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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)

DISCLOSEABLE TRANSACTION

The Directors announce that on 8 July, 2008, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreements to acquire from Brave Lion and Haier Group Co their respective 25% and 26% equity interests in the Target Company, at a total consideration of RMB38,250,000 (approximately HK\$42,412,000).

Brave Lion and Haier Group Co are the existing equity holders of the Target Company holding 25% and 75% equity interests in its registered capital, respectively. On 8 July, 2008, Haier Group Co also entered into an equity transfer agreement with Qingdao Hai Chun (an Independent Third Party) pursuant to which Qingdao Hai Chun will acquire a 9% equity interest in the Target Company from Haier Group Co.

Upon completion of the Qingdao Haier Pharmaceutical Acquisitions and of the separate acquisition by Qingdao Hai Chun from Haier Group Co, Qingdao Hai Chun, the Purchaser and Haier Group Co will hold 9%, 51% and 40% equity interests in the Target Company, representing the amounts of RMB4,786,000 (approximately HK\$5,307,000), RMB27,123,000 (approximately HK\$30,074,000) and RMB21,273,000 (approximately HK\$23,587,000), respectively in the registered capital of the Target Company, and the Target Company will become a subsidiary of the Company, and its financial results will be consolidated into the Company's accounts. On 8 July, 2008, Qingdao Hai Chun, the Purchaser and Haier Group Co also entered into the New JV Contract and the New Articles to reflect the respective parties' equity interests and corresponding rights in the Target Company following completion of such acquisitions.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Qingdao Haier Pharmaceutical Acquisitions exceed 5% but are below 25%, the Qingdao Haier Pharmaceutical Acquisitions together constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, further details of the Qingdao Haier Pharmaceutical Acquisitions will be dispatched to the shareholders of the Company as soon as practicable.

THE QINGDAO HAIER PHARMACEUTICAL ACQUISITIONS

On 8 July, 2008, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreements to acquire from Brave Lion and Haier Group Co their respective 25% and 26% equity interests in the Target Company, at a total consideration of RMB38,250,000 (approximately HK\$42,412,000).

Brave Lion and Haier Group Co are the existing equity holders of the Target Company holding 25% and 75% equity interests in its registered capital, respectively. On 8 July, 2008, Haier Group Co also entered into an equity transfer agreement with Qingdao Hai Chun (an Independent Third Party) pursuant to which Qingdao Hai Chun will acquire a 9% equity interest in the Target Company from Haier Group Co.

Upon completion of the Qingdao Haier Pharmaceutical Acquisitions and of the separate acquisition by Qingdao Hai Chun from Haier Group Co, Qingdao Hai Chun, the Purchaser and Haier Group Co will hold 9%, 51% and 40% equity interests in the Target Company, representing the amounts of RMB4,786,000 (approximately HK\$5,307,000), RMB27,123,000 (approximately HK\$30,074,000) and RMB21,273,000 (approximately HK\$23,587,000), respectively in the registered capital of the Target Company, and the Target Company will become a subsidiary of the Company, and its financial results will be consolidated into the Company's accounts.

The Brave Lion Equity Transfer Agreement

Date:

8 July, 2008

Parties:

- (i) the Purchaser, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company (as the purchaser); and
- (ii) Brave Lion, a limited liability company incorporated in Hong Kong, being an Independent Third Party which is principally engaged in trading and sales.

Pursuant to the Brave Lion Equity Transfer Agreement, the Purchaser has agreed to purchase and Brave Lion has agreed to sell a 25% equity interest in the registered capital of the Target Company. Upon completion of the Brave Lion Equity Transfer Agreement, Brave Lion will cease to have any equity interest in the registered capital of the Target Company.

Consideration

The consideration payable by the Purchaser to Brave Lion for a 25% equity interest in the registered capital of the Target Company is RMB18,750,000 (approximately HK\$20,790,000). The consideration payable by the Purchaser to Brave Lion will be satisfied by cash within 30 days after the conditions of completion of the 25% Qingdao Haier Pharmaceutical Acquisition have been satisfied. The consideration was determined and agreed between the parties after arm's length negotiations and was based on the asset value of the Target Company as at 30 September, 2007 and the potential prospects of the pharmaceutical and health food business in the PRC taking into account the continuous growth of the PRC population and economy and the PRC government's investment in public health and medical protection provision in recent years.

