmei (Magnesium Isoglycyrrhizinate) injections, Tianqingganping (Diammonium Glycyrrhizinate) enteric 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 Enterprises". Beijing Tide also received the "Key New and High Technology Enterprise" 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

In 2007, the China pharmaceutical industry made steady advancement, withstanding regulatory guidance, and returned on the path of growth. The industry at large reported notable economic gain. This achievement was owned to major government effort in building a medical assurance system in the country. At the same time, the authority also stepped up monitor on medicines with the support of the newly amended “Guidance for Administration of Medicine Registration”, which increased the transparency of the medicine monitor and approval process and verification of ingredients used in producing different medicines. Clear definition was introduced to separate high technological content medicines from those without innovative input. The recently amended “GMP Medicines Accreditation Standards” also raised GMP medicine accreditation standards and commanded strengthening of related management software. The new standards have put pharmaceutical production under more stringent scrutiny.

Business Review

The pharmaceutical industry continued to consolidate and standardize in 2007. Despite facing increasingly stringent regulations and rising costs, the Group upheld the strategy of striving for steady development. It endeavored to integrate the strength of all companies within the Group to optimize resources allocation and pool together its core competitiveness. It cemented its foundation for growth through JCTT’s equity interest in Nanjing Chia Tai Tianqing Pharmaceutical Co., Ltd. (“NJCTT”), Jiangsu Chia Tai Fenghai Pharmaceutical Co., Ltd., Yancheng Suhai Pharmaceutical Co., Ltd. and Jiangsu Chia Tai Qingjiang Pharmaceutical Co., Ltd.. Upon completion of the restructuring, JCTT will directly own a total of seven subsidiaries and a corporate structure capable of bringing to its business maximum cost effectiveness. Furthermore, the Group maintained effort in building and strengthening its sales network. It also mounted more aggressive academic promotion and innovative campaigns for main products and products with strong potential and boosted its corporate brand as well as product brands for the purpose of sustaining growth. A number of the Group’s main pharmaceutical products maintained dominance in their respective markets. While placing emphasis on enhancing management and sales, the Group also put major effort on research and development (“R&D”) and intellectual property protection and encouraged innovation among its different operations. Through its persistent efforts over the years, patented products have brought huge returns to the Group.

In 2006, the Company, through its wholly-owned subsidiary Chia Tai Refined Chemical Industry Limited, signed a joint venture agreement with three companies to establish Shaanxi Xinxing Energy Chemical Industry Limited (“SSEC”), which it has 43% interest. SSEC is mainly in the business of refining coal into methanol in Shaanxi. Taking into account the current high price of petroleum, extracting low carbon olefin from cheaper coal as a new source of material for producing methanol has strategic value. The project is in early preparation to make sure it will abide by environmental protection and water resources standards required of such projects.

The Group recorded turnover of approximately HK\$1,164.27 million during the year under review, an increase of approximately 58.5% against the same period last year. Profit attributable to the Group was approximately HK\$224.35 million, approximately 58.9% higher than in the same period last year. Basic earnings per share were approximately HK9.91 cents, representing an increase of approximately 58.8% when compared with the corresponding period last year. Cash equivalents and bank balance totaled approximately HK\$1,775.75 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 hepatitis and cardio-cerebral diseases, 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, NJCTT and Chia Tai Qingchunbao Pharmaceutical Co., Ltd..

Cardio-cerebral medicines

Mainly manufactured by Beijing Tide and NJCTT, cardio-cerebral medicines accounted for approximately 22.5% of the Group’s turnover. The segment’s major product Kaishi injections produced by Beijing Tide works on the Drug Delivery System (DDS) theory to improve cardio-cerebral micro-circulation blockage. It is the first micro-sphere target sustained release medicine in the PRC. The proprietary pharmaceutical technology makes the product more effective relative to similar products, thus allows it to occupy majority market share. The product has received many national prizes and Beijing Tide received the “High and New Technology Enterprise in Beijing” title again in 2007. For the year ended 31 December, 2007, sales of the product amounted to approximately HK\$443.18 million, making it the best selling product of the Group.

The sales of the Spring PVC-free soft bags for intravenous injections and the Spring injections manufactured by NJCTT continued to be stable since launch. NJCTT was named “Model Enterprise for establishment of quality and trustful medicines” by the PRC Pharmaceutical Quality Control Association in 2007. For the year ended 31 December, 2007, sales of the two products increased to approximately HK\$37.72 million, which sustained a growth when compared with 2006.

The sales of Tianqinggan injections manufactured and sold by NJCTT grew satisfactorily since it was launched in 2004. For the year ended 31 December, 2007, the product recorded sales of approximately HK\$25.76 million.