The Group intends to finance the 25% Qingdao Haier Pharmaceutical Acquisition by its own internal resources.

Conditions of the completion of the 25% Qingdao Haier Pharmaceutical Acquisition

Completion of the 25% Qingdao Haier Pharmaceutical Acquisition is conditional upon the fulfillment of the following conditions:

- (i) the other equity holder in the Target Company (being Haier Group Co) giving its approval to the 25% Qingdao Haier Pharmaceutical Acquisition and its consent to waive the pre-emptive right in respect of the 25% Qingdao Haier Pharmaceutical Acquisition; and
- (ii) the necessary approvals or consent being obtained from the relevant PRC foreign economic & trade commission in relation to the 25% Qingdao Haier Pharmaceutical Acquisition.

The Haier Group Co Equity Transfer Agreement

Date:

8 July, 2008

Parties:

- (i) the Purchaser, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company (as the purchaser); and
- (ii) Haier Group Co, a limited liability company established in the PRC and an Independent Third Party which is a substantial equity holder of the Target Company. It is principally engaged in the manufacturing of home appliances, digital products, communication equipment, digital calculators and accessories, ordinary machineries, kitchen utensils and industrial use robots; the wholesale distribution and retail sale in the PRC; the import and export business; the provision of financial and technology consultancy services; and the research and transfer of technology efforts.

Pursuant to the Haier Group Co Equity Transfer Agreement, the Purchaser has agreed to purchase and Haier Group Co has agreed to sell a 26% equity interest in the registered capital of the Target Company.

Consideration

The consideration payable by the Purchaser to Haier Group Co for a 26% equity interest in the registered capital of the Target Company is RMB19,500,000 (approximately HK\$21,622,000). The consideration payable by the Purchaser to Haier Group Co will be satisfied by cash within 30 days after the conditions of completion of the 26% Qingdao Haier Pharmaceutical Acquisition have been satisfied. The consideration was determined and agreed between the parties after arm's length negotiations and was based on the net asset value of the Target Company as at 30 September, 2007 and the potential prospects of the pharmaceutical and health food business in the PRC taking into account the continuous growth of the PRC population and economy and the PRC government's investment in public health and medical protection provision in recent years.

The Group intends to finance the 26% Qingdao Haier Pharmaceutical Acquisition by its own internal resources.

Conditions of the completion of the 26% Qingdao Haier Pharmaceutical Acquisition

Completion of the 26% Qingdao Haier Pharmaceutical Acquisition is conditional upon the fulfillment of the following conditions:

- (i) the other equity holder in the Target Company (being Brave Lion) giving its approval to the 26% Qingdao Haier Pharmaceutical Acquisition and its consent to waive the pre-emptive right in respect of the 26% Qingdao Haier Pharmaceutical Acquisition; and
- (ii) the necessary approvals or consent being obtained from the relevant PRC foreign economic & trade commission in relation to the 26% Qingdao Haier Pharmaceutical Acquisition.

The New JV Contract and New Articles

Date:

8 July, 2008

Parties:

- (i) the Purchaser;
- (ii) Haier Group Co; and
- (iii) Qingdao Hai Chun, a limited liability company incorporated in the PRC, an Independent Third Party. Qingdao Hai Chun is principally engaged in the provision of investment and economic information consultancy service.

Qingdao Hai Chun, the Purchaser and Haier Group Co entered into the New JV Contract and the New Articles to reflect the respective parties' equity interests and corresponding rights in the Target Company following completion of the Qingdao Haier Pharmaceutical Acquisitions and of the separate acquisition by Qingdao Hai Chun from Haier Group Co. Pursuant to the terms of the New JV Contract, neither Qingdao Hai Chun, the Purchaser and Haier Group Co is required to make any capital commitment or future investment.

Completion of the Qingdao Haier Pharmaceutical Acquisitions

Upon completion of the Qingdao Haier Pharmaceutical Acquisitions and the separate acquisition by Qingdao Hai Chun from Haier Group Co, the Target Company will be owned as to 9%, 51% and 40% by Qingdao Hai Chun, the Purchaser and Haier Group Co, respectively and the Target Company will become a subsidiary of the Company, and its financial results will be consolidated into the Company's accounts.