NJCTT's Tianqingning injections, which was launched in 2006, 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 huge market potential. For the year ended 31 December, 2007, the product recorded sales of approximately HK\$14.73 million, an increase of approximately 4,238.9% when compared with 2006.

Hepatitis medicines

Hepatitis medicines is one of JCTT's main product series. It recorded sales of approximately HK\$688.44 million for the year ended 31 December, 2007 and accounted for approximately 59.1% of the Group's turnover.

JCTT mainly produces two categories of hepatitis medicines that can protect the liver while lowering enzyme levels and combating hepatitis virus. Ganlixin injections and capsules made with ingredients extracted from Licorice are the Group's number 1 hepatitis medicine brand and the second largest sales contributor. After the protection period of the product expired, many replicas have emerged in the market, resulting in intensified competition. Despite this situation, Tianqingganping enteric capsules with better therapeutic effect than Ganlixin capsules and its intellectual property right being protected, continued to record increase in sales, representing a growth of approximately 31.0% when compared with last year. In 2005, JCTT launched the patented medicine Tianqingganmei injections, which was made with Isoglycyrrhizinate separated from Licorice. The product has shown bright prospects and for the year under review, its recorded growth in sales of approximately 216.5% against the previous year. The Group believes that medicines made with ingredients extracted from Licorice will help to maintain JCTT's leadership in the market for medicines protecting the liver and lowering enzyme levels.

The Group launched a new patented hepatitis medicine called Mingzheng capsules in 2006. As a first-tier synthetic drug for combating hepatitis virus in the international market, the product has been well received by the market since launch with sales growing rapidly. For the year ended 31 December, 2007, its sales amounted to approximately HK\$206.38 million, an approximately 569.6% growth when compared with 2006. The Group believes Mingzheng capsules have become another blockbuster product for combating hepatitis virus among its product offerings.

Tianqingfuxin injections and capsules are the modernized Chinese medicines for fighting hepatitis virus. Intense market competition had dragged down their prices as well as sales when compared with last year.

Oncology medicines

The Group's oncology medicines including Tianqingyitai injections and Renyi injections are mainly developed and manufactured by JCTT and NJCTT. For the year ended 31 December, 2007, sales of oncology medicines amounted to approximately HK\$56.90 million, an increase of approximately 36.1% as compared with last year.

Analgesic medicines

Kaifen injections is an analgesic medicine developed and manufactured by Beijing Tide and launched in 2005. It is a Flurbiprofen Axetie microsphere target sustained release analgesic injection produced based on the DDS theory and enabled by advanced target technology. The product is famous for strong pain relieving effect with minimal side effects and has been well received by medical practitioners and patients since launch. Sales of the product for the year ended 31 December, 2007 amounted to approximately HK\$60.80 million, approximately 279.5% higher than that as compared with last year, showing strong growth potential.

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 future.

RESEARCH AND DEVELOPMENT

The Group continues to focus its R&D efforts on cardio-cerebral, hepatitis, oncology, analgesia and respiratory system medicines. During the year under review, a total of 70 cases had completed clinical research, or were under clinical trial or applying for production approval. Currently, 23 cardio-cerebral medicines, 9 hepatitis medicines, 3 oncology medicines, 1 analgesia medicine, 4 respiratory system medicines and 5 diabetic medicines are being developed.

The Group develops innovative and generic drugs by itself as well as in coordination with other parties. To enhance its R&D capabilities and accelerate product development, the Group conducts joint development projects with local and international R&D institutes. Viewing R&D as fundamental to its sustainable development and with the country encouraging development of innovative enterprises, the Group has kept investing R&D over the years. It invested approximately HK\$49.99 million in R&D in 2007, representing a comparable of approximately 4.3% of sales income for the year.

The Group also places great importance on intellectual right protection. It diligently resorts to appropriate legal means to protect its rights in the area, such as applying for invention patents and utility model patents to strengthen its competitive edges. In 2007, the Group filed 22 patents and announced 23 invention patent applications, and obtained 98 invention patents and 2 apparel design patents. The Group owns a total of 132 invention patents, 3 utility model patents and 15 apparel design patents. In all, it has filed 27 patent applications and announced 169 invention patent applications. The Group's main patented products generating high profitability and promising market potentials are Mingzheng capsules and Tianqingganmei injections.

INVESTOR RELATIONS

The Group believes practicing good corporate governance will help to increase transparency of its operation. During the year under review, the Group had arranged various press conferences and investors presentations to keep analysts and fund managers up to date with the latest development of the Group.