Upon completion of the Qingdao Haier Pharmaceutical Acquisitions and the separate acquisition by Qingdao Hai Chun from Haier Group Co, the board of directors of the Target Company will comprise 5 directors, 3 of whom will be appointed by the Purchaser and 2 by Haier Group Co.

The total consideration of the Qingdao Haier Pharmaceutical Acquisitions will be RMB38,250,000 (approximately HK\$42,412,000).

Information on the Target Company and its two subsidiaries

The Target Company was established in the PRC on 24 November, 1994 as a limited liability company. The registered capital of the Target Company is US\$7,560,000 (approximately HK\$58,968,000). The Target Company is presently owned as to 25% by Brave Lion and 75% by Haier Group Co. The Target Company is principally engaged in the production of pharmaceutical products and production and sale of health food. The Target Company currently holds the entire equity interest in 青島恒生堂大藥房有限公司 (Qingdao Hang Seng Tang Pharmaceutical Company Limited) ("**Qingdao HST**") and 青島海爾醫藥有限公司 (Qingdao Haier Medicine Company Limited) ("**Qingdao Haier Medicine**"). Qingdao HST was established in the PRC on 22 February, 2002 as a limited liability company. The registered capital of Qingdao HST is RMB1,250,000 (approximately HK\$1,386,000). Qingdao Haier Medicine was established on 5 November, 2004 as a limited liability company. The registered capital of Qingdao Haier Medicine is RMB5,000,000 (approximately HK\$5,544,000). Qingdao HST is principally engaged in the retail of pharmaceutical products and Qingdao Haier Medicine is principally engaged in the wholesale of pharmaceutical products.

The tables below set out selected financial information on the Target Company, Qingdao HST and Qingdao Haier Medicine based on their audited accounts (prepared in accordance with the PRC accounting standards) for the two years ended 31 December, 2007:

Target Company

	Year ended 31 December, 2007	Year ended 31 December, 2006
	<i>RMB '000</i>	<i>RMB '000</i>
Turnover	51,083	49,218
Profit before taxation	3,445	157
Taxation	769	349
Profit/(Loss) after taxation	2,676	(192)

Qingdao HST

	Year ended 31 December, 2007	Year ended 31 December, 2006
	<i>RMB '000</i>	<i>RMB '000</i>
Turnover	12,169	10,473
Profit before taxation	157	205
Taxation	106	101
Profit after taxation	51	104

Qingdao Haier Medicine

	Year ended 31 December, 2007	Year ended 31 December, 2006
	<i>RMB '000</i>	<i>RMB '000</i>
Turnover	101,917	90,022
(Loss) before taxation	(2,794)	(497)
Taxation	–	54
(Loss) after taxation	(2,794)	(551)

The net asset value of the Target Company, Qingdao HST and Qingdao Haier Medicine as at 31 December, 2007 were RMB48,236,000 (approximately HK\$53,484,000), RMB1,087,000 (approximately HK\$1,205,000) and RMB5,098,000 (approximately HK\$5,653,000) respectively (based on the audited accounts prepared in accordance with PRC accounting standards).

As provided in the New JV Contract and the New Articles, the name of the Target Company will be changed to 青島正大海爾製藥有限公司 (Qingdao Chia Tai Haier Pharmaceutical Co., Ltd.).

REASONS FOR THE QINGDAO HAIER PHARMACEUTICAL ACQUISITIONS

The Group is principally engaged in the research, development, production and sale of a series of modernized Chinese medicines and chemical medicines for the treatment of hepatitis and cardio-cerebral diseases. It is also developing medicines for treating oncology, analgesia, respiratory system, diabetes and digestive system diseases. It is also engaged in the refining of coal into olefin industry through the setting up of a joint venture company in Shaanxi Province.