The Group has also relentlessly expanded its local and overseas investors' network by actively participating in different investor forums during the year under review, including the DBS Vickers' "Asia Corporate Conference Day" in the United States and Corporate Day in Hong Kong. The management also organized a plant visit in Beijing for CLSA in November to enhance the investors' understanding of the Group's operation. In addition, the management held more than 20 investors meetings or teleconferences with renowned international investment institutions in Hong Kong and the PRC, namely CLSA, JP Morgan, Cazenove, ABN Amro, Normura, etc. These events helped the investors to understand more about the Group's business operations, and promote the Group's core competencies and investment values to overseas investors, so as to strengthen the Group's shareholders base.

The Group also posts its annual and interim reports, quarterly, interim and annual results announcements, disclosure and circulars on the Company website and the website of Hong Kong Exchanges and Clearing Limited. Its aim is to maintain a high degree of transparency in relation to all disclosure of financial and other information.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company had complied with all the Code Provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December, 2007 with the exception of the following deviations:-

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.
2. Code Provision E.1.2 stipulates that the chairman of the independent board committee should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. Due to unexpected business commitment, Mr. Lu Zhengfei was unable to attend an extraordinary general meeting held on 18 December, 2007 for approving the connected transactions.

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 (the “Model Code”). 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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s liquidity remains strong. During the year, the Group’s primary source of funds was cash derived from operating activities and disposal of Sino Concept Technology Limited in 2005. As at 31 December, 2007, the Group’s bank balance and cash in hand was approximately HK\$1,775.75 million (2006: approximately HK\$1,684.16 million).

CAPITAL STRUCTURE

As at 31 December, 2007, the Group had short term loans of approximately HK\$36.98 million and long term loans of approximately HK\$21.38 million (2006: Nil).

CHARGE ON ASSETS

As at 31 December, 2007, certain of the Group’s buildings with a net book value of approximately HK\$16,279,000 (2006: Nil) were pledged to secure bank borrowings granted to the Group.

CONTINGENT LIABILITIES

As at 31 December, 2007, the Group had no contingent liability (2006: Nil).

ASSETS AND GEARING RATIO

As at 31 December, 2007, the total assets of the Group amounted to approximately HK\$2,595.66 million (2006: approximately HK\$2,215.11 million) whereas the total liabilities amounted to approximately HK\$375.36 million (2006: approximately HK\$183.61 million). The gearing ratio (total liabilities over total assets) was approximately 14.5% (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 year were approximately HK\$181,918,000 (2006: approximately HK\$128,839,000).

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 pegged 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

The Chinese economy has a positive outlook in 2008. With the government investing in public health and medical protection provisions for the people and braced by continuous growth of the population and economy, the pharmaceutical market in the country has huge development potential and players can look forward to maintaining fast growth. However, as there are a number of factors, it will create considerable cost pressure and pose challenges to the industry.

On the strong profit from its pharmaceutical operations and with abundant capital, the Group will continue to expand in the pharmaceutical market, striving to strengthen the management of production and ensure product safety, thereby boost its corporate brand and market share. By pursuing continuously technological advancement, development of new products and innovation, the Group pledges to keep introducing quality products to meet market needs. It will also boost its core competitiveness, improve its corporate governance and optimize resources allocation so as to reduce operating costs and achieve cost effectiveness. Over the years, building on its capabilities and position in the pharmaceutical industry in China and with strong capital base, the Group has kept attracting cooperation proposals from many large domestic and foreign enterprises. The Group will also seek to speed up growth through mergers and acquisitions and restructuring and consolidate its business operations, with the aim of growing the strength and scale of its business.

On the coal to olefin business front, with global oil price standing persistently high, extracting low carbon olefin from cheaper coal as the source of material for producing methanol will bring stable and promising revenue to the Group. The new business will become a new profit growth driver of the Group in the long run.

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 consolidated results of the Group for the year ended 31 December, 2007 together with the comparative consolidated results for 2006 as follows:

Condensed Consolidated Income Statement

		For the year ended 31 December,	
		2007	2006
	Notes	HK\$'000	HK\$'000
REVENUE	3	1,164,274	734,652
Cost of sales		(205,764)	(138,788)
Gross profit		958,510	595,864
Other income and gains	3	98,367	91,486
Selling and distribution costs		(503,751)	(327,720)
Administrative expenses		(154,708)	(121,802)
Other expenses		(53,743)	(31,254)
Finance costs	4	(2,575)	(2,205)
Share of profit of an associate		216	704
PROFIT BEFORE TAX	5	342,316	205,073
Tax	6	(33,972)	(22,106)
PROFIT FOR THE YEAR		308,344	182,967
Attributable to:			
Equity holders of the parent		224,353	141,172
Minority interests		83,991	41,795
		308,344	182,967
DIVIDENDS			
– quarterly	7	90,560	67,920
– Proposed final		45,279	45,279
		135,839	113,199
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic	8	HK9.91 cents	HK6.24 cents
– Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