As stated in the section headed “Information on the Target Company” in this announcement, the business carried on by the Target Company is similar and complementary to that carried on by the Group. The Board believes that the Qingdao Haier Pharmaceutical Acquisitions are consistent with the Group’s business objective relating to the establishment and increase of business alliances with pharmaceutical enterprises. Further, the Qingdao Haier Pharmaceutical Acquisitions will enable the Company to acquire a controlling equity interest in the Target Company, allowing the Target Company to become a subsidiary of the Company and its financials to be consolidated into the Company’s accounts.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreements, the New JV Contract, the New Articles and the transactions contemplated therein are on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

COMPLIANCE WITH THE LISTING RULES

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Qingdao Haier Pharmaceutical Acquisitions exceed 5% but are below 25%, the Qingdao Haier Pharmaceutical Acquisitions together constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, further details of the Qingdao Haier Pharmaceutical Acquisitions will be dispatched to the shareholders of the Company as soon as practicable.

Definitions

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors, or a duly authorized committee of the board of Directors
“Brave Lion”	Brave Lion (HK) Limited (勇獅(香港)有限公司), a limited liability company incorporated in Hong Kong and an Independent Third Party

“Brave Lion Equity Transfer Agreement”	the equity transfer agreement dated 8 July, 2008 entered into between Brave Lion and the Purchaser in relation to the 25% Qingdao Haier Pharmaceutical Acquisition
“Company”	Sino Biopharmaceutical Limited (中國生物製藥有限公司), a company incorporated in the Cayman Islands whose shares are listed and traded on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreements”	the Brave Lion Equity Transfer Agreement and the Haier Group Co Equity Transfer Agreement
“Group”	the Company and its subsidiaries
“Haier Group Co”	海爾集團公司 (Haier Group Company), a limited liability company established in the PRC, an Independent Third Party and a substantial equity holder of the Target Company
“Haier Group Co Equity Transfer Agreement”	the equity transfer agreement dated 8 July, 2008 entered into between Haier Group Co and the Purchaser in relation to the 26% Qingdao Haier Pharmaceutical Acquisition
“HK\$”	HK dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an independent person not connected with the Group or any of the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Articles”	the new articles of association of the Target Company relating to the New JV Contract dated 8 July, 2008 entered into between the Purchaser, Haier Group Co and Qingdao Hai Chun
“New JV Contract”	the new joint venture contract of the Target Company dated 8 July, 2008 entered into between the Purchaser, Haier Group Co and Qingdao Hai Chun
“PRC”	the People’s Republic of China

“Purchaser”	Chia Tai Wing Fuk Limited (正大永福有限公司), a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of the Company
“Qingdao Hai Chun”	青島海淳投資諮詢有限公司 (Qingdao Hai Chun Investment Information Co., Ltd.), a limited liability company incorporated in the PRC, an Independent Third Party
“Qingdao Haier Pharmaceutical Acquisitions”	the acquisition by the Purchaser of the aggregate 51% equity interest in the registered capital of the Target Company under the 25% Qingdao Haier Pharmaceutical Acquisition and the 26% Qingdao Haier Pharmaceutical Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 32, Laws of Hong Kong)
“Target Company”	青島海爾藥業有限公司 (Qingdao Haier Pharmaceutical Co., Ltd.), a limited liability company incorporated in the PRC on 24 November, 1994, which is owned as to 25% by Brave Lion and 75% by Haier Group Co, respectively. Pursuant to the New JV Contract and the New Articles, the name will be changed to 青島正大海爾製藥有限公司 (Qingdao Chia Tai Haier Pharmaceutical Co., Ltd.)
“25% Qingdao Haier Pharmaceutical Acquisition”	the acquisition of the 25% equity interest in the registered capital of the Target Company by the Purchaser under the Brave Lion Equity Transfer Agreement
“26% Qingdao Haier Pharmaceutical Acquisition”	the acquisition of the 26% equity interest in the registered capital of the Target Company by the Purchaser under the Haier Group Co Equity Transfer Agreement
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.

Notes:

1. In this announcement, the following exchange rates have been used for conversion into the relevant currency for indication only: RMB1.00 to HK\$1.1088; and US\$1.00 to HK\$7.80.
2. In the event of inconsistency between the Chinese names of the PRC entities mentioned in this announcement and their English translations, the Chinese version shall prevail.

By Order of the Board
Sino Biopharmaceutical Limited
Tse Ping
Chairman

PRC, 8 July, 2008

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