		31 December, 2007	31 December,
	<i>Notes</i>	HK\$'000	2006
			<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		339,400	237,955
Prepaid land lease payments		29,282	16,541
Goodwill		44,322	42,031
Other intangible assets		29,804	19,343
Interests in an associate		–	5,189
Available-for-sale investments		63,895	29,820
Deferred tax assets		15,076	4,244
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		521,779	355,123
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		70,125	40,877
Trade receivables	9	199,751	112,268
Prepayments, deposits and other receivables		26,238	20,488
Due from related companies		2,020	2,192
Cash and cash equivalents	10	1,775,751	1,684,162
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		2,073,885	1,859,987
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	11	36,167	23,868
Other payables and accruals		227,608	136,249
Interest-bearing bank borrowings		36,980	–
Tax payable		18,292	9,873
Due to related companies		4,553	917
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		323,600	170,907
		<hr/>	<hr/>
NET CURRENT ASSETS		1,750,285	1,689,080
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,272,064	2,044,203
		<hr/>	<hr/>

	<i>Notes</i>	31 December, 2007 HK\$'000	31 December, 2006 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		21,376	–
Deferred government grants		7,551	7,475
Deferred tax liabilities		13,993	5,229
Due to a related company		8,841	–
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		51,761	12,704
		<hr/>	<hr/>
NET ASSETS		2,220,303	2,031,499
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	<i>12</i>	56,599	56,599
Reserves		1,917,370	1,806,684
Proposed final dividend		45,279	45,279
		<hr/>	<hr/>
		2,019,248	1,908,562
MINORITY INTERESTS		201,055	122,937
		<hr/>	<hr/>
TOTAL EQUITY		2,220,303	2,031,499
		<hr/> <hr/>	<hr/> <hr/>

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 certain buildings and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December, 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 year 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 of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material impact on these financial statements.

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

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 years ended 31 December, 2007 and 2006:

Year ended	Modernized Chinese Medicines	Investment	Others	Eliminations	Total
31 December, 2007	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:					
Sales to external customers	1,093,118	–	66,107	–	1,159,225
Dividend income	–	5,049	–	–	5,049
Total	<u>1,093,118</u>	<u>5,049</u>	<u>66,107</u>	–	<u>1,164,274</u>
Segment results	<u>306,632</u>	<u>(15,596)</u>	<u>(8,581)</u>	–	282,455
Interest income and unallocated gains					98,367
Unallocated expenses					(36,147)
Finance costs					(2,575)
Share of profit of an associate					216
Profit before tax					342,316
Tax					(33,972)
Profit for the year					<u>308,344</u>
Assets and liabilities					
Segment assets	1,059,697	1,502,615	18,276	–	2,580,588
Other unallocated assets					15,076
Total assets					<u>2,595,664</u>
Segment liabilities	322,866	13,313	6,897	–	343,076
Other unallocated liabilities					32,285
Total liabilities					<u>375,361</u>
Other segment information:					
Depreciation and amortisation	<u>25,190</u>	<u>3,769</u>	<u>728</u>	–	<u>29,687</u>
Capital expenditure	<u>79,232</u>	<u>1,636</u>	<u>3,060</u>	–	<u>83,928</u>
Other non-cash expenses	<u>1,216</u>	–	–	–	<u>1,216</u>

Year ended	Modernized Chinese Medicines <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December, 2006					
Segment revenue:					
Sales to external customers	723,606	–	5,334	–	728,940
Dividend income	–	5,712	–	–	5,712
Total	723,606	5,712	5,334	–	734,652
Segment results	197,288	(47,782)	(3,164)	–	146,342
Interest income and unallocated gains					91,486
Unallocated expenses					(31,254)
Finance costs					(2,205)
Share of profit of an associate					704
Profit before tax					205,073
Tax					(22,106)
Profit for the year					182,967
Assets and liabilities					
Segment assets	571,722	1,590,619	43,744	–	2,206,085
Interest in an associate	–	4,781	–	–	4,781
Other unallocated assets					4,244
Total assets					2,215,110
Segment liabilities	148,790	17,173	2,546	–	168,509
Other unallocated liabilities					15,102
Total liabilities					183,611
Other segment information:					
Depreciation and amortisation	20,057	1,486	795	–	22,338
Capital expenditure	45,551	5,319	28,253	–	79,123
Other non-cash expenses	100	–	–	–	100

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 year ended 31 December,	
	2007	2006
	HK\$'000	HK\$'000
Revenue		
Sale of goods	1,159,225	728,940
Dividend income	5,049	5,712
	<u>1,164,274</u>	<u>734,652</u>
Other income		
Bank interest income	81,273	80,648
Government grants	14,891	3,347
Sale of scrap materials	1,223	2,715
Others	939	4,581
	<u>98,326</u>	<u>91,291</u>
Gains		
Gain on disposal of property, plant and equipment	41	73
Revaluation surplus of property, plant and equipment	–	122
	<u>41</u>	<u>195</u>
Total other income and gains	<u>98,367</u>	<u>91,486</u>

4. FINANCE COSTS

	For the year ended 31 December,	
	2007	2006
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within one year	2,575	2,205
Total interests	<u>2,575</u>	<u>2,205</u>

5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the year ended 31 December,	
	2007	2006
	HK\$'000	HK\$'000
Cost of sales	205,764	138,788
Depreciation	27,855	21,267
Recognition of prepaid land lease payments	726	300
Amortization of intangible assets	1,106	771
Write off of other intangible assets	200	–
Research and development costs	49,988	27,183
Minimum lease payments under operating leases:		
Land and buildings	4,889	3,752
Auditors' remuneration	1,062	1,031
Staff costs (including directors' remuneration)		
– Wages and salaries	174,451	123,120
– Pension contributions	7,467	5,719
	<u>181,918</u>	<u>128,839</u>
Provision for doubtful debts	1,094	208
Exchange loss, net	(198)	(1,308)
	<u><u>181,918</u></u>	<u><u>128,839</u></u>

6. TAX

	For the year ended 31 December,	
	2007	2006
	HK\$'000	HK\$'000
Provision for the year:		
Mainland China income tax	41,002	20,647
Deferred tax	(7,030)	1,459
Total tax charge for the year	<u><u>33,972</u></u>	<u><u>22,106</u></u>

No Hong Kong profits tax has been provided for the year ended 31 December, 2007 as there was no assessable profit arising in or derived from Hong Kong during the year (2006: Nil).

PRC income tax is provided at the rates applicable to enterprises in the PRC on 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 31 December, 2007, JCTT and Beijing Tide were subject to an income tax rate of 15% and 10% respectively (2006: 15% and 12%).

7. DIVIDENDS

The Board has recommended a final quarter dividend of HK2 cents per ordinary share for the year ended 31 December, 2007 (2006: HK2 cents). The dividend will be paid to shareholders on Monday, 30 June, 2008 whose names appear on the Register of Members of the Company on Tuesday, 24 June, 2008.

The Register of Members of the Company will be closed from Friday, 20 June, 2008 to Tuesday, 24 June, 2008, both days inclusive, during which period no transfer of share of the Company will be effected. In order to qualify for the final 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, 19 June, 2008.

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 year of approximately HK\$224,353,000 (2006: approximately HK\$141,172,000), and the weighted average number of 2,263,968,736 (2006: 2,263,968,736) ordinary shares in issue during the year.

The calculation of basic earnings per share is based on:

	2007	2006
	<i>HK\$’000</i>	<i>HK\$’000</i>
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>224,353</u>	<u>141,172</u>
	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>2,263,968,736</u>	<u>2,263,968,736</u>

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 period range from 60 days to 180 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:

	31 December, 2007 HK\$'000	31 December, 2006 HK\$'000
Current to 90 days	161,477	105,900
91 days to 180 days	35,109	4,367
Over 180 days	3,165	2,001
	<u>199,751</u>	<u>112,268</u>

10. CASH AND CASH EQUIVALENTS

	31 December, 2007 HK\$'000	31 December, 2006 HK\$'000
Cash and bank balances, unrestricted	265,107	122,923
Time deposits with original maturity of less than three months	1,415,180	1,561,239
Time deposits with original maturity of more than three months	95,464	—
	<u>1,775,751</u>	<u>1,684,162</u>

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:

	31 December, 2007 HK\$'000	31 December, 2006 HK\$'000
Current to 90 days	33,032	22,015
91 days to 180 days	2,288	1,033
Over 180 days	847	820
	<u>36,167</u>	<u>23,868</u>

12. SHARE CAPITAL

	31 December, 2007 HK\$'000	31 December, 2006 HK\$'000
<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

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 will be set out in the 2007 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 financial statements of the Company for the year ended 31 December, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year from 1 January, 2007 to 31 December, 2007, 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

PRC, 27 March, 2008

As at the date of this announcement, 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.